M.R.O. 14—10,000—21-4-22

MADRAS RECORD OFFICE.

Government of Madras.

Revenue **DEPARTMENT.**

G.O. No.	1660-A — 1661	Press ~~Mis.~~
63-68		
Dated	9— 12 —	1859.

Not to be folded or roughly handled

Read again the following letters.

From the Government of India dated 7th September and recorded in proceedings of the 4th October 1859.

From fifteen Civil Officers recorded in proceedings of 10th and 12th November and 21st and 31st October 1859.

Read also the following papers.

No. 63. From W. GREY, Esq., Secretary to the Government of India; to T. PYCROFT, Esq., Chief Secretary to the Government of Fort Saint George, dated Fort William, the 14th September 1859, No. 1845.

With reference to my letter of the 7th instant, No. 1780, regarding the Bill for Licensing Trades and Professions, I am directed to request that His Excellency in Council will take into his consideration the steps which as a matter of precaution it may be expedient to adopt with the view of preventing any opposition to the law, if, in the opinion of His Excellency in Council, there should be reason to apprehend such in any parts of the Madras Presidency.

2. It will, doubtless, be proper, in particular localities, that the executive authorities should be furnished with the means of promptly suppressing any attempt at open and violent disturbance, though the Governor General in Council would earnestly hope that no occasion may arise for making use of such means. It is to the measures to be taken by the civil authorities that His Excellency in Council is specially desirous that timely attention should be directed by the local Governments. It will rest with those Governments to give such detailed instructions to its officers as may appear expedient with reference to local considerations, the object being every where to make it intelligible to the people that the vast expenditure imposed upon the State during the past two years for the purpose of preserving the whole country from anarchy and ruin, has rendered it imperatively necessary that Her Majesty's Government should call upon her faithful people in India, European and Asiatic alike, to contribute towards the cost of the large Military organizations which have been rendered necessary, and which cannot be suddenly dissolved, and specially to point out that the tax is intended to reach all who are employed in the administration of the country, from the highest to the lowest, as well as other classes of Her Majesty's subjects.

3. There is one point, in particular, of great importance to which the Governor General in Council is anxious to ask the attention of the local Governments, namely the necessity for placing the best and most reliable civil officers at those points where there may be most reason to apprehend opposition to the new law.

4. It is difficult to overestimate, in this country, the influence of individual character, and it will not be disputed by any one acquainted with the administration of public affairs in India, that while, under a weak or an indolent officer, or under one of harsh and overbearing manners which render him distasteful to the people and keep them aloof from him, a new and unpopular measure may give rise to a determined opposition, the same measure will be introduced without much serious difficulty by an officer of ability and energy, one who has made it his aim to win the confidence and respect of the Natives over whom he is placed, and who will take pains, by friendly communication as well as by frankly and firmly reminding them of their responsiblities, to induce the leading men of different classes to enlist themselves on the side of order and obedience to the Government, and to exert their influence in the same behalf with their fellow townsmen.

5. The Governor General in Council is of opinion that, in giving practical effect to the provisions of a new and an unpalatable law such as that under consideration, the Government should take care to have all the more important posts filled by the best executive officers at its command, and should also avail itself of the services of any other* officers who, though not holding executive posts, may be distinguished for the possession of those qualities which control and influence the Native mind. No officer, in whose ability and discretion full confidence is not felt, should be retained in any position which, from special circumstances, may be likely to demand on such an occasion the exercise of those qualities in a high degree.

* NOTE.—*An eminently valuable example of this, was exhibited in this Presidency during the occurrence of* 1857 *in the person of Mr. T. Gubbins, the Judge of Benares, to whose firmness and energy, and influence over the leading Natives of that great city, the preservation of peace and order was at one time entirely attributable.*

6. His Excellency in Council is desirous that, during the interval which will elapse before the Licensing Bill becomes law, each local Government should take the question of its practical enforcement into serious consideration and make such a disposition of the means at the disposal of Government, and otherwise adopt such measures as may seem most likely to ensure its peaceable reception by the Native subjects of Her Majesty, more especially by those inhabiting the principal cities and towns of the Empire.

No. 64. MINUTE BY THE HONORABLE THE PRESIDENT.

THE Letter from the Government of India, dated the 14th of September last, requesting us to take steps to prevent open opposition in this Presidency to the Law proposed to be passed for Licensing Trades and Professions, places us under a serious responsibility.

In obedience to the previous Letter, dated the 7th of September, we called upon fifteen Civil Officers, selected on account of their "ability and judgment, and knowledge of the Native character," to offer their opinions on the Bill "fully" and "freely"; and we have the result before us in a series of Letters which are as remarkable for their clear and condensed style, as for the weighty opinions they express.

The point of primary importance, is the nature and degree of the opposition which the Tax is likely to excite. Nearly all the Officers who have been consulted speak of it as certain to be extremely unpopular. They allude to the "distrust," "dissatisfaction," "discontent," "uneasiness," "alarm," "disaffection," which will result from it; and some of them use language which cannot be mistaken.

Mr. Grant, the Collector and Magistrate of Malabar, says; "With reference to Malabar, the "Bill will be felt through the length and breadth of the land, especially by the Moplah population, "an able and energetic race, deeply engaged in trade, and whose well known fanatical spirit has of "late been repressed, by energetic and severe measures of Government, aided to some extent by "prosperity in trade, which has engaged the attention of many restless spirits."

Mr. Arthur Hall, whose experience and ability place him among the foremost officers of this Presidency, observes; "An attempt to introduce it into the Provinces would, I apprehend, be met by "serious opposition on the part of the people, especially in a district like Canara, where, hitherto, "the inhabitants have successfully resisted the imposition of any new tax. Every interference by "the authorities with the people of that district, has always been resisted by them, and every attempt "to gain accurate information about their affairs and circumstances, has been baffled by their opposition. "An improvement has certainly taken place since the district has been opened out by the roads, "and the Revenue authorities have gone more among the people than they used formerly to do; but "still, from the experience I gained during a service of eight years in that district, I am convinced "that it would be very dangerous to attempt to introduce into it the provisions of the proposed "Bill. It would lead, in all likelihood, either to combined passive resistance, as was the case when "an unusual tax was ordered to be levied some years ago, or else to open opposition."

Mr. Hall says, in reference to another District, "From what I have seen of the people of South "Arcot, I am inclined to think that even here the provisions of the Bill would not be easily carried "out. On several occasions the people have resisted by open force, what they have supposed to be "innovations upon their rights; and there is a spirit of resistance among them, ready to show itself "on every occasion when a change in taxation is attempted which they do not happen to like."

Mr. William Robinson, the Commissioner of Mufassal Police, remarks, "Our political safety in "India depends, in no small degree, on our taking no measures that tend to unite the now sufficiently "dislocated interests, feelings, and objects of its various populations. They have naturally a "common interest against conquerors, however just. Happily, they but partially know it, "and they have few points of union; why, then, give the Mahájan of the North West Provin-"ces, the Pandit, &c., of Benares, the Sáhukár of Bombay, the Brahmin money lender of Tan-"jore, and the Mopla trader of Malabar, a common war-cry, by sudden, simultaneous, general "legislation of an unpopular character?"

The unanimity with which these officers have declared that the measure would be highly obnoxious to the great body of our native fellow subjects in the South of India, is fully explained in their letters.

It is an old observation, that, while the people of this country are extremely patient under long-established grievances, they are always ready to rise against any new imposition. This feeling is different from the popular opposition to additional taxation in England. A wide gulph has always been fixed between the people of India and their Rulers. The native Governments were habitually mistrusted by their subjects, who had no confidence in their intentions, and no means of influencing them, except by a resort to arms, or by passive resistance of a combined and organised kind, which is one of the institutions of the country*. Unfortunately, small progress has been made, under our régime, in bringing about the desired approximation. In some respects it is worse than it was. Owing to the extraordinary difference between us and the natives of India, in color, language, religion, in almost every thing, in short, which distinguishes man from man—there is a greater absence of natural sympathy than there was before; the natives dread our superior strength, which seems to them to place us above responsibility, which they were generally able to exact from their own Governments; and, lastly, we have not managed the finances of the country in a way to command their confidence. The observations of Mr. Sim, Secretary to the Board of Revenue, are deserving of notice on this point. "The proposed tax is manifestly "very unpopular. Taxation in any shape is, doubtless, unwelcome at all times; but this kind of op-"position ceases where the necessity for money is made evident, and the mode of raising it commends "itself to the public as the best under the circumstances. The opposition to the present bill seems "to be characterised by an unfortunate want of confidence in the measures proposed to extricate "the state from its difficulties, and by a general feeling that the particular measures contemplated "in the bill are most objectionable. I do not think it politic that the general feeling against this "bill should be disregarded, especially as, in my judgment, its practical working will greatly in-"crease this dissatisfaction."

