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Proceedings of the Madras Government, Revenue Department, 14th May 1868.

No. 318. Read the following letter from H. NEWILL, Esq., Resident in Travancore and Cochin, to the Chief Secretary to Government, Fort Saint George; dated Trevandrum, 21st December 1867, No. 63.

I have the honor to forward, for the information of Government, copy of papers* on the subject of the tobacco revenue of the Travancore State, which I have furnished to the Honorable G. N. Taylor at the desire of His Excellency the Viceroy, and, also of a Minute† of Mr. Talyor on the subject.

* Dated 10th October 1867.

† Dated 21st November 1867.

MINUTE by the HONORABLE G. N. TAYLOR dated 21st November 1867.

Towards the end of August last, I wrote, by the Governor General's desire, to the Resident and to the Dewan of Travancore, to ascertain full particulars respecting the mode in which the tobacco duty is levied in that Native State. It appeared from the Dewan's Administration Report of 1865-66 that an annual revenue of between seven and eight lakhs of Rupees is realized from this source in the shape of an Import Duty; it was said that the tax was light and easily collected, and that a recent reduction in the duty had resulted in increased consumption, though the revenue had somewhat fallen.

2. I was aware that under the monopoly system which formerly prevailed in Travancore a much larger tobacco revenue had been derived, though the expenses of management and collection were considerably greater. I also knew that the evils inseparable from such a system had led to its abolition, as had previously been the case in the adjoining British Districts of Malabar and Canara, where no tobacco tax in any form has been substituted for the abolished monopoly.

3. I asked Mr. Newill for the fullest information, and suggested his obtaining from Sir Madava Row, the Dewan, and forwarding, with an expression of his own opinion, a complete review of the past and present system as existing in Travancore, the causes which led to the change, and the results in full detail. I desired that it might be noted whether any vestige of the monopoly still existed; whether the cultivation of the tobacco plant was absolutely prohibited within the territory of the Rajah, and, if not, under what conditions it was permitted; whether the whole supply comes as before from Ceylon by sea, and by land from the adjoining districts of Tinnevelly and Coimbatore; where and at how many places or roads the duty is collected; and whether this duty is uniform, irrespective of the price or quality of the article.

4. The result is to be found in the papers annexed below, which contain complete information on all points connected with the past and present condition of the tobacco revenue in Travancore.

5. The system is not absolutely perfect, and it may possibly be found desirable to introduce the several improvements suggested by the Resident. There is no doubt, however, that a tobacco tax in the form in which it is levied in Travancore forms a very satisfactory and a very profitable item of revenue.

The Import Duty following immediately on the abolition of the monopoly has been readily accepted by the people; it has recently been placed on a very moderate footing, and certain vexatious restrictions have been removed; and it is now collected with ease, and without oppression, under the arrangements described by the Dewan.

6. The new imposition of a tobacco tax in British territory generally is, of course, a very different thing. The only form in which it would be possible to introduce it [illegible] throughout Southern India, would be that of an excise duty levied, as suggested by Mr. Newill, on the disposal of the article by the grower to the merchants who habitually purchase [illegible] purchase. But even in this form it would differ but slightly from the imposition of a license duty on the dealer in the manufactured article, or would be liable to degenerate into a [illegible] tion of the plant, either of which methods, and especially the latter, is open to the [illegible] so often urged, that no sufficient amount of revenue could be raised without such a [illegible] veillance and control as would be most oppressive and unpopular throughout the country.

7. I most entirely agree in the view that to tax the grower of the article would be an infringement of the principle of the land settlements in every part of India. My fear is that an excise on tobacco in any shape but that of an Import Duty would virtually become an additional burden upon the land.

8. Of the practicability, however, of levying an Import Duty in those parts of the country where tobacco is not indigenous, there can, I think, be no question. The districts of Malabar and South Canara are precisely similar to the Travancore territory both in geographical features and as respects the habits, tastes, and character of the people, and I see no difficulty whatever in extending to them the system which is worked so well in the Native State.

The remarks of the Dewan on this point, and as regards the levying of an Import Duty at the British port of Cochin, are deserving the attention of the Madras Government, to whom doubtless the Resident has forwarded, or will forward, copies of these papers. Possibly there are other localities in the several Presidencies where an Import Duty on tobacco might be imposed with advantage, and the subject will no doubt be carefully considered in the Financial Department.

9. I will only add that, in my opinion, there is a very essential distinction between a tobacco tax and a salt tax: the former article is not a necessary of life in the same sense, or in anything like the same degree, as salt. We have the testimony of many intelligent Natives—who, like the Dewan of Travancore, are most capable of giving a reliable opinion—that there could be less risk and less hardship and vexation in the imposition of a moderate Import Duty, or of an excise wherever practicable, on an article which is certainly regarded as more or less a luxury in many parts of India, than would be caused by increasing the existing tax upon salt, which is the natural and necessary aliment of all classes of the people.

(Signed) G. N. TAYLOR.

21*st November* 1867.

MEMORANDUM by H. NEWILL, Esq., Resident, on the Tobacco Revenue of Travancore, dated 10th October 1867.

