

MADRAS RECORD OFFICE.

Government of Madras.

Revenue DEPARTMENT.

G.O. No.	338.	Press Mis.
¹²² Dated	6 - 2 -	1868..

Not to be folded or roughly handled

REVENUE DEPARTMENT,
FORT ST. GEORGE,
6th February 1868.

No. 338.

No. 122.

To

THE SECRETARY TO THE GOVERNMENT OF INDIA,
FINANCIAL DEPARTMENT.

SIR,

Separate Revenue, No. 4.

Salt.

1. I am directed to reply to your Circular letter, dated 27th June 1867, No. 977, referring, for consideration, the question whether it is advisable to raise

the Government price of salt in Madras to the level of the duty in Bengal, and requesting that the grounds for any adverse opinion may be fully stated.

2. In the comparative statement of existing rates of duty, given in paragraph 4 of your letter, that prevailing in Madras is entered as Rupees 1-8-0 per Indian Maund, and the same for Bombay.

3. The Government selling price for salt in this Presidency is Rupees 1-11-0 per Indian Maund, to which it was raised from Rupees 1-8-0 by Act XIX of 1866, the object, it is inferred, being to make the 'duty' the same as in Bombay under the excise system of taxing private manufacture, the cost price of the salt manufactured here for Government being between 2 and 3 Annas a maund including all charges, so that

Selling price.	Cost price.	Duty.
Rupees 1-11-0	minus Rupees 0-3-0	= Rupees 1-8-0.

4. The question now raised was referred for the opinion of the Board of Revenue, whose reply is forwarded for the information of His Excellency the Governor General in Council.

5. The Board come to a decided conclusion as to the impolicy of raising the duty, arguing that the facts adduced shew that it is already on the verge of the limit which is *repressive of consumption*.

6. They shew that in 1859-60, which is the latest year for which they have the necessary statistics, the rate of the Salt tax per head of population was in this Presidency $5\frac{1}{2}d.$, while it was only $5d.$ on the average of all India.

7. They also shew from recorded facts, that in past years any increase of price had a direct and serious effect on consumption, and that although both consumption and revenue have advanced notwithstanding an increase in the duty, it is more than doubtful whether the *rate of advance* has not been checked by the higher selling price.

8. In 1850-51, the sales for 'Home and Inland' consumption were at the rate of 13 lbs. per head of the population. In 1856-57 it was at the same rate, the price in both years being Rupee 1 per maund. By 1860-61 it had risen to $15\frac{1}{2}$ lbs. per head, notwithstanding that the price had been increased to Rupees 1-2-0.

...prevailing in

9. But in 1861, the price was raised first to Rupees 1-6-0, and then to Rupees 1-8-0, and in 1866, as above stated, to Rupees 1-11-0, and the result is that in 1866-67 the 'Home and Inland' sales had fallen to the rate of only 14 lbs. per head of population, notwithstanding that circumstances generally were in favor of a continued advance from the extension of Railways, improvement of roads, and high prices obtained for produce. The latest comparative statements of revenue shew

* Rupees 3,70,430 to 31st December 1867. that there is a considerable falling* off in the Salt revenue of the current Fusly, as compared with the preceding one down to the same date.

10. These are very significant facts, and the Board adduce the evidence obtained from the increased sales and revenue in Ganjam when the duty was raised in Cuttack, and the demand was consequently transferred to the cheaper market, as proving that the public finances actually benefited by the cheap salt superseding the dearer article.

11. There is an additional argument against increase of duty in this Presidency, derived from its extensive sea-board, and the enormous facilities thereby afforded for illicit manufacture, to which the Board do not allude.

12. This Presidency has at least 1,000 miles of coast, embracing numerous localities offering every possible facility for making salt surreptitiously in small quantities by solar evaporation, without the possibility of Government preventing it except at an immensely disproportionato cost in money, (to say nothing of the demoralization of the people by organized smuggling,) unless the Government remove the inducement by making the illicit gain inadequate to cover the risk. They can only do this by keeping their own selling price moderate.

13. I am directed to state that this Government entirely concur in the view expressed by the Board of Revenue. They are not prepared to say that a small increase in price would at once reduce consumption, or might not benefit the revenues immediately in some measure, but they are satisfied that the *rate of progress* now existing would be still more injuriously affected than it has already been, and that the ultimate effect would be disadvantageous to the finances of the country. In fact, they deem it well deserving of consideration whether a *reduction* in the Bengal rate would not probably be a far more beneficial measure for the Imperial finances than an increase in the Madras rate, to say nothing of the vast difference in the effect that would be produced on the people.

14. Salt is a necessary of life everywhere, but it is far more essentially so in a country where the bulk of the people live mainly on a vegetable diet, and yet it appears that at present in Madras, notwithstanding its lower rate of duty than Bengal, the quantity consumed per head of population is only about two-thirds of the average consumption in England.

15. This Government entertain a very strong feeling as to the political morality of taxing such an easily and widely produced necessary of life as salt. They consider that the measure can only be justified by proving that the benefits secured to the tax-payers by the revenue derived from the tax far more than counterbalance the burden imposed on the community, and from this point of view the first consideration should be, whether a reduction in the higher rates of duty would not tend to increase consumption to an extent that would sensibly promote the health and comfort of the people, without seriously reducing the revenue and embarrassing the finances.

16. But even if doubt be entertained whether, under the Bengal system, the community generally or only the importers would benefit by a reduction of duty,

there can be no doubt that under the monopoly system in force in this Presidency any increase in the Government selling price immediately produces and affords a *prima facie* reasonable ground for a far larger increase in the retail price by the wholesale purchasers from Government, thus tending to check consumption; and even in the interests of the finances only, this Government have no hesitation in deprecating the suggested measure.

I have the honor to be,

Sir,

Your most obedient servant,

(Signed) W. HUDLESTON,

Secretary to Government.

Revenue Department.
6th July 1868.

No. 338.

To

THE SECRETARY TO THE GOVERNMENT OF INDIA.

Financial Department

Sir,

I am directed to re-
ply to your Circular letter
dated 27th June 1867, No. 977, re-
ferring for consideration the
question whether it is ad-
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In the comparative
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in Madras is entered as
Rs 1-8 per Indian Maund,
and the same for Bombay.

The Government
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by Act 19 of 1866. The ob-
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Rs 1-11 ^{minus} Rs 0-3 = Rs 1-8.

The question now raised
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* N. 370430
2-31. Drw/o

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L.B.

Ms. 122.

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Oct 18th 1868

to Mr. Secretary to the
Government of India
Ministerial Office

Ms. 338.

Dec: 1868
Office of Secretary to the
Government of India

Mr.
Sir.