One feature of the bill is eminently calculated to heighten this distrust. The objection made in England to the inquisitorial nature of an income tax, is, that it exposes the state of a man's affairs to his rivals; but nobody cares about the Government, as such, knowing what his position is. In this country, the last objection would be the greatest. To require persons to declare the amount of their income is a new principle in Indian taxation; and, as observed by Mr. Grant, "The Natives will view it with great distrust, as an inquisitorial measure adopted with a view to "further taxation, on Government becoming fully acquainted with the true state of their affairs."

Mr. E. Maltby, Member of the Board of Revenue and Provisional Member of Council, points out another circumstance which "will render the people of this Presidency less willing to "bear with temper the introduction of the proposed taxation;" that is, the "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." Mr. T. Clarke, Collector of Madura, reports, "The tax is very unpopular. The natives here feel and "assert that the necessity for it has been created by misconduct in which they had no share; and "that, while rebels and traitors have in many instances profited by anarchy, they have contributed "men and means to restore order and quiet, and that, therefore, they should not be called on to share "in bearing the present burthen." Mr. W. Robinson, also observes, "this feeling (of 'general dissatis-"faction') will be stronger as the loyal are now to be called to contribute towards deficiencies "which have arisen from the disaffection of people with whom they have little sympathy." Splendid rewards have lately been bestowed upon Natives whose services during the rebellion are not to be compared with those rendered by this Presidency. No acknowledgement has yet been made of the support we received, in our hour of need, from the Army and People of the South of India; and the first public notice of the rebellion in its bearing upon the interests of the South, would be this novel, special taxation.

We can hardly expect the Natives to submit to a measure which has "been so generally condemned by ourselves;"† and they will be encouraged in their opposition by the knowledge that "the sympathies of all classes of Europeans will run parallel with their own."‡ They would be confirmed by this in the belief that they had right on their side. The result would be, that all would be united "in one common bond of antagonism," which, "in the present state of feeling in India," would not be "politic."†

This tax would bring the Government into direct collision with every petty Trader, Shopkeeper, and Artificer in British India, whose net profits exceeded 5½ Rupees a month, or 66 Rupees or £ 6-12-0 a year.

* What took place at Benares in 1813 and at Bareilly in 1815 in reference to the introduction of a house tax, may with advantage be referred to on the present occasion. A full account will be found in Wilson's History, Vol. 7, P. 466 to 469, and Vol. 8, P. 120 to 128.

† Mr. J. D. Robinson. ‡ Mr. Grant.

The Officers who have been consulted insist, with one accord, upon the frightful means of extortion which the tax would place in the hands of subordinate Native Officers. A few specimens will suffice.

"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."—Mr. E. Maltby.

"It is comparatively easy to ascertain a man's position, and the extent of his dealings, but "where a large majority of the tax-payers keep no books, and are themselves unable, perhaps, even "to read, it will be impossible to determine the amount of their annual net profits."—Mr. Fisher, Collector of Canara.

"No amount of inquisitional powers will enable the Revenue Officers to assess the tax "from actual knowledge of the circumstances of the contributors; for the variable gains of "Professions and Trades are not always clearly known to the persons most interested; much less "can they be estimated with any approach to fairness by the Collector."—Mr. Clarke.

"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 powers of oppression, in regard to a ques- "tion which admits only of vague specification."—Mr. G. N. Taylor, Inám Commissioner.

"To ascertain the income of every trader whose net profits exceed £ 6-12-0 per annum will, "of itself, be a work of such magnitude, that it must be entrusted, in a great measure, to sub- "ordinates, who cannot *all* be remunerated on a scale which will place them above the tempta- "tion of misusing their powers. A perusal of Section XIII of the Bill will show what these "powers are, and also how easily, under color of a strict performance of duty, they may be made "the means of oppression and exaction. And even if this be prevented by a careful selection of "the Officers entrusted with these powers, those liable to be taxed under the Act, may be sub- "jected, apparently with impunity, to serious inconvenience by any person, who, from enmity, or "with a view to exaction, may lay false informations against them, or may simply make public "their mercantile profits. I believe, also, that the vexatious and inquisitorial character of the "tax will re-act most prejudicially on the rectitude of the people, and that its evasion will come "to be regarded as a venial offence."—Mr. Sim.

"If it is supposed that a Collector and his subordinates will be able to check the frightful "oppression, corruption, and inequality which will result from the necessary delegation of the "powers of this Act to native revenue officers, Adhikaries, Menons, and others, I can only say "that the idea is most Utopian. Of necessity the powers given are enormous; and of like "necessity the very flexibility of the question of the extent of a man's income will render it "almost impossible to bring home to the offending revenue officer even the most glaring acts "of unfairness."—Mr. Holloway, Acting Judge of Tellicherry.

Mr. Maltby calls attention to "the impossibility of carrying out the intended taxation without "large additional establishments to aid the Collectors, since the principle of the Bill is to ascer- "tain the profits of every person who follows a trade or profession, before a license is issued; and "this inquiry is to be renewed every year;" and Mr. Fisher observes, "The Collector's work "would be enormously increased by his being obliged to settle each case on its recorded merits, (for "there is an appeal,) whilst an amount of extra labor which they are quite unequal to, would be "thrown on the Revenue Establishments."

The English objection, that this tax would take from the people a much larger amount than would be paid into the Treasury, gives a totally inadequate conception of the extent of the mischief. It would reverse the most essential of all improvements in this country, at which we have been labouring for years, and were at last beginning to see some prospect of attaining to it in a fair degree; I mean, the limitation of the number, and the increase of the pay of our Native Officers. This tax would again cover the country with a swarm of ill-paid, unprincipled, ill-superintended Native Subordinates, with duties so favourable to underhand exaction,

that it would be impossible to prevent them from preying upon the people. The experience I have had of the want of principle in making the returns to the Income Tax even in Christian England, makes me exceedingly dread the introduction of such an element of immorality and extortion into this heathen country. We have also been arranging to give to the Collectors time for the proper performance of their important Land Revenue, and Magisterial duties; but all this would be at an end, unless the European Establishment were increased to an extent, which would alone eat up great part of the profits of the tax.

The bearing of the proposed tax upon the Muhtarafa is important. Mr. William Robinson observes, "As regards this Presidency, the Bill would leave this large and new im- "post practically to the fate and fortunes which now attend the Muhtarafa and Vísa- "badi taxes. Now, no heads of taxation have been so utterly condemned, even in this "Presidency, as the Muhtarafa and Vísabadi taxes; not so much as being objectionable in "principle, as because the agency to which their assessment and collection is practically entrust- "ed, is so utterly, and, for the present practical purposes, so hopelessly untrustworthy, that the "incidence of these taxes is unequal and oppressive; while much more is exacted from the "people than reaches the Treasury." Mr. Robinson elsewhere remarks, "Vísabadi is unknown "in eighteen Districts, out of the twenty, of this Presidency; and in some Districts, as in Madura, "the inhabitants assert a right of exemption from Muhtarafa, even on the alleged faith of the "Government; so that, patient as the people of this country have been, of taxation, a certain "and general dissatisfaction will be felt throughout the Presidency;" and Mr. Sim, Secretary to the Board of Revenue, remarks, "I think this Government will be placed in an embarrassing "position towards the people by this Bill. It has been authoratively declared, that the "Muhtarafa will be abolished, as soon as circumstances permit. To abolish it, as this Bill "does, and in the very same enactment to establish another tax closely resembling it in character, "and, to all appearance, perpetual, will, I fear, be regarded as a breach of promise."

The state of native morality on the part both of payers and receivers, at present, renders this country totally unfit for an income tax; and one of the greatest boons we have conferred upon it, is the abolition of an enormous mass of direct taxation which, under the names of Sáír, Muhtarafa, Vísabadi, Hálat, Rusúm, &c., formerly exhausted its resources and repressed its industry. A fragment of this native system survives in the Madras Presidency; but it was long ago condemned by the Home Government and ordered to be abolished; as it ought now to be, with the exception of a small portion consisting of a house tax, which may with advantage be retained for Municipal purposes, in those towns which undertake to provide for their sewerage, water supply, and other similar objects. The productiveness of the remaining taxes would be increased, by the removal of this incubus, to an extent far exceeding the eleven lacs (£1,10,000) at present yielded by the Muhtarafa.* The practical effect of the Licensing Bill, on the other hand, would be to re-enact the system in its worst form. Mr. Maltby remarks, "If the native "community were to be consulted, I believe that their choice would be, that the additional reve- "nue 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." The Native Community is in the right. Although the Transit duties, (which were abolished by my exertions a quarter of a century ago), were worse than any indirect taxation on record, their evil consequences were slight, compared with those which would be certain to arise from the direct taxation now proposed to be re-established.

