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Government of Madras.

Revenue DEPARTMENT.

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Government of Madras.

REVENUE DEPARTMENT.

Recd.

1865.

Regd.

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G.O., Nos. 339, 340, 1 February 1865.

FEBRUARY.

Nos. 323-324.

Passing orders on the subject of the trade between the British territories and Travancore and Cochin, and addressing the Government on the same subject.

12. As regards *foreign* goods, Travancore are agreed to levy the British Indian rates of import duty, excepting from this rule Cotton and Metals, which were to pay 10 per cent. and including in the category of foreign goods, goods of foreign origin re-exported to Travancore from British Indian Ports. The Supreme Government object to the latter proposal, and the Travancore Government is willing to yield the point, but claims a guarantee of the revenue involved, said to be about Rs. 50,000. The Travancore Government argue that the revenue thus realised is derived from the consumption of their subjects, and that in the form either of a draw-back or a guarantee, they are fairly entitled to claim it, the British Government being similarly

entitled in respect to foreign goods re-exported from Travancore to British India. At present fully 75 per cent. of the foreign import trade of Travancore is through British Indian ports, while but little foreign produce is re-exported from Travancore to British India. The tendency of the arrangements now in contemplation will be to increase the direct over-sea trade of Travancore, but this result will not, of course, be

N.B.—The Travancore Dewan points out that owing to subsequent reductions in British Indian rates of duty, the revenue given up by this Government is now less than Rs. 85,000. This is correct, but on the other hand Cochin, under the British guarantee, gives a large amount of transit dues levied on Travancore produce passing into British Cochin.

immediately realised. Meanwhile, by admitting all British Indian produce (Tobacco, Opium, Salt, and Spirits excepted) free of duty, Travancore gives up about Rs. 80,000 of revenue, which is nearly equivalent to the revenue given up by the British Government on its produce, viz., Rs. 85,000, and as it further agrees to adhere to the British Indian Tariff valuations and duties present and future, on all foreign imports, the Government, in consideration of its financial condition and the reforms it has still to carry out in its administration, will recommend to the Supreme Government that it should be secured against loss by a guarantee to the extent of what will be the probable loss, viz., Rs. 40,000.

13. The Travancore Government proposed to retain its own duties (10 per cent. on Pepper, Betel, and Timber, and 6 per cent. on other articles) on exports. This Government pointed out the injurious character of this policy, but abstained from doing more than strongly advising a more liberal course. The Government of India object to Travancore levying heavy duties on its exports on the ground that this will injure British interests, because Travancore could not charge such high rates if the British Government levied its import duty. Travancore now proposes to levy not more than 5 per cent. excepting on timber, which is to pay 10 per cent., and Pepper and Betel-nut, which are to pay Rs. 15 per candy of 600 lbs. The Resident considers that this is as much as can be prudently conceded at present, seeing that Travancore has still fully to carry out its plan for the substitution of a moderate duty for the late Tobacco Monopoly, and to make various other reforms. In this view the Government concur.

14. The Travancore Government now levy the following duties on Tobacco in lieu of the late Monopoly system, viz. :—

	RS.
Jaffna	140 per Candy of 600 lbs.
Tinnevelly	100 do. do. "
Coimbatore	65 do. do. "

15. The imports of each and *net* revenue were as follows in 1863-1864 :—

	CANDIES	RS.
Jaffna	2,629	4,02,610
Tinnevelly	2,838	3,21,859
Coimbatore	544	32,437
Total	6,011	7,56,906

It will be seen from the above that the imports of Jaffna and Tinnevelly Tobacco are nearly equal, while those of Coimbatore Tobacco are very small.

16. The Travancore State first pressed for a duty of Rs. 50 per Candy being levied at British Cochin and the adjacent strip of land running between Travancore and the sea, on *all* Tobacco, British Indian, as well as foreign, renouncing all claim to the proceeds

17. Finally, Travancore presses for this duty being levied, on *foreign* Tobacco only, and promises to reduce its Tobacco duties by Rs. 1,00,000. The Government cannot consent to levy more than its present duty, 10 per cent. *ad valorem*, on foreign Tobacco imported into its own port of British Cochin, or to advise the Cochin Circar to levy 50 per cent. to suit the interests of Travancore. Owing to the retention of the export duties and the present Tobacco system, not a single Travancore Chowky on land or water will be removed. The duty indeed is somewhat lighter, but every other

objectionable feature of a system of heavy inland customs and transit duties remains. The Chowkies, being retained, the duty on foreign Tobacco can be levied at them, and smuggling be prevented there in the same way as duties on other goods are there realized and smuggling prevented. If the imposition of a duty of Rs. 50 per Candy at British Cochin would be followed by the removal of the Chowkies, or such a reduction of duty as would render smuggling an unprofitable risk, it would be otherwise; but as matters stand the Government are asked to impose a heavy duty, and induce smuggling in their territory for no really commensurate object, and for no real necessity. The maximum price of the Jaffna Tobacco in British Cochin, according to Mr. Clarke, was Rs. 105 per Candy. The Travancore duty is Rs. 140! It is not surprising therefore that smuggling should be rife.