The accompanying paper has been prepared at my request by the Dewan of Travancore, to afford a review of the administration of the tobacco revenue of that State, both under the monopoly and, subsequently, for the period during which an import duty has been substituted for the former system.

2. It seems unnecessary for me to dilate upon the evils of the monopoly in the encouragement it afforded for smuggling and other demoralizing practices, and the great aggravation of these evils, as far as the Native States of Travancore and Cochin were concerned, upon the abolition in 1851-52 of the tobacco monopoly in the neighbouring British Provinces of Malabar and Canara, as this subject has been fully treated of by the Dewan.

3. The finances of the Travancore State were in anything but a flourishing condition at the period alluded to, and the State naturally shrank from incurring the large sacrifice of revenue involved in abolishing the monopoly. It accordingly did its best to struggle against the evils in question by adopting stringent measures for their prevention, and also by considerably reducing the monopoly prices, with the view to the diminution of the temptations to smuggling.

4. In 1862-63, however, as the finances became more buoyant, it was determined to abolish the monopoly, and to substitute an Import Duty on a much more moderate footing than the monopoly prices, and this again was considerably reduced as shown below :—

	Ceylon tobacco.	Tinnevelly tobacco.	Coimbatore tobacco.
	Rs.	Rs.	Rs.
Value of candy of Rs. 650	437½	230½	115½
Duty prices for monopoly	100	110	65
Duty prices for substituted Import Duty	120	85	40

5. The change of system immediately resulted in an immense diminution of the illicit trade, and at the same time stimulated an increased consumption of the article.

6. It will be interesting to notice here the consumption of the article, and amount of net revenue as influenced by the changes above described.

7. For the two or three years preceding the abolition of the monopoly in Malabar and Canara in 1851-52, the annual consumption in Travancore was about 3900 candies, and the revenue stood at about 11¼ to 11½ lakhs of Rupees. The next year the legitimate consumption fell to 3380 candies, and the revenue to Rupees 9,40,000. In six years more the revenue was only 8½ lakhs of Rupees. In the last five years of the monopoly, the revenue was much improved by the adoption of stringent measures, and the consumption at the abolition of the monopoly was about 4376 candies, yielding a net revenue of about 11½ lakhs, equivalent to the standard attained before the abolition of the monopoly in Malabar and Canara.

8. On the substitution of the Import Duty in 1862-63, the consumption rapidly increased up to 7218 candies in 1866-67, being an advance of nearly 70 per cent. The revenue, however, fell at once to 9½ lakhs of Rupees, and subsequently, by further reductions in the Import Duty, to about 7 lakhs of Rupees, its present standard.

9. The State has thus sacrificed about 4½ lakhs of Rupees, or nearly 40 per cent. of this item of annual revenue; but the beneficial results must be considered as fully commensurate, when the almost entire removal of smuggling and other evils, and the largely increased consumption, are taken into account.

10. The present revenue is realized without difficulty and at a trifling cost, and amounts to about 8 Annas a head per annum on the population. It is by no means oppressive upon the people, particularly as they are, generally speaking, taxed lightly in other respects; but on a further revision of the Import Duties, so as to correct some existing anomalies, the present very flourishing condition of the finances will probably admit of some further reduction of this item.

11. This tax, in the form of an Import Duty, seems admirably adapted to the circumstances of Travancore, and a most legitimate source of revenue under certain limits.

12. It will be observed that there is an anomaly in the varied rates of Import Duty, which are not proportionate to the intrinsic value of each description of tobacco, but vary as follows :—

	Ceylon.	Tinnevelly.	Coimbatore.
	Rs.	Rs.	Rs.
Duty per candy	120	85	40
Value	130	65	130
Percentage of duty on value	90	130	30

13. A low rate of duty on Coimbatore tobacco was adopted to lessen the great temptation to smuggling, and at present its use is virtually restricted within certain limits, the higher duty being levied on its transit beyond them. This anomaly requires correction, but the adoption of one uniform rate of duty is scarcely practicable, under present circumstances, without a very large reduction in its amount, and as Ceylon tobacco holds a high place in the market, it may fairly be subjected to a heavier tax.

14. It will be observed that the routes by which tobacco is allowed to enter Travancore are limited and partially regulated by the season on the Western Coast, additional facilities being allowed when the more natural inlet for the article through the seaports is closed.

15. The cultivation of tobacco has hitherto been prohibitory in [illegible] experiments are said to have failed; but, with the variety of [illegible] localities, there seems no apparent reason why [illegible] should not thrive under a suitable selection of [illegible]

16. There seems on the part of the Sirkar a jealousy of the introduction of the growth of the plant, as being calculated to afford a further means of illicit trade; but as it would be entirely a new product, there will be no difficulty in laying down rules for its taxation in the form of an excise duty, and as this would not disturb arrangements for any existing cultivation, there could be no dissatisfaction excited on the part of the people. This point will be brought under the further consideration of the Sirkar.

