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MADRAS RECORD OFFICE

GOVERNMENT OF MADRAS

Revenue.....DEPARTMENT

G.O. No.	1050	Press
B.P. No.		Mis.
Dated	13-7-1875	196

Not to be folded or roughly handled

No. 135. Read the following Endorsement of the Under-Secretary to the Government of India, Foreign Department, (Political,) dated Simla, 14th June 1875, No. 1,720/P:—

Read the following letter from the Secretary to the Government of India, Foreign Department, (Political,) to the Resident at Hyderabad, dated Simla, 14th June 1875, No. 1,719/P.

I AM directed by His Excellency the Governor-General in Council to acknowledge receipt of your letter, No. 91, dated 21st November 1874, in which you propose the annual payment to the Berar Administration of a sum of Rupees 1,50,000 as compensation consequent on the arrangements recently sanctioned, under which the Berar customs line has been abolished and a mileage rate on salt carried east of Nargaon by railway has been substituted for the former duty of Rupee 1-3-0 per maund, which was levied at the frontier customs line and credited to Berar.

2. In the first place, I am to observe that your calculation is based upon the assumption that the Berar Administration is entitled to share in the revenue levied by the British Government upon salt manufactured in British territory and consumed in Berar. This is a principle which, as you were informed in the letter from the Financial Department, No. 4,198, dated 31st December 1870, the Governor-General in Council cannot admit.

3. In paragraph 3 of your letter, also, it is assumed that, while the arrangements you suggest would provide a fixed recurring revenue to Berar, it would bring again also to the imperial revenues,—seeing that the average net receipts for the past seven years have been Rupees 1,86,666, while the payment you propose to make to Berar is only Rupees 1,50,000. This assumption is based on a misapprehension of the real circumstances of the case. It is shown in the memorandum from the Revenue, Agriculture, and Commerce Department, No. 84, dated 19th March 1874, which was forwarded for your consideration, that the effect of the recent arrangements is to reduce the rate of duty levied on salt imported into Berar from Rupee 1-3-0 to Rupee 0-4-0 a-maund, and the total duty so realised from Rupees 1,86,666 to an estimated sum of about Rupees 57,000. The difference is not a gain to the British Government but to the people of Berar. It is obvious that the reduction of the duty collected at the Berar frontier on salt imported into and consumed in Berar is no gain to the British Government, except indirectly in so far as it may lead to a greater consumption of our taxed salt: the gain is to the people who are enabled to buy their salt 15 Annas per maund cheaper than before.

4. For administrative reasons which affect Berar itself, the Governor-General in Council does not consider it right that the people of Berar, while under the British administration, should pay more for their salt than the inhabitants of neighbouring British districts. The system of administration in Berar has been assimilated to that adopted in our own territories; the people have been subjected to the same system of land-tax as in the Bombay Presidency, and the general burdens which have been imposed correspond in the main with those which have been imposed on our own subjects. Under these circumstances, if the salt-tax could be equalised all over India, the Governor-General in Council, as administering the Berars, would not think it right to impose a special tax for the benefit of the Berar revenues on British salt consumed in Berar. In that case Berar would derive no revenue at all from British salt.

5. At present, however, salt is not all taxed alike,—the duty in the British districts, north and east of Berar, being, for reasons which it would be out of place to discuss here, heavier than in the districts to the west; and, under the arrangements recently adopted, an intermediate rate of duty will, for the present, be levied in the intermediate districts which form the province of Berar on salt imported for consumption in those districts. If the rates of duty in the adjacent British districts were altered however, it would probably be necessary to alter the intermediate rate in Berar; and should the salt-tax be hereafter equalised in British India, the Governor-General in Council, as already observed, would think it necessary and right to abolish the Berar duty altogether so long as he continues to direct the administration of the Hyderabad Assigned Districts.