* It cannot be generally known that the miserable remnant of the great Cloth Manufacture of the South of India, which has been destroyed by English enterprise and unrestricted free trade, is included in the Muhtarafa under the name of "Tax upon Weavers and Looms."

The effect of any improvement in the condition of the people will be immediately felt in the increased productiveness of the Salt Tax, which has been lately raised to a Rupee a maund by order of the Supreme Government, and arrangements have been made by this Government to secure a more full collection of the Tax. Although the importance of good salt for the preservation of health, is no where more appreciated than in this country, the poorer classes in the interior are under the necessity of using an impure earth Salt, or Carbonate of Soda. In the Coast Districts the consumption, hitherto, has been chiefly supplied by smuggling.

In England, of late years, great efforts have been made to place the precarious and laborious profits of industry, on a more favorable footing than the income derived from realised property. In this Bill it is proposed to tax the profits of industry, when they exceed £6-12-0 a year, and entirely to exempt funded, landed, and house property. This is, therefore, not only inequality, but inequality in the wrong direction. The rich are filled with good things, and the hungry are sent empty away. There is, in my opinion, no just ground for this distinction. Our pledge to the Bengal Zamíndárs at the time of the Permanent Settlement, merely extended to putting a fixed limit to the demand of the State for Land Revenue, like the fixing of the Land Tax in England by the 38th George III, Cap: 60. The Grants to the Zamíndárs, under the Permanent Settlement, were expressly "exclusive of all taxes personal and professional"; and they have since paid every general tax in common with the rest of the Community. As regards the fund-holders, there has been no pledge of any kind; but they are in equity entitled to the benefit of the principle embodied in the early Acts of Parliament relating to the English Funds; that is, that they shall not be specially taxed *as Fund-holders*, but that their property in the Funds shall be charged to any general tax, at the same rate as every other kind of property. Should the time ever come for imposing an Indian Income tax, both Fund-holders and Land-holders should be included.

This Bill has no foundation in our Indian experience. Those traditions by the just observance of which this Empire was acquired, and can alone be preserved, have no place in it. On the other hand, it has the support, to some extent, of an opinion which has grown up in England, since attention has been strongly directed there to Indian affairs. I mean, that certain classes of the community, which have profited greatly by the protection of our Government, do not contribute in due proportion to its expences. So far as this Presidency is concerned, this opinion is founded upon a mistaken analogy. The Ryotwar system, as it was for so many years practically worked; the Muhtarafa; the destructive habit of pressing the means of conveyance; the corrupt subordinate Native official class, uniting the functions of Revenue and Police, unable to live by their pay, and remarkable rather for collusion and extortion than for the protection they afforded, have prevented any accretion of wealth. The trading classes, who live by the well-being of the rest of the community, are, consequently, in a very depressed condition; and, instead of being fit subjects of special taxation, they require every encouragement that they may perform their part in reviving the industry of the South of India. In Bengal, no doubt, owing to the substantial, although in some respects mistaken, application of the principle of property involved in the permanent settlement, there is material prosperity; but it is proposed to exempt the Zamíndárs, in whose hands the principal accumulation has taken place.* It is, however, a mistake to suppose, that these so called favored classes are free from taxation. Besides the land revenue, which is so large and so cheaply collected in Bengal as to form our great financial reserve, they pay export and import duties, a heavy salt tax on the consumption of themselves and their dependents, duties on intoxicating liquors and drugs, and stamp duties, besides other minor items of revenue.

The exemption in the 27th clause, in favor of persons whose salaries are fixed by Act of Parliament, cannot, of course, be intended to be part of the measure, as it would be finally passed; and, in saying that I should not avail myself of this privilege, if all other classes of public officer swere taxed, I am only expressing the plain duty which belongs to my position under such circumstances.

For these reasons I am of opinion, that the "Bill for the Licensing of Trades and Professions," ought to be entirely dropped.

* The following from Mr. Francis Maltby is deserving of attention on this point.

"In this reply, I have not thought it my duty to enter upon the general question as to the expediency of imposing additional taxation upon this Presidency, which is only just recovering from the depression caused by excessive taxation; or whether, if an additional contribution from this Presidency is necessary, it could be raised in any other way. I would only observe that, even after the reduction of our assessment, the land of Madras is taxed 1⅓ Rupee per Acre, while that of Bengal pays about half that sum. The accumulation of Capital in Bengal is therefore vastly greater than in Madras; and, although the present Act, which provides that persons making similar profits in whatever part of India, shall be equally taxed, is obviously just and fair, and the contribution of each Presidency will be in proportion to the number and wealth of its tradres, it leaves the profits of accumulated Capital untouched."

* Minute by the Governor of Madras, dated the 10th June 1859, on the proposed imposition of a Tobacco Tax and increase of the Salt Tax.

Do. do. 13th June

Letter from the Supreme Government, dated the 20th June, asking for a fuller expression of the views of the Madras Government in reference to "reduction of expenditure combined with "various measures of good administration."

Minute in reply dated the 11th July.

Minute dated the 13th July, on the mutual relations of the Anglo Indian Governments and the establishment of a corresponding system of finance.

In the papers noted in the margin* I explained my reasons for thinking, that, great as is the present financial exigency, it can be met, not only with safety, but with great public advantage, by reduction of expenditure, combined with the issue of a sound Government Paper currency, and some further temporary help from Loans. Exhausted by the efforts and excitement of the last three years, this Country is more at our disposal than she ever was; but we have not yet seriously begun to reduce the enormous additional establishments accumulated at the discretion of almost every District Officer during the late crisis in Northern and Western India. As regards the Bombay Presidency, this assertion is fully borne out by the reports of the Military Finance Commissioners, dated the 21st of September and the 29th of October last. It will there be seen, that the two great heads of Extra Expenditure, new Levies and Transport, have hardly been touched. In Northern India there is a three-fold Establishment, where there was only one. First of all, there is the old Police; then there are numerous Native Levies, and Sikh Regiments under the Commander-in-Chief; and lastly, there is a separate Civil Army under the Local Governments, known as "Military Police," and "Police Corps." This anomalous Force is Police only in name. It is neither disciplined nor disposable like the regular Army; nor is it brought into contact with the people for their protection, like a properly organised Police. The Levies of this description which have been formed since the mutiny in Bengal Proper, are singularly out of place. The Bengalees are the most unwarlike people in the world. They gave us no trouble during the mutiny. Our difficulties were entirely with the mercenary Troops stationed among them; and this new mercenary Force is at once a cause of alarm to the inhabitants, and of embarrassment and anxiety to the Government.

The people of Northern India have, I am confident, as strong a craving, at the present time for the enjoyment of quiet and for the exercise of peaceful industry, as we have ourselves. Two operations ought to be simultaneously conducted throughout the length and breadth of the Land—one, the formation of *a real police*, well organised, well paid, well superintended by selected European Officers—the other, the organization of a sufficient, and not more than sufficient Military Force, carefully calculated both as to aggregate amount, and the proportion of the different arms, and massed on commanding points, with its magazines secured and transport provided. The fixing of the Military Force is the key to the rest of the expenditure. Commissariat, Ordnance, Transport, follow in due proportion, as a matter of course. The intermediate Civil Army would then either be absorbed in the new Police, or be returned to productive labor in the various occupations of private life. There never was a time when a large proportion of the Youth of India could be so ill spared from active industry. At present they are a burden and a cause of anxiety. Dispersed in the Fields, in the Workshops, and on the Railroads, they would largely contribute to our social and financial prosperity. When the subject is deliberately considered, it will be found that a much smaller military establishment will be sufficient than is generally supposed. The people of India are remarkably docile and easily governed. It is only when they are embodied as a Military Force that they are at all formidable. In other words, our difficulties are of our own creation. Even the European force may be diminished when there are fewer native levies to look after.

The prosecution of the Licensing Bill is totally inconsistent with this line of action. The Government would not have time or strength for both. But there is a still more decisive reason. The prosecution of the Licensing Bill would make it necessary to keep up our Military Force, at least at its present amount. The Civil precautions suggested in the Letter from the Government of India, dated the 14th of September last, would be utterly insufficient to meet the opposition which might be expected. Our best and most reliable Officers are, generally speaking, already stationed at the more important posts; and as the matter would be perfectly intelligible to the body of the Native Community, it would be beyond the reach of personal explanation and management, if it were taken up by them as a cause in which their rights and future security are deeply concerned.