17. The system of licensing the sale of tobacco has not been introduced in Travancore, nor does it seem desirable to adopt it at present, or so long as the whole of the revenue required to be raised on this article can be realized through the simpler medium of an Import Duty. In short, nothing would be gained by imposing a license tax on sales, in order to effect a corresponding diminution of the Import Duty, but, on the other hand, it would occasion some additional supervision on the part of the State, and create new offences and penalties which is not desirable when it can be avoided.

In the neighbouring State of Cochin, a license tax of Rupees 20 and Rupees 10 is imposed on dealers in tobacco, but in this case there is no Import Duty levied.

18. I have endeavoured to give a clear account of the transition from the monopoly system to the levy of the Import Duty, and to show the present mode of administering the tobacco revenue in Travancore, with the remaining imperfections still attaching to it, and have expressed the opinion that this item of taxation is not oppressive to the people, and is at the same time well adapted to the circumstances of Travancore.

19. There can be no question of the applicability of a similar system in British Districts under similar circumstances—for instance, Canara and Malabar, where nearly the whole consumption seems to be supplied from imports—as this indirect taxation, in the form of Import Duty, does not press vexatiously upon the people.

20. It becomes, however, more difficult to devise a means of taxing indigenous tobacco, which is extensively grown in some districts of Southern India. If the incidence of the tax is to fall directly upon the cultivator, it is to be feared that the measure would be oppressive and unpopular. A license to grow the article would be virtually an augmentation of the assessment of the land on which it is grown, and the ryots have been accustomed to the principle introduced prominently in the Revenue Settlement that the assessment is fixed without reference to any distinction of special crops which may be grown on the land, such as tobacco, &c. In short, exceptional rates of assessment on special crops have been generally abolished, and anything having the appearance of reintroducing the same seems undesirable, as calculated more or less to check expenditure of capital on agricultural improvements.

21. An excise duty may, however, I think, be levied upon the article upon its disposal by the grower. The greater part of this crop in the several districts with which I am acquainted is bought up from the ryots by wealthy merchants, and the excise duty would thus fall upon them, and eventually upon the consumer, without any discouragement to agricultural interests.

MEMORANDUM by DEWAN T. MADAVA ROW.

The people of Travancore, as well as those of Malabar and Canara and the territories of His Highness the Rajah of Cochin, are addicted to the use of tobacco. This they daily chew in small quantities. This is the way in which the stuff is principally consumed here, but it is also used in other forms.

2. Almost every class of people consumes this commodity, rich or poor, Brahmin, Sudra, or low-caste. The quantity consumed depending within certain limits upon the means of the consumer.

3. Tobacco, though used, cannot, however, be deemed a necessary of life. It can well be dispensed with entirely or partially, without any serious inconvenience. Where, however, a habit has been formed, it cannot be wholly given up without difficulty, though the quantity consumed may be varied within limits according to the circumstances of each individual.

4. Such a commodity could not be long overlooked as a peculiarly fit subject for public taxation. Accordingly, it formed, for a considerable time, the subject of a rigorous monopoly in Travancore, as also in the neighbouring territories of Cochin, Malabar, and Canara. In the Native States, tobacco still continues to yield a considerable revenue, though under a system different from a monopoly.

5. I will briefly describe the monopoly system as it existed here till it was abolished.

6. The Sirkar made direct purchases of tobacco of various kinds by entering into contracts with individuals for the supply of the requisite quantities; the contract prices being mostly determined by public competition. The supplies were to be delivered by the contractors at stipulated periods, so as to leave always a quantity on hand sufficient for consumption in the country for some months at least. The tobacco so supplied was brought into the country by certain appointed routes only, and under precautions against smuggling, and was lodged in certain large warehouses, whence it was distributed also under permits to certain Bankshalls (Sirkar shops), whence again it was sold at monopoly rates to private dealers. These dealers, in their turn, sold the stuff by retail throughout the country at enhanced prices.

7. The tobacco for the use of Travancore was, and still is, obtained chiefly from three sources, viz., Ceylon, Tinnevelly, and Coimbatore; the largest quantity being from the first, and the smallest from the last mentioned territory.

8. As the monopoly rates were very high compared with the prime cost, there existed a great temptation to practise contraband trade in this commodity. Various preventive measures had, therefore, to be adopted. Tobacco could not be carried from place to place in any considerable quantity without being covered by the pass. A vigilant supervision had to be exercised at the several ports and passes, to prevent the ingress of this contraband article. Smuggling was punished with fine, imprisonment, or lashes, according to circumstances, besides the confiscation of the tobacco smuggled.

9. The monopoly rates of sale were not, and indeed could not be, uniform. There were three rates respectively, applicable to the three classes of tobacco, viz., of the Ceylon, Tinnevelly, and Coimbatore growths. That of Ceylon is considered the best; that of Tinnevelly the next best; and that of Coimbatore similar to that of Ceylon, but inferior in flavour and pungency. The Ceylon and Coimbatore stuff came into the country in an almost dry state, but the Tinnevelly tobacco was obtained in a prepared state; this preparation consisting chiefly of its being soaked in a solution of Jaggery. In consequence of this preparation, the Tinnevelly tobacco contained a good deal of moisture, in consideration of which the monopoly rate of sale was considerably lower than that of Ceylon tobacco.