6. In the memorandum from the Revenue, Agriculture, and Commerce Department, No. 84, dated 19th March 1874, the average imports of salt into Berar were estimated at 228,747 maunds per annum, which, under the new arrangements therein described, would, at 4 Annas a-maund, yield Rupees 57,187. The Government of India pay the Great Indian Peninsula Railway Company Rupees 10,000 a-year for collecting the mileage rate on all Kokan salt passing by railway to the east of the Nargaon and Ravee stations. If the Berar revenues are credited with the duty derived from the mileage rate levied on salt consumed in Berar, they must also be debited with their share of the cost of collection. This share may be put at about Rupees 3,500.

7. The Governor-General in Council is willing either to pay to the Berars the sum annually realised on the preceding calculations and debit them with the proportionate share of the charge actually incurred, or to pay a sum taken upon a fair estimate of what the net proceeds of the mileage rate are likely to be. The latter plan is, in the opinion of His Excellency in Council, the simpler of the two, as it enables Government to dispense with accounts. As at present advised, the Governor-General in Council considers that Rupees 55,000 a-year would be a proper payment. But, if you prefer an annual payment, based upon the actuals, the Governor-General in Council will make arrangements accordingly; but in that case the cost of keeping the necessary additional accounts will be entirely debited to Berar. In the mean time, the Berar budget will be amended by the substitution of an annual payment of Rupees 55,000 for the former payment from the date when the reduction of the duty was carried into effect.

8. With regard to the cessation of the local manufacture of salt, the Governor-General in Council considers there is no ground on which compensation from British revenues can be claimed. The salt-pans are not closed for reasons affecting the interests of the British Government, but for reasons affecting Berar. The local salt is very bad; it has been described as the worst salt manufactured in India; it was unable to compete with British salt even when taxed at Rupees 3 a-maund. It would probably be unable to bear the cost of carriage into British districts, and there is, therefore, little risk of its being smuggled into our territories. If the salt-pans were re-opened, it is doubtful whether even in the Berar districts the local salt could compete with the salt imported by railway, which is now Annas 15 a-maund cheaper than before. If it did, there would be so far a diminution of the revenue credited to Berar from the mileage duty on salt, so that the gain from the tax on local salt on the one hand would be reduced by this loss on the other. The Government of India

would not be affected except in so far as there would be a trifling loss of duty from the diminished consumption of British taxed salt in Berar.

9. Under these circumstances, as the closing of the pans appears to be an advantage to the Berars, and the revenue now received is far in excess of the average receipts from the local works when they were open, and as the British revenues would, in all probability, not suffer any appreciable loss from the re-opening of the pans, the Governor-General in Council is unable to see on what grounds compensation can be claimed on account of the closing of the local works. If, however, you are of opinion either that such compensation should be paid, or that the local works should be re-opened, the Governor-General in Council will be glad to receive from you a full statement of the reasons for your opinion, and will give any suggestions which you may make his careful consideration. Should you suggest the re-opening of the local works, a clear statement of the probable effects of the measure will be expected.

COPY of the above and of the correspondence noted on the margin forwarded
From Revenue, Agriculture, and Commerce Department, to the Government of Madras for information in continuation of docket, No. 8/R.,
No. 84, dated 19th March 1874.
To Resident, Hyderabad, No. 68-R., dated 20th March 1874.
From " " " 91 " 21st Nov. dated 12th January 1874.

(By order, &c.,)

(Signed) F. HENVEY,
Under-Secy. to the Govt. of India.

No. 136.

ORDER THEREON, 13th July 1875, No. 1,050.

Separate Revenue, No. 16.

Salt.

RECORDED.

(True Extract.)

(Signed) A. MACGREGOR,
Acting Secretary to Government.

3/10/50

(Copy)

No. 84, dated Calcutta, 19th March 1874—(Confidential).

Office Memo. from—A. O. HUME, Esq., Secy. to Govt. of India, Rev., Agri. & Com. Dept.,

To—C. U. AIRCHISON, Esq., C.S.I., Secy. to the Govt. of India, Foreign Dept.