If the reductions are properly handled, and are properly combined with measures of civil amelioration, I am persuaded that they will not be attended with danger; but if some risk must be incurred, it would be over as soon as the new Levies had been returned into the mass of the population, and would result in a state of the finances, which would inaugurate a new era in India. If we choose the other policy, the danger will be cumulative. More Troops must be employed to meet a general state of discontent; and the employment of more troops would add to our financial embarrassment and increase the probability of another explosion. On the late occasion it was only the Bengal Army. Now the whole people of British India would have a common cause. No course we can adopt is free from risk. What we have to do, is to weigh opposite considerations, and to determine in what direction the risk is least, and may be incurred with the greatest prospect of an early and satisfactory settlement.

I shall not again enter into the details of the question as it affects the Madras Presidency. We are endeavouring, to the extent of our limited powers, to follow the policy advocated in this paper. After allowing for the large contribution which the Madras Army makes to the general Military strength of British India by service beyond our frontier, the existing force is much larger than will be required, as our new police is extended, as our Ináms are converted into freeholds, and the other improvements in progress, all tending to the contentment of the people and the promotion of their peaceful industry, are developed and matured.

Meanwhile, every branch of our revenue is becoming more productive. The increase of our land revenue alone, last year, exceeded our share of the estimated produce of the tax on Trades and Professions. This was owing, not to augmentation, but to diminution of taxation. The reduction of the rates encouraged the breaking up of new lands and the growth of more valuable products on lands previously cultivated. The increase in the salt, and other taxes more immediately dependent on the consumption of the people, also furnishes decisive proof of our advancing state. The south of India is going through a process of improvement compacted of many different parts; and what, above all things, is to be desired is, that this should not be interrupted by new discontent and excitement.

The following is a comparative statement of our revenue for the last two years.

	1857-58.	1858-59.	Increase.	Decrease.
	Rs.	Rs.	Rs.	Rs.
Land Revenue	3,61,81,771	4,15,20,294	53,38,523	
Ábkárí, or tax on Spirituous Liquors	27,37,858	28,33,591	*95,733	
Salt	56,92,310	60,24,313	3,32,003	
Sea Customs	12,80,291	13,91,409	1,11,118	
Muhtarafa	10,51,534	11,03,253	51,719	
Stamps	7,50,737	8,07,179	56,442	
Land Frontier duties	1,93,806	1,96,062	2,256	
Extra Revenue	2,45,410	2,20,150	.....	25,260
Total	4,81,33,717	5,40,96,251		
£.	4,813,371	5,409,625		

* The increase in the Abkári would have been larger if the tax had not been generally leased out for a fixed term.

Net increase in 1858-59, { Rs. 59,62,534 / £ 5,96,253

The "Extra Revenue" is merely a minor head of account, comprising collections after the close of the yearly accounts, interest, &c., and fluctuations in its proceeds are therefore not indicative of greater or less prosperity.

MADRAS: 1*st December* 1859.

(Signed) C. E. TREVELYAN.

I cordially concur.

(Signed) PAT. GRANT.

No. 65. MINUTE BY THE HONORABLE W. ELLIOT.

However unwilling to offer obstacles to the means which have been devised for extricating the State from the financial embarrassments under which it labors, I am constrained to express my concurrence in the view so unanimously stated by the local officers of the feelings of discontent which will be created by the proposed tax. I feel assured that it will evoke a general spirit of opposition, not the less embarrassing because passively displayed, even if it should go no further. There is no fact, however, more patent to those who have the means of knowing the opinions of the masses of the population, than that the events of the last three years have familiarized the minds of all men with the idea of the *possibility* of resistance to the British power, an idea which had no existence save in the breasts of a few discontented spirits among the higher classes previous to 1857. I met with numerous illustrations of this feeling during my late absence from Madras. One officer, who perhaps knows more of the state of native feeling than any Englishman in Southern India, and for whose opinion I have the greatest respect, declared that, so far from having been cowed by the suppression of the rebellion, the constant theme of discussion was not the hopelessness of resistance, but the causes which led to its failure.

In such a frame of mind the greatest caution is demanded in attempting to introduce a class of measures which are unpalatable in all countries and under all circumstances, but which in India are especially unpopular when opposed to prescriptive usage.

We are not without experience to guide us in estimating the effects likely to be produced by the introduction of a new and unaccustomed form of taxation. The failures experienced in quiet times impress still more strongly the necessity of prudence now.

With regard to this Presidency, it should be borne in mind, that it already contributes its quota to the public revenue by a tax on income and industry in the shape of muhtarafa, from which all other parts of India have been relieved.

It is intended that the new form of impost shall supersede the existing muhtarafa, and that the present taxes on trades and professions shall be abolished and the new income tax imposed in their stead. In many cases it must and will affect the same individuals who now pay muhtarafa. Every Merchant and Banker and Sáhuker pays on his house and shop, less doubtless than the assessment on his income contemplated by the Bill, but still a certain amount which will merge in the new cess.

The Madras muhtarafa yields at present 11 lakhs annually which is collected without trouble or expense. I doubt if the proposed income tax would afford a much larger amount, admitting that it could be collected without difficulty.* Will the difference be sufficient to compensate for unsettling men's minds and evoking a general spirit of opposition?

The case, as regards this Presidency, stands thus. Madras already pays taxes of the same nature as that proposed by the Bill, from which the rest of India is exempt. The revenue derived from this source is 11 lakhs. The yield of the new tax, which must be drawn in a great measure from the same individuals who contribute to the old one, will not greatly exceed the present collections.

The arguments, therefore, which apply to the taxation of the exempted classes in Bengal, North West India and Bombay lose much of their force, when brought to bear on Madras.

And looking to the temper with which such an experimental innovation will inevitably be received, it may be well, if I may be allowed without presumption to hazard such an opinion, for

* The author of the Bill has estimated, in very general terms, that the tax may yield from a million to a million and a half sterling. Taking the proportion that would be derived from Madras at one-fourth, the result would be from 25 to 30 lakhs. But looking to the small extent of the trade of this Presidency, in comparison with that of Bengal and Bombay, I feel assured that the only increase to the existing muhtarafa would be that obtained from the town of Madras, which may give an increase of one lakh, making the whole outurn about 12 lakhs, and from this must be deducted charges of assessment and collection.

In his pamphlet entitled "Our Finances," Mr. George Campbell estimates a revenue of 40 lakhs from the re-imposition of a general muhtarafa, but this, judging from the same data, must be considerably under the truth. Some districts in Madras, as Madura and Malabar, do not pay muhtarafa at all.

the projectors of the Bill to consider whether a return to the old and familiar muhtarafa Tax with all its imperfections, will not be a safer and little less productive measure than the one they have devised. I am very sure it will not be more unequal in its operation, and it will be infinitely less unpopular.

(Signed) W. ELLIOT,

Madras, 8th December 1859.

No. 66. MINUTE BY THE HONORABLE W. A. MOREHEAD

The consideration of the President's Minute, and of the letters to which he has referred has confirmed me in the opinion which from the first I have entertained, viz. that taxation in the form proposed by the "Bill for the Licensing of Trades and Professions" had better not be attempted.

The Bill as it now stands, is in its provisions, unequal, offensive, and impracticable—its introduction into this Presidency would require additional establishments, European and Native. The pecuniary benefits would therefore be comparatively small, whilst the dissatisfaction created would be great. Under such circumstances the enactment of this Bill should not in my opinion be carried out.

I am not however prepared to adopt the opinion recorded by the President in his present Minute, that taxation in our immediate financial exigency is in no wise called for.

Reduction of expenditure and judicious administration, will aid much, indeed without such measures any amount of taxation that could be imposed would prove vain. But it appears to me that unless increased taxation is had recourse to, it will be impossible for the State to obtain the large sum of money required to meet the fixed charges to be incurred by the increase of our European force with its attendant expenditure such as new Barracks, &c.—and likewise to defray the cost of fortifying, as proposed, the different Military cantonments throughout India.

I however am sanguine enough to hope that much of our Military preparations that hitherto have been deemed essential may be found on further consideration not to be needed. The experience of the crisis of 1857 shows that a very small Military force sufficed where the people of the country had to be dealt with, and that it was only when the mutinous army had to be encountered that we were forcibly resisted. We have therefore in reality to guard ourselves from the risk of another mutiny. If I am correct in thus thinking, the true key to our future expenditure is to be found in having as small a Native army as possible, and in leaving the Civil control of the country to a well disciplined and efficiently superintended Police, such as we are at this moment successfully introducing into this Presidency.