10. The normal monopoly selling rates were as follows:—

Ceylon,	431½	Rs. per candy of 656 lbs. (English).	
Tinnevelly,	230¼	,,	,,
Coimbatore,	115¼	,,	,,

11. The average prime cost of these kinds of tobacco stood something like the following:—

Ceylon,	66	Rupees per candy.	
Tinnevelly,	31½	,,	,,
Coimbatore,	47	,,	,,

12. Therefore, the profit secured by the Sirkar to cover charges of Establishment and pad for purposes of general revenue stood as follows:—

Ceylon,	365½	Rs. per candy, or 553 per cent.	
Tinnevelly,	199	,,	,, 647 ,,
Coimbatore,	68¼	,,	,, 140 ,,

13. The prime cost, of course, varied according to the circumstances of each season, but the monopoly rates were altered except very rarely indeed.

14. The following Statement shows the total quantity of all kinds of tobacco sold and the net revenue for five years when the monopoly was in a prosperous condition :—

Year, Malabar.	Year, A. D.	Total quantity sold. Candies.	Proceeds.	Prime cost and other charges.	Net Revenue.
			RS.	RS.	RS.
1023	1847-48	3,932	14,37,258	2,37,112	12,00,146
1024	1848-49	3,868	16,23,045	2,27,318	13,95,727
1025	1849-50	3,813	13,43,345	2,21,345	11,22,000
1026	1850-51	3,961	13,81,927	2,23,108	11,58,819
1027	1851-52	3,884	13,31,704	2,13,474	11,18,230

15. The gross revenue thus realized was so much as above one-half of the aggregate of the revenue of the State from all other sources.

16. The monopoly system, thus fruitful in its results, received, however, a severe blow from the abolition of a similar system which had existed in the neighbouring British province of Malabar. Malabar, thereupon, became a convenient basis for the operations of the smuggler. The town of Cochin and the hamlets of Anjengo and Thengacherry, belonging to the province of Malabar, but situated in the heart of the Native States of Cochin and Travancore, became so many *foci* of contraband trade. In consequence of the abolition of the monopoly in Malabar, it was free to any one to land, under the protection of the British Government, any quantity of tobacco at the three abovementioned places, and thence to smuggle it, with dangerous facility, into the Native States in the body of which those places are situated.

17. The Native States complained much of the heavy injury inflicted on their revenues by smugglers thus obtaining entrance and acting under British protection. The British Government endeavoured to afford some assistance to prevent smuggling from Anjengo and Thengacherry, but would not afford any at the British Port of Cochin, the chief basis of the smugglers' operations. A broad breach was thus made in the line of the preventive arrangements, and contraband tobacco poured in, in a stream which could not be stemmed with any great effect by the Native States. As the British Government refused assistance (which, however, it could not have been difficult for it to give), the Native States had to do their best without it. A considerable decline in the tobacco revenue could not be prevented ; it was inevitable.

18. The late Mr. Wilson's tobacco duty of Rupees 150 per candy, which came to be imposed at the British port of Cochin, very effectually checked smuggling into Travancore through that port. But the British Government soon afterwards abolished that duty, and the difficulties of the Native States at once revived. The tobacco revenue of His Highness the Rajah of Cochin was most seriously injured, and the relaxation of the monopoly in His Highness' territories, conterminous as they are with those of Travancore, affected the revenues of His Highness of Travancore likewise.

19. When I took charge of the Administration in 1858, I found the monopoly in a sinking state, illicit traffic carried on with increasing boldness, and the preventive service deeply demoral-

20. Nothing however could be immediately done to reform the system itself, as the finances of the State were on the verge of insolvency. It was deemed best, therefore, to limit exertions for some time to the more efficient and rigorous administration of the existing system itself, the primary and all absorbing object then being to rescue the State from impending financial ruin. These exertions, extended to all the departments of revenue, happily resulted in the relief of the State from its fiscal embarrassments, so far as to render it possible to take action towards the amelioration of the monopoly system.

21. It was very evident that, with the enormous facilities for contraband trade opened by the British port of Cochin in the midst of the Native States, facilities which were absent so long as the tobacco monopoly was maintained in the British province of Malabar (to which the port of Cochin belongs), Travancore could not hope to maintain its monopoly on its former footing. And

as the British Government could not be prevailed upon to levy a protective duty at this port of Cochin, it became necessary for Travancore to relax its monopoly.

22. The first step taken was to lower the monopoly selling rates considerably. This was done with a view to reduce the temptation to smuggling. It was attended with fair success. The success encouraged further progress in the same direction.

23. I found that it was always a matter of great difficulty to engage individual contractors to supply the large quantities of tobacco required by the Sirkar ; that the contract system, in spite of every effort to check them, gave scope to many and grave malpractices ; that the contractor not unfrequently failed in the performance of his engagement—a failure which could not be promptly repaired, and which seriously retarded the monopoly sales and jeopardized the revenue derivable therefrom ; and that, even when the contractor was able to deliver the supplies, the tobacco supplied was often very inferior to that which the smuggler offered in competition, and this was a most serious evil.