18. The promise to reduce the Tobacco duties by one lac is very satisfactory in its way, but there are other funds for this purpose: the enhanced Salt tax will, it is admitted, bring in two lacs, and the new survey, according to the late Resident, Mr. Maltby, will bring in three lacs. The Government consider that they do concede all that can be expected from them, when they assent to Indian Tobacco being so heavily taxed, while all Travancore produce comes free into the British Indian territories.

19. It only remains to notice the arrangements between Cochin and Travancore.

20. Cochin will now be placed in the same position with reference to Travancore as the British territories, but at some of the land Chowkies the Cochin Government stipulate that the *Travancore* export duties shall be limited to certain principal articles. As Travancore is relieved of some Rs. 70,000 levied on its back-water trade, this demand is reasonable, and the Resident should decide at once, and from time to time, what these articles should be. The Cochin Government also stipulates that the produce of their territories when passing through Travancore shall not be charged with import or export duty. This is conceded, and it is only necessary to remark that the same rule must hold good as regards the British Government, *i.e.*, Travancore is not to tax Coimbatore produce passing through it to British Cochin for shipment or consumption.

21. In order to preclude future discussion, the Government deem it right here to point out that such a claim as that put forward by the Dewan of Travancore, in paragraph 36 of Memorandum accompanying his letter to the Resident, dated 18th July 1864, No. 2089, cannot be admitted. The British Indian Salt Tax if altered at all is not likely to be reduced, but in the event of reduction, the Government do not hold themselves liable to make good any loss thereby to Travancore. That Government must look to the advantages resulting from the present arrangements, which will indubitably increase its trade and improve its resources. The Government are not aware whether Travancore has any Inland Chowkies near the British or Cochin frontier; if it has, the selling price at such Depots will of course be regulated in such a manner as to place British India, Cochin, and Travancore Salt on the same relative footing.

22. Ordered that the following letter be addressed to the Government of India.

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

Ordered that the following letter be despatched :—

No. 324. From J. D. SIM, Esq., Secretary to the Government of Fort Saint George, to the Secretary to the Government of India, Finance Department, dated 16th February 1865, No. 340.

SIR,

With reference to my letter, dated 23rd April last, No. 707, and your reply, dated 10th June last, No. 774, I am directed to forward herewith the report of the Resident of Travancore on his further negotiations with the Government of Travancore and Cochin, for the removal of fiscal restrictions on the trade between British India and those States, and the Proceedings of this Government, dated 16th instant, No. 339.

Separate Revenue, No. 18.

Customs.

2. As regards Cochin, the only point in my letter of the 23rd April which need be considered is the guaranteed Customs Revenue the Cochin State is to receive on Tobacco, Rs. 10,500, and to fix the duty on Tobacco with reference to the actual revenue.

3. The Cochin State wishes to have the duty on Indian Tobacco, but to this the Government are opposed. They consider that in its present circumstances the loss caused by reducing the duty on Tobacco is not a further advantage of simplifying Customs. The duty on Pepper exported under Act III of 1858, and on Spirits, British duties and valuation.

4. The calculation of the guaranteed revenue is obviously fair.

5. As regards Travancore, it wishes to have the duties on British Indian produce (Tobacco, Pepper, and Betel) in the form of a guarantee or drawback on foreign produce re-exported to Travancore.

* Timber 10 per cent.
Pepper and Betel Rs. 15 per Candy.

6. The Government consider that these concessions are as much as the Government can give at present, and recommend their acceptance at present, and will gradually be reduced as the direct trade of Travancore increases.

7. The Travancore and Cochin States wish to have them at Bombay on the same terms as at present. The latter is charged three Pice per Maund by the Bombay Government, to cover petty duties. This concession is recommended.

8. The Cochin State, as regards Travancore, is in the same position as British India.

9. I am directed to request the sanction of the Supreme Government to carry out the arrangements now reported from

in the arrangements mentioned in my letter of the 23rd April, is the proposal to include in the guaranteed revenue the duty on foreign produce from the import duty on foreign produce. This arrangement has the advantage of simplifying Customs, as with the exception of the duties on Tobacco, Salt, Opium, and Spirits, the revenue of the last three years is

of Rs. 10 per Candy on British produce, which is wholly opposed—on the other hand, the Cochin State may fairly claim security against the loss of Tobacco. This arrangement has the advantage of simplifying Customs, as with the exception of the duties on Tobacco, Salt, Opium, and Spirits, the revenue of the last three years is

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at that State now gives up all import duties (Salt and Spirits excepted), but claims the revenue realized in British Indian ports. It reduces its export duties to 10 per cent. *ad valorem* on all articles, and the three marginally * noted, diminishes the Tobacco revenue by Rs. 10,000.

Various reforms urgently required, the Government can be expected to make at present, and will gradually be reduced as the direct trade of Travancore increases.

claim that Salt shall be supplied to Travancore at the same price as at present. At present one Anna per Indian Maund by the Bombay Government. The Government recommend

will hereafter be in the same position

of the Supreme Government to carry out the arrangements now reported from May next.