Should measures in some degree similar to the above be resolved on, our difficulties will disappear, and the reduction of expenditure combined with good administration will speedily produce all the favorable results which the President in his different Minutes has so fully explained.

Madras, 8th December 1859.

(Signed) W. MOREHEAD.

No. 67. ORDER THEREON, 9th December 1859, No. 1660 A.

Ordered that the reports of the Civil Officers referred to above, together with the Minutes recorded by the Members of Government, be forwarded to the Government of India, as well as to the Secretary of State.

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

Ordered in consequence that the following letter be despatched.

No. 68. From J. D. BOURDILLON, Esq., Secretary to Government, Fort Saint George, to the Secretary to the Government of India; Home Department, dated 9th December 1859, No. 1661.

I am directed to acknowledge your two letters of the 7th and 14th September, respecting the bill for licensing trades and professions. In accordance with the desire of the Government of India, this Government called on a number of selected officers for their opinions of the provision of the Bill; and I am now directed to transmit copies of those opinions, fifteen in number, together with the Minutes recorded on the subject by the Members of this Government.*

* Minute by the Honorable the President dated Dec. 1st 1859.
Minute by the Honorable W. Elliot dated Dec. 8th 1859.
Minute by the Honorable W. Morehead dated Dec. 8th 1859.

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Pages 63-68.

MINUTE BY THE HONORABLE THE PRESIDENT.

THE Letter from the Government of India, dated the 14th of September last, requesting us to take steps to prevent open opposition in this Presidency to the Law proposed to be passed for Licensing Trades and Professions, places us under a serious responsibility.

In obedience to the previous Letter, dated the 7th of September, we called upon fifteen Civil Officers, selected on account of their "ability and judgment, and knowledge of the Native character," to offer their opinions on the Bill "fully" and "freely"; and we have the result before us in a series of Letters which are as remarkable for their clear and condensed style, as for the weighty opinions they express.

The point of primary importance, is the nature and degree of the opposition which the Tax is likely to excite. Nearly all the Officers who have been consulted speak of it as certain to be extremely unpopular. They allude to the "distrust," "dissatisfaction," "discontent," "uneasiness," "alarm," "disaffection," which will result from it; and some of them use language which cannot be mistaken.

Mr. Grant, the Collector and Magistrate of Malabar, says; "With reference to Malabar, the "Bill will be felt through the length and breadth of the land, especially by the Moplah population, "an able and energetic race, deeply engaged in trade, and whose well known fanatical spirit has of "late been repressed, by energetic and severe measures of Government, aided to some extent by "prosperity in trade, which has engaged the attention of many restless spirits."

Mr. Arthur Hall, whose experience and ability place him among the foremost officers of this Presidency, observes; "An attempt to introduce it into the Provinces would, I apprehend, be met by "serious opposition on the part of the people, especially in a district like Canara, where, hitherto, "the inhabitants have successfully resisted the imposition of any new tax. Every interference by "the authorities with the people of that district, has always been resisted by them, and every attempt "to gain accurate information about their affairs and circumstances, has been baffled by their opposition. "An improvement has certainly taken place since the district has been opened out by the roads, "and the Revenue authorities have gone more among the people than they used formerly to do; but "still, from the experience I gained during a service of eight years in that district, I am convinced "that it would be very dangerous to attempt to introduce into it the provisions of the proposed "Bill. It would lead, in all likelihood, either to combined passive resistance, as was the case when "an unusual tax was ordered to be levied some years ago, or else to open opposition."

Mr. Hall says, in reference to another District, "From what I have seen of the people of South "Arcot, I am inclined to think that even here the provisions of the Bill would not be easily carried "out. On several occasions the people have resisted by open force, what they have supposed to be "innovations upon their rights; and there is a spirit of resistance among them, ready to show itself "on every occasion when a change in taxation is attempted which they do not happen to like."

Mr. William Robinson, the Commissioner of Mufassal Police, remarks, "Our political safety in "India depends, in no small degree, on our taking no measures that tend to unite the now sufficiently "dislocated interests, feelings, and objects of its various populations. They have naturally a "common interest against conquerors, however just. Happily, they but partially know it, "and they have few points of union; why, then, give the Mahájan of the North West Provin- "ces, the Pandit, &c., of Benares, the Sáhukár of Bombay, the Brahmin money lender of Tan- "jore, and the Mopla trader of Malabar, a common war-cry, by sudden, simultaneous, general "legislation of an unpopular character?"

The unanimity with which these officers have declared that the measure would be highly obnoxious to the great body of our native fellow subjects in the South of India, is fully explained in their letters.

It is an old observation, that, while the people of this country are extremely patient under long-established grievances, they are always ready to rise against any new imposition. This feeling is different from the popular opposition to additional taxation in England. A wide

gulph has always been fixed between the people of India and their Rulers. The native Governments were habitually mistrusted by their subjects, who had no confidence in their intentions, and no means of influencing them, except by a resort to arms, or by passive resistance of a combined and organised kind, which is one of the institutions of the country*. Unfortunately, small progress has been made, under our régime, in bringing about the desired approximation. In some respects it is worse than it was. Owing to the extraordinary difference between us and the natives of India, in color, language, religion, in almost every thing, in short, which distinguishes man from man—there is a greater absence of natural sympathy than there was before ; the natives dread our superior strength, which seems to them to place us above responsibility, which they were generally able to exact from their own Governments ; and, lastly, we have not managed the finances of the country in a way to command their confidence. The observations of Mr. Sim, Secretary to the Board of Revenue, are deserving of notice on this point. "The proposed tax is manifestly "very unpopular. Taxation in any shape is, doubtless, unwelcome at all times ; but this kind of op- "position ceases where the necessity for money is made evident, and the mode of raising it commends "itself to the public as the best under the circumstances. The opposition to the present bill seems "to be characterised by an unfortunate want of confidence in the measures proposed to extricate "the state from its difficulties, and by a general feeling that the particular measures contemplated "in the bill are most objectionable. I do not think it politic that the general feeling against this "bill should be disregarded, especially as, in my judgment, its practical working will greatly in- "crease this dissatisfaction."

One feature of the bill is eminently calculated to heighten this distrust. The objection made in England to the inquisitorial nature of an income tax, is, that it exposes the state of a man's affairs to his rivals ; but nobody cares about the Government, as such, knowing what his position is. In this country, the last objection would be the greatest. To require persons to declare the amount of their income is a new principle in Indian taxation ; and, as observed by Mr. Grant, "The Natives will view it with great distrust, as an inquisitorial measure adopted with a view to "further taxation, on Government becoming fully acquainted with the true state of their affairs."

Mr. E. Maltby, Member of the Board of Revenue and Provisional Member of Council, points out another circumstance which "will render the people of this Presidency less willing to "bear with temper the introduction of the proposed taxation ;" that is, the "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." Mr. T. Clarke, Collector of Madura, reports, "The tax is very unpopular. The natives here feel and "assert that the necessity for it has been created by misconduct in which they had no share; and "that, while rebels and traitors have in many instances profited by anarchy, they have contributed "men and means to restore order and quiet, and that, therefore, they should not be called on to share "in bearing the present burthen." Mr. W. Robinson, also observes, "this feeling (of 'general dissatis- "faction') will be stronger as the loyal are now to be called to contribute towards deficiencies "which have arisen from the disaffection of people with whom they have little sympathy." Splendid rewards have lately been bestowed upon Natives whose services during the rebellion are not to be compared with those rendered by this Presidency. No acknowledgement has yet been made of the support we received, in our hour of need, from the Army and People of the South of India; and the first public notice of the rebellion in its bearing upon the interests of the South, would be this novel, special taxation.

We can hardly expect the Natives to submit to a measure which has "been so generally condemned by ourselves ;"† and they will be encouraged in their opposition by the knowledge that "the sympathies of all classes of Europeans will run parallel with their own."‡ They would be confirmed by this in the belief that they had right on their side. The result would be, that all would be united "in one common bond of antagonism," which, "in the present state of feeling in India," would not be "politic."†

This tax would bring the Government into direct collision with every petty Trader, Shopkeeper, and Artificer in British India, whose net profits exceeded 5½ Rupees a month, or 66 Rupees or £ 6-12-0 a year.

* What took place at Benares in 1813 and at Bareilly in 1815 in reference to the introduction of a house tax, may with advantage be referred to on the present occasion. A full account will be found in Wilson's History, Vol. 7, P. 466 to 469, and Vol. 8, P. 120 to 128.

† Mr. J. D. Robinson.

‡ Mr. Grant.

The Officers who have been consulted insist, with one accord, upon the frightful means of extortion which the tax would place in the hands of subordinate Native Officers. A few specimens will suffice.