24. These and other cognate evils led to the sanction of His Highness for the abolition of the monopoly and the substitution of an Import Duty.

25. This great step was carried out with a success which has by no means fallen short of expectation.

26. The Import Duties first imposed in substitution of the monopoly were as follow :—

Ceylon Tobacco.....	Rupees	190 per Candy.
Tinnevelly do.	,,	140 ,,
Coimbatore do.	,,	65 ,,

27. Many of the evils of the monopoly were thus swept away : the trade was thrown open to all ; the very best sorts of the commodity freely came in as well as the inferior kinds required by the poorer classes of people ; in short, demand and supply adjusted themselves under a natural, unrestrained, and spontaneous process, and it became the direct interest of every honest dealer in tobacco to check smuggling.

28. As the finances of the State improved, I had it in my power, under sanction of His Highness the Maharajah, to reduce the abovementioned high rates of duty by successive steps.

29. The existing rates of duty accordingly are :—

Ceylon Tobacco.....	Rupees	120 per Candy
Tinnevelly do.	,,	85 ,,
Coimbatore do.	,,	40 ,,

While the former monopoly selling rates were—

Ceylon Tobacco.....	Rupees	431½ per Candy.
Tinnevelly do.	,,	230¾ ,,
Coimbatore do.	,,	115¾ ,,

30. The consequence of such great reduction of taxation has naturally been the diminution of smuggling and the increase of consumption. From these two-fold causes, the imports have now very remarkably increased. The quantity of tobacco which paid tax in 1033 (A. D. 1858) was candies 3819, whereas that which paid tax in the year just expired was candies 7218.

31. But last year was one of a deficient harvest, and, therefore, the people could not consume the full quantity of tobacco they would in the current and more prosperous year.

32. I am now able to state that, in consequence of the very decisive reduction of the Import Duty, as above stated, the temptation to illicit trade in tobacco has been very remarkably diminished. I may say with confidence that there is little or no smuggling on the eastern frontier ; there is very little through Anjengo and Thengacherry, and not much in the vicinity of British Cochin.

33. With smuggling have disappeared the demoralization connected with it, and the necessity of frequent or severe punishments. Organized bands of smugglers, I may say, are now to be found anywhere.

34. The existing system of levying an Import Duty may be here described.

35. The rates of this duty have been already given (see paragraph 29).

36. Tobacco is allowed to be brought into the country by the following routes only :—

1st. By Aramboly, in South Travancore.
2nd. By the Port of Quilon } Central Travancore.
3rd. By the Port of Alleppey }
4th. By the Aroocooty Backwater } North Travancore.
5th. By the Ahvyo Estuary. }

37. All these routes are open at all times, save the fourth, which is thrown open ordinarily when the monsoon closes the ports for a short while.

38. The object of appointing these limited number of routes is obviously to enable this Sirkar to check smuggling. They are quite sufficient for the honest importer—indeed, they are the high roads into the country.

39. Any person is at liberty to bring tobacco by these routes.

40. The Customs Officers posted on the routes, or at the ports, inspect the tobacco brought, determine its description and weight, and then send it under a pass and guard to bonding warehouses conveniently situated in the country for purposes of issue. The commodity is thus lodged in bond till the owner wishes to take it out. According to his own convenience, he takes out the whole or any part of his tobacco, paying thereupon to the Officer in charge the stipulated duty due.

41. This is an arrangement which our dealers much value. It enables them to pay the duty by degrees as they are able to effect sales of their goods. Indeed, the owner of the tobacco in bond does not pay the duty himself, but simply gets the purchaser of the tobacco to pay the duty to the Sirkar as well as the price to the owner of the stuff. There is no restriction whatever as to who should purchase the tobacco thus bonded. The owner sells it to any one he likes, and the purchaser has to take his tobacco under the seller's pass.

42. The bonding warehouses established in the country are as follows :—
Cottar, Trevandrum, Quilon, Alleppey, Moovattupoolay, Alivaye, and Paravoo.

43. It may be interesting here to give a statement of the Import Duty thus levied for the years 1041 and 1042 (A. D. 1865-66 and 1866-67), the only two years that the existing reduced rates have been full in operation.

Year M. E.	Year A. D.	Ceylon.	Tinnevelly.	Coimbatore.	Total.	Import Duty levied.
		Candies.				
1041	1865-66	3,694	30	373	7,154	Rs. 7,20,595
1042	1866-67	3,732	3,091	395	7,218	7,26,375

44. At this rate the average duty levied by the State upon every English pound weight of tobacco amounts to Annas 2-6.

45. Taking the population of the country at about 1,500,000, the average of tobacco duty paid per head per annum comes to about eight Annas.

46. In regard to rate of taxation per head, small States may not inappropriately be compared with great ones, and, therefore, I may here state that the duty levied on tobacco in the United Kingdom of Great Britain and Ireland in 1863 was very nearly six crores of Rupees. Taking the population at that time, the rate of the tobacco duty per head comes to Rupees two, which is four times the Travancore rate. Similarly, the rate of tobacco taxation in Austria for the year 1863 was only one Rupee per head per annum, which is twice the Travancore rate.

47. The people of Travancore do not feel the taxes at all heavy. They pay it by degrees and according to their means and convenience. The revenue is collected in large quantities. The collection costs a very moderate sum. In short, tobacco is probably the very best source of indirect taxation that can be devised for this country, and indeed for a large part of the Western Coast, if not for the whole of India.

48. I may here give a comparison to show the intrinsic value of the several kinds of tobacco taxed and the duty levied thereon. It is as follows :—

	Price in bond per candy.	Duty per candy.
Ceylon.....	Rupees 130 (average).....	Rupees 120.
Tinnevelly.....	„ 65	„ 85.
Coimbatore	„ 130	„ 40.

49. It is evident that Ceylon and Tinnevelly tobacco cannot be taxed at the same rate per candy. The tobacco is of very different kinds, or rather comes into Travancore differently prepared. Ceylon comes in the state of almost dry leaves, while Tinnevelly comes soaked, and consequently much increased in weight.

50. But the Coimbatore stuff might be taxed at a much higher rate if the neighbouring State of Cochin could be induced to assimilate its system to that of Travancore. As matters at present stand, the Cochin system being so different from that of Travancore, a heavier duty on Coimbatore would pretty surely lead to smuggling from the smaller into the larger State.

51. Indeed, if Canara, Malabar, and the native States of Cochin and Travancore could agree to adopt a system of deriving a revenue from tobacco so far analogous as to assist each other, a very considerable revenue could be realized with very little hardship to the people and expense to the respective Governments. These territories all consume vast quantities of tobacco. Their climate is not adapted for growing the leaf. Very costly experiments were more than once made in Travancore to grow tobacco, but they proved failures. And it would appear that the more northern parts of the coast, where the rain-fall is much larger, are still less adapted for its production. The territories possess geographical features peculiarly convenient for the maintenance of a high duty, because they form one solid block, and are guarded by the ocean on the one side, and by the lofty chain of the Ghats with its dense jungles on the other. Tobacco, being a bulky and highly favored commodity, cannot be easily smuggled into the territories by the seaports, or by the few principal passes on the land frontier. I have so strong a faith in these securities, that I have little doubt but that a revenue of even twenty lakhs could be obtained from the abovementioned territories alone. Indeed, Malabar and Canara used to yield from tobacco a revenue of some seven lakhs. The monopoly which yielded it was of course an objectionable mode of taxation, and hence it was given up. At the time of the abolition of the monopoly, the revenue could, I suppose, be easily surrendered, and hence it was given up. But a pretty heavy Import Duty can now be substituted, I presume, to the advantage of all the States concerned. And a revenue would thus be realized that would entirely supersede resort to new and unpopular taxes. The wealth of these territories has so vastly increased, that a tax which would only properly adjust itself to the resources of the people, is sure to be highly productive, while proving by no means oppressive.

52. In consequence of the existing conflict between the fiscal systems in regard to tobacco of the several territories above referred to, the administration of the tobacco revenue in Travancore is still subject to some disadvantages, which the Sirkar is doing its best to ameliorate. We are obliged to tax Coimbatore tobacco, which is used in Northern Travancore lighter than the other kinds, and we are obliged also to confine this lightly taxed tobacco to North Travancore. We are also obliged to maintain special establishments to guard against smuggling into the British town of Cochin, situated as it is in the midst of the native States. But [illegible] nearly any disadvantages still existing in connection with this branch of the revenue [illegible] in a great measure traceable to the conflict in the systems of contiguous States.

53. If parity of action on the part of these States be not practicable, though I hope it is, the British Government might at least consider if [illegible] Duty [illegible] of Travancore, might not be levied on tobacco at the British [illegible] Cochin. The duty would be the source of a revenue which might amply suffice to [illegible] the town of first-rate sanitary or [illegible] conservancy in general, and also of all the [illegible] that it requires. It may be worth [illegible] the [illegible] Cochin town Municipality to consider this. I presume it is perfectly competent

to this Municipal Commission to tax the inhabitants of the town by taxing the tobacco consumed by them. The imposition of a local Import Duty on all tobacco landed at the port of Cochin would not be an encroachment upon imperial resources, and no other people would complain, inasmuch as all the tobacco thus landed would be destined only for local consumption.

54. Such a tax levied by the Town Municipality would, while enabling it to obtain a sufficient revenue for local conservancy and other purposes without resorting to novel and unpopular modes of taxation, operate to prevent smuggling into the friendly Native States, whose revenues cannot be considered by the British Government as beyond its protection, contributing, as those revenues do, considerable subsidies to that Government. The prevention of smuggling into these States must be attended with benefit to the town of Cochin, also by preventing any demoralization of its inhabitants, and by preventing their getting into the meshes of the penal laws of the Native States.

55. If the whole subject be carefully and comprehensively viewed, I am sanguine that no serious doubt will be entertained of the feasibility of an arrangement equally beneficial to all the parties concerned.