"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."—Mr. E. Maltby.

"It is comparatively easy to ascertain a man's position, and the extent of his dealings, but "where a large majority of the tax-payers keep no books, and are themselves unable, perhaps, even "to read, it will be impossible to determine the amount of their annual net profits."—Mr. Fisher, Collector of Canara.

"No amount of inquisitional powers will enable the Revenue Officers to assess the tax "from actual knowledge of the circumstances of the contributors ; for the variable gains of "Professions and Trades are not always clearly known to the persons most interested ; much less "can they be estimated with any approach to fairness by the Collector."—Mr. Clarke.

"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 powers of oppression, in regard to a ques- "tion which admits only of vague specification."—Mr. G. N. Taylor, Inám Commissioner.

"To ascertain the income of every trader whose net profits exceed £ 6-12-0 per annum will, "of itself, be a work of such magnitude, that it must be entrusted, in a great measure, to sub- "ordinates, who cannot *all* be remunerated on a scale which will place them above the tempta- "tion of misusing their powers. A perusal of Section XIII of the Bill will show what these "powers are, and also how easily, under color of a strict performance of duty, they may be made "the means of oppression and exaction. And even if this be prevented by a careful selection of "the Officers entrusted with these powers, those liable to be taxed under the Act, may be sub- "jected, apparently with impunity, to serious inconvenience by any person, who, from enmity, or "with a view to exaction, may lay false informations against them, or may simply make public "their mercantile profits. I believe, also, that the vexatious and inquisitorial character of the "tax will re-act most prejudicially on the rectitude of the people, and that its evasion will come "to be regarded as a venial offence."—Mr. Sim.

"If it is supposed that a Collector and his subordinates will be able to check the frightful "oppression, corruption, and inequality which will result from the necessary delegation of the "powers of this Act to native revenue officers, Adhikaries, Menons, and others, I can only say "that the idea is most Utopian. Of necessity the powers given are enormous ; and of like "necessity the very flexibility of the question of the extent of a man's income will render it "almost impossible to bring home to the offending revenue officer even the most glaring acts "of unfairness."—Mr. Holloway, Acting Judge of Tellicherry.

Mr. Maltby calls attention to "the impossibility of carrying out the intended taxation without "large additional establishments to aid the Collectors, since the principle of the Bill is to ascer- "tain the profits of every person who follows a trade or profession, before a license is issued ; and "this inquiry is to be renewed every year ;" and Mr. Fisher observes, "The Collector's work "would be enormously increased by his being obliged to settle each case on its recorded merits, (for "there is an appeal,) whilst an amount of extra labor which they are quite unequal to, would be "thrown on the Revenue Establishments."

The English objection, that this tax would take from the people a much larger amount than would be paid into the Treasury, gives a totally inadequate conception of the extent of the mischief. It would reverse the most essential of all improvements in this country, at which we have been labouring for years, and were at last beginning to see some prospect of attaining to it in a fair degree ; I mean, the limitation of the number, and the increase of the pay of our Native Officers. This tax would again cover the country with a swarm of ill-paid, unprincipled, ill-superintended Native Subordinates, with duties so favourable to underhand exaction, that it would be impossible to prevent them from preying upon the people. The experience I have had of the want of principle in making the returns to the Income Tax even in Christian

England, makes me exceedingly dread the introduction of such an element of immorality and extortion into this heathen country. We have also been arranging to give to the Collectors time for the proper performance of their important Land Revenue, and Magisterial duties; but all this would be at an end, unless the European Establishment were increased to an extent, which would alone eat up great part of the profits of the tax.

The bearing of the proposed tax upon the Muhtarafa is important. Mr. William Robinson observes, "As regards this Presidency, the Bill would leave this large and new impost practically to the fate and fortunes which now attend the Muhtarafa and Vísabadi taxes. Now, no heads of taxation have been so utterly condemned, even in this Presidency, as the Muhtarafa and Vísabadi taxes; not so much as being objectionable in principle, as because the agency to which their assessment and collection is practically entrusted, is so utterly, and, for the present practical purposes, so hopelessly untrustworthy, that the incidence of these taxes is unequal and oppressive; while much more is exacted from the people than reaches the Treasury." Mr. Robinson elsewhere remarks, "Vísabadi is unknown in eighteen Districts, out of the twenty, of this Presidency; and in some Districts, as in Madura, the inhabitants assert a right of exemption from Muhtarafa, even on the alleged faith of the Government; so that, patient as the people of this country have been, of taxation, a certain and general dissatisfaction will be felt throughout the Presidency;" and Mr. Sim, Secretary to the Board of Revenue, remarks, "I think this Government will be placed in an embarrassing position towards the people by this Bill. It has been authoratively declared, that the Muhtarafa will be abolished, as soon as circumstances permit. To abolish it, as this Bill does, and in the very same enactment to establish another tax closely resembling it in character, and, to all appearance, perpetual, will, I fear, be regarded as a breach of promise."

The state of native morality on the part both of payers and receivers, at present, renders this country totally unfit for an income tax; and one of the greatest boons we have conferred upon it, is the abolition of an enormous mass of direct taxation which, under the names of Sáir, Muhtarafa, Vísabadi, Hálat, Rusúm, &c., formerly exhausted its resources and repressed its industry. A fragment of this native system survives in the Madras Presidency; but it was long ago condemned by the Home Government and ordered to be abolished; as it ought now to be, with the exception of a small portion consisting of a house tax, which may with advantage be retained for Municipal purposes, in those towns which undertake to provide for their sewerage, water supply, and other similar objects. The productiveness of the remaining taxes would be increased, by the removal of this incubus, to an extent far exceeding the eleven lacs (£1,10,000) at present yielded by the Muhtarafa.* The practical effect of the Licensing Bill, on the other hand, would be to re-enact the system in its worst form. Mr. Maltby remarks, "If the native community were to be 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." The Native Community is in the right. Although the Transit duties, (which were abolished by my exertions a quarter of a century ago), were worse than any indirect taxation on record, their evil consequences were slight, compared with those which would be certain to arise from the direct taxation now proposed to be re-established.

In England, of late years, great efforts have been made to place the precarious and laborious profits of industry, on a more favorable footing than the income derived from realised property. In this Bill it is proposed to tax the profits of industry, when they exceed £6-12-0 a year, and entirely to exempt funded, landed, and house property. This is, therefore, not only inequality, but inequality in the wrong direction. The rich are filled with good things, and the hungry are sent empty away. There is, in my opinion, no just ground for this distinction. Our pledge to the

* It cannot be generally known that the miserable remnant of the great Cloth Manufacture of the South of India, which has been destroyed by English enterprise and unrestricted free trade, is included in the Muhtarafa under the name of "Tax upon Weavers and Looms."

The effect of any improvement in the condition of the people will be immediately felt in the increased productiveness of the Salt Tax, which has been lately raised to a Rupee a maund by order of the Supreme Government, and arrangements have been made by this Government to secure a more full collection of the Tax. Although the importance of good salt for the preservation of health, is no where more appreciated than in this country, the poorer classes in the interior are under the necessity of using an impure earth Salt, or Carbonate of Soda. In the Coast Districts the consumption, hitherto, has been chiefly supplied by smuggling.

Bengal Zamíndárs at the time of the Permanent Settlement, merely extended to putting a fixed limit to the demand of the State for Land Revenue, like the fixing of the Land Tax in England by the 38th George III, Cap: 60. The Grants to the Zamíndárs, under the Permanent Settlement, were expressly "exclusive of all taxes personal and professional"; and they have since paid every general tax in common with the rest of the Community. As regards the fund-holders, there has been no pledge of any kind; but they are in equity entitled to the benefit of the principle embodied in the early Acts of Parliament relating to the English Funds; that is, that they shall not be specially taxed *as Fund-holders*, but that their property in the Funds shall be charged to any general tax, at the same rate as every other kind of property. Should the time ever come for imposing an Indian Income tax, both Fund-holders and Land-holders should be included.