56. One objection might be taken to such an arrangement between Canara, Malabar, and the Native States of Cochin and Travancore. The British Government might not like to establish a fiscal system in some of its provinces which is not applicable to all its provinces. If this objection were valid, it must, of course, interpose a somewhat considerable obstacle. But, if I understand the spirit of the times aright, the British Indian Government would not see much reason to insist upon one uniform fiscal system to apply equally to the whole of its wide and varied dominions without exception. As these embrace a great diversity of countries, and people differing in habits, feelings and resources, modes of taxation must, it is obvious, to some extent, be varied in reference to local circumstances. I presume that if a particular tax is likely to be popular, and at the same time highly productive, in one part of India, as, for instance, the tobacco tax on the Western Coast, such tax would be applied to such part of India, and another tax would be applied to another part according to its own circumstances. In short, it seems probable that taxation would be more localized hereafter so as to fit each place best, without much reference to general uniformity.

57. I append a Statement to show the progressive state of the tobacco revenue of Travancore for a series of twenty-five years.

No. 319. ORDER THEREON, 14th May 1868, No. 1,338.

Separate Revenue, No. 16.
Customs.

The Government are not prepared to entertain any proposal for the special taxation of tobacco in British Cochin, in view to affording additional protection to the Travancore revenue from that source.

(True Extract.)

(Signed) W. HUDLESTON,
Secretary to Government.

To the Resident in Travancore and Cochin.

Rxd S. T. Augustin.

2 6E

Minute
(by the Honorable G. N. Taylor)

Towards the end of August last, I wrote, by the Governor General's desire to the Resident and to the Dewan of Travancore to ascertain full particulars respecting the mode in which the tobacco duties are levied in that Native State. It appeared from the Dewan's Administration Report of 1865-66 that an annual revenue of between 7 and 8 lakhs of Rupees is realized from this source in the shape of an Import Duty. It was said that the tax was very easily collected and that a recent reduction in the duty had resulted in increased consumption, though the revenue had somewhat fallen.

2. I was aware that in the monopoly system which formerly prevailed in Travancore much larger revenue had been derived though the expense of management and collection was enormous. I also knew that the duties on tobacco imported by sea into the Native States

had previously been the case in the adjoining British Districts of Malabar and Canara, where no tobacco tax in any form has been substituted for the abolished Monopoly.

3. I asked Mr. Neill for the fullest information, and suggested his obtaining from Sir. Madava Row, the Dewan, and forwarding with an expression of his own opinion, a complete review of the past and present pretended existing in Travancore, the Causes which led to the Change and the results in full detail. I desire that it might be noted whether any vestige of the Monopoly still exists; whether the Cultivation of the tobacco plant was absolutely prohibited without the printing of the Rajah, and if not, under what Conditions it was permitted. Whether the whole supply comes as before Ceylon by sea, and by land from the adjoining Districts of Tinnevelly and Coimbatore, where and how many places or roads the duty is collected, and whether this duty is uniform irrespective of the price or quality of the article.

The results to be found in the papers annexed below, which contain complete information on all points connected with the past and present Condition of the tobacco Culture in Travancore.

The system is not absolutely perfect, and it may possibly be found desirable

to introduce the several improvements suggested by the Resident. There is no doubt, however that a tobacco tax in the form in which it is levied in Travancore forms a very satisfactory and a very profitable item of revenue.

The Import Duty following immediately on the abolition of the Monopoly has been readily accepted by the people. It has recently been placed on a very moderate footing and certain vexatious restrictions have been removed and it is now collected with ease and without oppression under the arrangements described by the Dewan.

6. The new imposition of a tobacco tax in British territory generally is, of course, a very different thing. The only form in which it would be possible to introduce it throughout Southern India would be that of an excise duty levied, as suggested by Mr. Neill, on the disposal of the article by the growers to the merchants who habitually purchase the raw produce. But even in this form it would differ but slightly from the imposition of a license duty on the dealers in the manufactured article, or would be liable to the same general objection as to the Cultivation of the plant, either of which methods and

respectively

especially the latter is open to the very serious objection so often urged, that no sufficient amount of revenue could be raised without such a complete surveillance and control as would be most oppressive and unpopular throughout the Country.

7. I most entirely agree in the view that to tax the flowers of the article would be a virtual infringement of the principle of the land settlement in every part of India. My fear is that an excise on tobacco in any shape but that of an Import Duty would virtually become an additional burden upon the land.

8. Of the practicability, however, of levying an Import Duty in those parts of the Country where tobacco is not indigenous, there can I think, be no question. The Districts of Malabar and South Canara are precisely similar to the Travancore territory both in geographical features and as respects the habits, tastes and character of the people and I see no difficulty whatever in extending to them the system which is worked so well in the latter State.

The remarks of the Dewan on this point [illegible] as regards the levying of an Import Duty in the Cochin portion of which are deserving the attention of the Madras Government to whom doubtless the Resident has forwarded a full [illegible] of these papers.

Possibly there are other localities in the Travancore Residencies where an Import Duty on tobacco might be imposed with advantage, and the subject will no doubt be carefully considered in the Financial Department.

9. I will only add that, in my opinion, there is a very essential distinction between a tobacco tax and a Salt tax. The former article is not a necessary of life in the same sense or in anything like the same degree as Salt. We have the testimony of many intelligent Natives who, like the Dewan of Travancore, are most capable of giving a reliable opinion — that there would be less risk, less hardship and vexation in the imposition of a moderate Import Duty on Tobacco wherever practicable, on an article which is certainly regarded more or less as a luxury in many parts of India than would be occasioned by the enforcement of the existing Tax on Salt, which is the real necessary element of all classes of the people.

Dated 1st November 1864

(Signed) [illegible]

R.D. 9E

Pro: of the Madras Govt
Under date the

Read the following letter from the Resdt in Travancore and Cochin

(Here enter 2nd Dec. 86 No 63)

The Govt gather from these papers that the cultivation of Tobacco in Travancore is prohibited.—

It is to be observed that at para 15 of

the Govt. presume that the word has been misprinted and they fully share his doubts as to the impossibility of growing tobacco in Travancore.—

The circumstances of Ceylon where most of the Tobacco consumed in Travancore and Cochin is grown are almost identical with those of the west coast districts of the Presy.—and the assumption which is made in several parts of the papers that Tobacco cannot be grown in Canara and Malabar is singularly inaccurate as regards the former districts at least—in which prior during the monopoly the utmost restrictions were made to prevent the surreptitious cultivation of a very superior quality

[illegible] parts of this Chapter.

I do not gather from the papers sent as appendix in the 3rd para, the cultivation of Tobacco is or ever has been prohibited in Travancore, and I have no doubt that in the 15th para: of his letter of the 10th October last he merely used the term "prohibitory" advisedly; meaning thereby that the difficulties of cultivation owing to the climate are such as to render the work of it prohibitive, or that at least it is discouraged.

The Cyprus Tobacco is grown & sent in the Custom boats of the Island to the ports of the Island

Tobacco in considerable quantities—the cultivation of which has doubtless greatly increased since those restrictions were removed.—

On reference to the last years Trade returns, the Govt. find that the imports by sea of Tobaccos into Canara and Malabar were:

	Lbs	Value Rs.
Canara—	8,624-	1545.
Malabar-	189,288-	21609.

but of the latter item 99,890-value Rs. 11,226 were imported from Ceylon on payment of duty and doubtless represent Cyprus tobacco [illegible] Ceylon and Travancore [illegible] exhibited [illegible] imported [illegible] Ceylon [illegible]

from Calcutta and can certainly not have been intended for the ordinary consumption of the district.—

Deducting these two items the balance proper for Malabar is ~~the~~ 7283- value Rs 1,7/11- or less than the imports into Canara.—

The Govt observe that during the currency of the Tobacco monopoly Coimbatore and Mysore formed the source of supply for Malabar and Canara - and it is probable that any material deficiency in the local crop to meet the local demand would be similarly met now.—

To establish any system of import duties on this traffic would be to retrace the evils of the old Sayer & Havelock system

Customs

We observe in mark the suggestion of the Board that an import duty and a limit of the manufacture as to bring it into contact with British tobacco. In this proposal we cannot concur. The subject might be discussed in Council.

G/G

I think we might wait for the result of the decision of the Madras Govt before coming to any definite conclusion here

II E

systems now happily things of the past.—

The imports by sea from ports other than those of British India already pay import duties at the rate of 10 per cent ad valorem and as regards the collections, the Govt observe that from items have to be met the guaranteed revenue of Rs 19,500 from tobacco imports secured to the Cochin Sirkar under the Trade Convention regarding which the Resident remarks at para 17 of his letter that no import charge is levied.

The Government see no reason why tobacco should be dealt with except

&c

Abstract Letter Book
of the Travancore Stamps

97

Comm

Ch

14 May 1868 1868

13 E 1

Revenue Department

No. 1338.

Revised draft as ordd. in Council 5th May 1868

Proceedings of the Madras Government.

Under date the 14th May 1868.—

Read the following letter from the Resident in Travancore and Cochin.—

Forwards copy of Papers on the subject of the Tobacco revenue of the Travancore State which have been furnished to the Hon'ble Lt. N. Taylor.— (Rec'd enter 21st Dec'r/67 No 63)

1.

The Government has not prepared to entertain any proposal for the special taxation of Tobacco in British Cochin as it seems to be opposed to [illegible] protection [illegible]

Where the matter [illegible] be brought forward [illegible] Council [illegible]

W. Newill - convicted
Limited he executed - He had
transmitted duplicate of
Govt of India Custom Rules
about Tobacco, &c - that G. M
Taylor had begged him - to
procure for him - information
of the Governor General -
Having done this, as one
officer subordinate - to the
Madras Govt, he could think,
consistent with what he
published to Mr Taylor for
the G. G's use -
On such papers Lord
Auckland Mr Maddock &c -
should come to any decision
beyond the mere recording
of them -
H.T.P.

4-11-93
11-1-95
30-11-97
11-11-10
23/2/21
27.6.28

Revenue 1868 Depte
Proc of Govt for May

No 1338

Proc of the Madras Govt
dy 14 May 1868

Dupl Rp 7965-98

No 318-319