This Bill has no foundation in our Indian experience. Those traditions by the just observance of which this Empire was acquired, and can alone be preserved, have no place in it. On the other hand, it has the support, to some extent, of an opinion which has grown up in England, since attention has been strongly directed there to Indian affairs. I mean, that certain classes of the community, which have profited greatly by the protection of our Government, do not contribute in due proportion to its expences. So far as this Presidency is concerned, this opinion is founded upon a mistaken analogy. The Ryotwar system, as it was for so many years practically worked; the Muhtarafa; the destructive habit of pressing the means of conveyance; the corrupt subordinate Native official class, uniting the functions of Revenue and Police, unable to live by their pay, and remarkable rather for collusion and extortion than for the protection they afforded, have prevented any accretion of wealth. The trading classes, who live by the well-being of the rest of the community, are, consequently, in a very depressed condition; and, instead of being fit subjects of special taxation, they require every encouragement that they may perform their part in reviving the industry of the South of India. In Bengal, no doubt, owing to the substantial, although in some respects mistaken, application of the principle of property involved in the permanent settlement, there is material prosperity; but it is proposed to exempt the Zamíndárs, in whose hands the principal accumulation has taken place.* It is, however, a mistake to suppose, that these so called favored classes are free from taxation. Besides the land revenue, which is so large and so cheaply collected in Bengal as to form our great financial reserve, they pay export and import duties, a heavy salt tax on the consumption of themselves and their dependents, duties on intoxicating liquors and drugs, and stamp duties, besides other minor items of revenue.

The exemption in the 27th clause, in favor of persons whose salaries are fixed by Act of Parliament, cannot, of course, be intended to be part of the measure, as it would be finally passed; and, in saying that I should not avail myself of this privilege, if all other classes of public officer swere taxed, I am only expressing the plain duty which belongs to my position under such circumstances.

For these reasons I am of opinion, that the "Bill for the Licensing of Trades and Professions," ought to be entirely dropped.

In the papers noted in the margin* I explained my reasons for thinking, that, great as is the present financial exigency, it can be met, not only with safety, but with great public advantage, by reduction of expenditure, combined with the issue of a sound Government Paper currency, and some further temporary help from Loans. Exhausted by the efforts and excitement of the last three years, this Country is more at our disposal than she ever was; but we have not yet seriously begun to reduce the enormous additional establishments accumulated at the discretion of almost every District Officer during the late crisis in Northern and Western India. As regards the Bombay Presidency, this assertion is fully borne out by the reports of the Military Finance Commissioners, dated the 21st of

* Minute by the Governor of Madras, dated the 10th June 1859, on the proposed imposition of a Tobacco Tax and increase of the Salt Tax.

Do. do. 13th June.

Letter from the Supreme Government, dated the 20th June, asking for a fuller expression of the views of the Madras Government in reference to "reduction of expenditure combined with "various measures of good administration."

Minute in reply dated the 11th July.

Minute dated the 13th July, on the mutual relations of the Anglo Indian Governments and the establishment of a corresponding system of finance.

* The following from Mr. Francis Maltby is deserving of attention on this point.

"In this reply, I have not thought it my duty to enter upon the general question as to the expediency of imposing additional taxation upon this Presidency, which is only just recovering from the depression caused by excessive taxation; or whether, if an additional contribution from this Presidency is necessary, it could be raised in any other way. I would only observe that, even after the reduction of our assessment, the land of Madras is taxed 1½ Rupee per Acre, while that of Bengal pays about half that sum. The accumulation of Capital in Bengal is therefore vastly greater than in Madras; and, although the present Act, which provides that persons making similar profits in whatever part of India, shall be equally taxed, is obviously just and fair, and the contribution of each Presidency will be in proportion to the number and wealth of its tradres, it leaves the profits of accumulated Capital untouched."

September and the 29th of October last. It will there be seen, that the two great heads of Extra Expenditure, new Levies and Transport, have hardly been touched. In Northern India there is a three-fold Establishment, where there was only one. First of all, there is the old Police; then there are numerous Native Levies, and Sikh Regiments under the Commander-in-Chief; and, lastly, there is a separate Civil Army under the Local Governments, known as "Military Police," and "Police Corps." This anomalous Force is Police only in name. It is neither disciplined nor disposable like the regular Army; nor is it brought into contact with the people for their protection, like a properly organised Police. The Levies of this description which have been formed since the mutiny in Bengal Proper, are singularly out of place. The Bengalees are the most easily governed people in the world. They gave us no trouble during the mutiny. Our difficulties were entirely with the mercenary Troops stationed among them; and this new mercenary Force is at once a cause of alarm to the inhabitants, and of embarrassment and anxiety to the Government.

The people of Northern India have, I am confident, as strong a craving, at the present time for the enjoyment of quiet and for the exercise of peaceful industry, as we have ourselves. Two operations ought to be simultaneously conducted throughout the length and breadth of the Land—one, the formation of *a real police*, well organised, well paid, well superintended by selected European Officers—the other, the organization of a sufficient, and not more than sufficient Military Force, carefully calculated both as to aggregate amount, and the proportion of the different arms, and massed on commanding points, with its magazines secured and transport provided. The fixing of the Military Force is the key to the rest of the expenditure. Commissariat, Ordnance, Transport, follow in due proportion, as a matter of course. The intermediate Civil Army would then either be absorbed in the new Police, or be returned to productive labor in the various occupations of private life. There never was a time when a large proportion of the Youth of India could be so ill spared from active industry. At present they are a burden and a cause of anxiety. Dispersed in the Fields, in the Workshops, and on the Railroads, they would largely contribute to our social and financial prosperity.

The prosecution of the Licensing Bill is totally inconsistent with this line of action. The Government would not have time or strength for both. But there is a still more decisive reason. The prosecution of the Licensing Bill would make it necessary to keep up our Military Force, at least at its present amount. The Civil precautions suggested in the Letter from the Government of India, dated the 14th of September last, would be utterly insufficient to meet the opposition which might be expected. Our best and most reliable Officers are, generally speaking, already stationed at the more important posts; and as the matter would be perfectly intelligible to the body of the Native Community, it would be beyond the reach of personal explanation and management, if it were taken up by them as a cause in which their rights and future security are deeply concerned.

If the reductions are properly handled, and are properly combined with measures of civil amelioration, I am persuaded that they will not be attended with danger; but if some risk must be incurred, it would be over as soon as the new Levies had been returned into the mass of the population, and would result in a state of the finances, which would inaugurate a new era in India. If we choose the other policy, the danger will be cumulative. More Troops must be employed to meet a general state of discontent; and the employment of more troops would add to our financial embarrassment and increase the probability of another explosion. On the late occasion it was only the Bengal Army. Now the whole people of British India would have a common cause. No course we can adopt is free from risk. What we have to do, is to weigh opposite considerations, and to determine in what direction the risk is least, and may be incurred with the greatest prospect of an early and satisfactory settlement.

I shall not again enter into the details of the question as it affects the Madras Presidency. We are endeavouring, to the extent of our limited powers, to follow the policy advocated in this paper. After allowing for the large contribution which the Madras Army makes to the general Military strength of British India by service beyond our frontier, the existing force is much larger than will be required, as our new police is extended, as our Ináms are converted into freeholds, and the other improvements in progress, all tending to the contentment of the people and the promotion of their peaceful industry, are developed and matured.

Meanwhile, every branch of our revenue is becoming more productive. The increase of our land revenue alone, last year, exceeded our share of the estimated produce of the tax on Trades and

Professions. This was owing, not to augmentation, but to diminution of taxation. The reduction of the rates encouraged the breaking up of new lands and the growth of more valuable products on lands previously cultivated. The increase in the salt, and other taxes more immediately dependent on the consumption of the people, also furnishes decisive proof of our advancing state. The south of India is going through a process of improvement compacted of many different parts; and what, above all things, is to be desired is, that this should not be interrupted by new discontent and excitement.

The following is a comparative statement of our revenue for the last two years.

	1857-58.	1858-59.	Increase.	Decrease.
	Rs.	Rs.	Rs.	Rs.
Land Revenue	3,61,81,771	4,15,20,294	53,38,523	
Ábkárí, or tax on Spirituous Liquors	27,37,858	28,33,591	*95,733	
Salt	56,92,310	60,24,313	3,32,003	
Sea Customs	12,80,291	13,91,409	1,11,118	
Muhtarafa	10,51,534	11,03,253	51,719	
Stamps	7,50,737	8,07,179	56,442	
Land Frontier duties	1,93,806	1,96,062	2,256	
Extra Revenue	2,45,410	2,20,150	.....	25,260
Total	4,81,33,717	5,40,96,251		
£.	4,813,371	5,409,625		

* The increase in the Abkárí would have been larger if the tax had not been generally leased out for a fixed term.

Net increase in 1858-59, { Rs. 59,62,534 / £ 5,96,253

The "Extra Revenue" is merely a minor head of account, comprising collections after the close of the yearly accounts, interest, &c., and fluctuations in its proceeds are therefore not indicative of greater or less prosperity.

C. E. TREVELYAN.

MADRAS:
1st *December* 1859.

I cordially concur
J. L. Grant

Revenue 1859 Depar
Pro: of Govt. 10th December.
No. 2302

Copy in a letter dated
10 Decr 1859 No. 79

Minute by Sir Charles Trevelyan on the Bill for the Licensing of Trades and Professions.

1st *December* 1859.

Opinion on the Bi
for the Licensing of Tra
and Professions.

No. 64.

classes previous to 1857. I met with numerous illustrations of this feeling during my late absence fr Madras. One officer who perhaps knows more of the state of feeling & opinion there than any single gentleman in India declared that so far as the suppression of the Mutiny & rebellion, the contest was not the hopeless one which the causes of dissatisfaction & failure.

In such a crisis as this much the greatest caution is demanded in attempting to introduce a class of measures which are unpalatable in all countries & under all circumstances but which in India are especially unpopular when opposed to previous usage.

We are not without experience to guide us in estimating the effect likely to be produced by the introduction of a new & unaccustomed form of taxation. The failures experienced in [illegible] in 1857

collected without trouble or appeal. I doubt if the proposed income tax would afford a much larger amount admitting that it could be collected without difficulty. Will the difference be sufficient to compensate for the unsettling of men's minds & widespread general spirit of opposition?

The case as regards Madras stands thus. Madras already pays taxes of the same nature as that proposed by the Bill for which the rest of India is exempt. The income derived for this source is 30 lakhs. The yield of the new tax which must be drawn from the same individuals will not exceed the present collections. The arguments therefore applying to the taxation of the exempted classes in Bengal, NW India & Bombay have much of their force when brought to bear on Madras.

And looking to the temper with which such an experiment will unquestionably be received & to the almost irreconcilable opposition to regard such an opinion as I may have followed for the protectors of the Bill to consider whether a return to old & familiar methods of taxation would not be safer & less hazardous than the one they have devised. I am very sure it will not be more unequal in its operation & it will be infinitely less unpopular

* The author

impress still more strongly the necessity of prudence now

With regard to the Presidency of which he bore in mind that it already contributes its quota to the public revenue by a tax on industry in the shape of Mukhtarifa from which all other parts of India have been exempted.

It is intended that the new form of impost shall supersede the existing Mukhtarifa and that the present tax on trades & professions shall be abolished & the new income tax be substituted in their stead & in many cases it will much affect the same individuals who now pay Mukhtarifa. Every merchant and Banker & Sahukar pays on his house shops, less doubtless than the sum on his income that contemplated by the Bill, but still a certain amount which will merge in the new cess.

The Madras Mukhtarifa yields at present 11 Lakhs and will be

Post Note.

*

The author of the Bill has estimated in very general terms that the tax may yield for a million to a Million and a half. Taking the proportion that would be derived for Madras it on for the the result would be for 24 to 30 Lakhs But looking to the small extent of the trade of this Presidency, in comparison with that of Bengal & Bombay, I feel afraid that the only increase to the existing Mukhtarifa that we may look obtained for the town of Madras will be that obtained for one Lakh or one Lakh & 12 Lakh & for making the whole outturn of 12 Lakh & for this must be deducted the charges of assessment & collection - In his pamphlet entitled our Finances Mr Geo Campbell estimates a income of 40 Lakhs for the imposition of a General Mukhtarifa but this judging for the same data must be considerably under the truth. Some districts in Madras as Madura & Malabar do not pay Mukhtarifa at all.

Copy in a Letter Dated
10th Decr 1859 No 79

Revenue 1859 Department
Proc. of Govt. 10th December.

No 2303.

Minute by the Honble
Walter Elliot Esqr

Dated 8th December 1859.
Recd — 8th — Do — 6

On the Bill for
the Licensing of
Trades & Professions

No 65.

Copy Minute of the Hon'ble Member in charge of the Revenue Department, dated 8th December 1859.

The consideration of the Amendments suggested in the Minute, and of the letters which he has referred, has confirmed me in the opinion which I have already expressed, that the Bill as it now stands, is in its provisions, unequal, oppressive, & unpracticable — its introduction into Law would be

would require additional Stat-
utes to meet both European &
Native - The pecuniary benefits
would therefore be inseparately
[illegible] attached to the disabilities
created by would-be [illegible] -
such enactments [illegible] the court
of Chancery should act in
any decision be carried out -
I am not however prepared to
adopt the decision arrived
at by the Vice Chancellor in his
last mentioned, that taxation

in our immediate [illegible] [illegible]
that object is to wipe out
for - The duties of [illegible] &
judicious administration
did much, indeed without such
measures any amount of taxa-
tion that could be levied
would prove [illegible] -
years to [illegible] to, at
present the Island revenue
will be impossible for the State
to obtain the large sums of money
required to meet the [illegible]

charges to be incurred by the
increase of our European Force
with the accompanying Expenditure
such as new Barracks &c., and
likewise to defray the cost of
Fortifying, as proposed, the dep[ôt]
Depart Military Canton[ment]s
throughout India.

However convincing enough
to be that much of our Military
Precautions that hitherto have
been deemed Martial Law ought
found to be further considerations
not to be

material. The Experience of the
Mutiny of 1857 shows that a
very small military force
sufficed when the people
of the Country had not
declared, & that it would
then the murderous scenes had
to be incessantly devised. We have three
Depôts in Calcutta to guard against
Depôts from the Country
the Risk of one then mutiny.
If there could be three Risks
Keep the Time Key to our Fortress
Depôt in

ture in the formation of an Executive as well as a Judicial Department as possible & in bringing the civil Conduct of the Country to a wellregulated & respectable Police, such as we see at this moment succeeding gradually in introducing into this Metropolis—

Should Measures be taken for the above be established on a different plan will diminish the Expenditure of

[illegible] which [illegible] Police [illegible] Establishment to [illegible] Station will speedily produce all the Effects of all the Results which the President in his dispatch [illegible] so fully explained—

W. Morehead

Sent in a letter to Engd
Decr 1859 No 79

Revenue 1859 Depart.
Pro. of Govt 10th Decr
No 2304.

Minute by the Honble
W. Morehead Esq

Dated 8th Decr 59.
Recd

On the Petn of Inhts
Licensed Vendors
& Professions

No 66

Department

No 1660 R.

Proceedings of the Madras Government
Under date the December 1859.

Read & join the following

letters

From the Govt of India dated 7th Sept. and recorded in Proceedings of the 4th Oct. 59.

From fifteen Civil Officers recorded in Proc.s of 10th & 12th November and 21st and 31st October 59.

Read also the following

Papers.

From the Under Secy to the Government of India (Here enter 4th Septr 59 No 1845)

Minute by the Hon.ble the President (Here enter 1st Decr 59)
concurred in by His Exc.y the foregoing

Minute by the Hon. W. Elliot (Here enter 8th " ")

Minute by the Hon.ble W. Morehead (Here enter 8th " ")

Ordered that the Reports of the Civil Officers referred to above, together with the Minutes recorded by the Members of Government, be forwarded to the Government of India

as well as

as well as

~~and that of the~~

same to be made to the Secretary

of State.

Copy in a Mad. Pub. 10 Dec. 1859 No 99.

Revenue 1859 Depart.
Pro: of Govt. 10th December.

No. 1660 of.

Pro: of the Madras Govt.
D. 9th December 1859.

Ordering that the report of the Civil Officers and the minutes recorded by Govt. on Bill for licensing trades and professions be forwarded to Govt. of India and Home Government.

No 63 at 60.

Copied
Dis: Gen: Steamer 9

R. D. 9

No. 1661.

To The Secretary to the Govt of India.
Home Dep.

Sir

I am directed to acknowledge your two letters of the 7th & 14 September, respecting the bill for licensing traders & professions.

In accordance with the desire of the Government of India this Government called on a number of selected officers for their opinions of the provisions of the Bill; & I am now directed to transmit copies of those opinions, fifteen in number, together with the minutes recorded on the subject by the Hon. the President

The minutes of the other

X Minute by the Hon'ble the President d/ December 1859
Minute by the Hon'ble W. Elliot d/ 8th Dec. 1859
Minute by the Hon'ble W. Morehead 8th Dec. 1859

members of this Govt.

members of the Government
are not ready for transmission by this opportunity; but as it is already
much past the time
named by the Government
of India for the receipt
of the opinions of the local
Governments on the Bill,
His Excellency in Council
considers it desirable
that the papers not ready
should be forwarded
without delay —

Copy in a letter to England
to Secy. 1859 No. 79.

Revenue 1859 Dept.
Pro. of Govt. 16th Dec.

No. 1661.

To the Secretary to the
Govt. of India.
D. 9th December 59.

Transmitting the re-
ports of the Civil Officers
and the Minutes recorded
by Government respecting
the Bill for licensing
trades and professions.

No. 68.