In the middle of the year 1867-68 a customs line was established round the western and southern frontier of Berar for the purpose of levying the difference between the Bombay salt duty and Rupees 3 on all salt imported across the line into Berar.

Shortly afterwards the local manufacture of salt in Berar was prohibited. The revenue and expenditure credited and debited to Berar under these measures have been as follows:—

		Gross Revenue.	Charges.	Net Revenue.
		Rs.	Rs.	Rs.
1867-68	...	92,661	47,233	45,428
1868-69	...	302,801	134,783	168,018
1869-70	...	318,172	128,067	190,105
1870-71	...	269,461	79,496	189,965
1871-72	...	295,723	81,499	214,224
1872-73	...	280,331	81,639	198,692

For the current year it is estimated that the net revenue will be about Rupees 2,00,000.

It is now proposed to abolish the Berar customs line except at Malkapur and in the immediate vicinity of Malkapur, and instead of levying the present duty of Rupee 1-3 per maund on salt imported into Berar, to charge a mileage rate of six-tenths of a pie per maund per mile on all salt brought by railway eastwards from Nargaon, the frontier station, or from any station east of Nargaon. From Nargaon on the west to Tulgaon on the east of Berar the distance is close upon 160 miles, so that the mean duty on salt carried by rail into Berar will be 80 x 6 pie=48 pie, or four annas per maund.

The quantities of salt imported into Berar for the past five years have been as follows:—

			Mds.
1868-69	...	...	200,193
1869-70	...	...	232,773
1870-71	...	...	225,830
1871-72	...	...	248,945
1872-73	...	...	235,997
TOTAL	...	...	1,143,738
Average	...	...	228,747

Duty at four annas per maund on this average quantity would amount to Rupees 57,187.

It is proposed from the 1st April 1874, or as soon after as the new measures can be brought into effect, to hand over annually to the Berar Administration the net sum of Rupees 50,000 as compensation for the suppression of the local manufacture of salt in Berar. It is believed that this sum is in excess of the annual net revenue formerly derived by the Berar Administration from the contractors on account of the locally manufactured salt.

By these measures the Berar Administration will lose a net revenue of about Rupees 1,50,000 annually, but the people of Berar will be relieved of taxation to the amount of more than Rupees 2,20,000 per annum.

GOVT. OF INDIA
REVENUE.

Recd. July 1874

G.O. 1363 July 1873, No. 1,059.

JULY.
No. 136-136.

Conservation on account of the 4th of the 1874
Berar Customs Line.—Preserving enforcement of
the Government of India forwarding for information
a copy of a letter No. 136, sent to the Berar
Administration regarding the annual payment of
1,059 to the Berar Administration.

The undersigned is directed to forward the foregoing remarks for consideration in the Foreign Department. If no objection is taken in that Department to the proposed measures, it is requested that the Resident at Hyderabad may be confidentially informed of them, and desired to be prepared for their being carried out when final orders are issued.

No. 66R., dated Fort William, 20th March 1874.

Endorsed by Foreign Dept.

Copy forwarded confidentially to the Resident at Hyderabad for very early report.

(True Copy)

W. A. G. G. O. K.

Register Foreign Dept.

See 1/2378/195

No. 91, dated Hyderabad, 21st November 1874.

From—W. TWEEDIE, Esq., First Assistant Resident, Hyderabad,

To—C. U. ARCHISON, Esq., C.S.I., Secy. to the Govt. of India, Foreign Dept.

With reference to your letters marginally noted on the subject of fixing for Berar a sum to be paid as salt duty from the revenue realised by the amalgamated customs line, the Resident has the honor to state that, taking into consideration all the circumstances connected with this item of revenue in the Berar Province, he considers the most equitable arrangement in the matter would be to take the mean between the average salt revenue raised for the several years that preceded the introduction of the salt arrangement into the Hyderabad Assigned Districts during Sir Richard Temple's incumbency of the office of Resident at Hyderabad and the average amount realised since.

2. The figures stand as under, and the result gives to Berar Rupees 1,59,735 as its annual salt revenue:—

	Rs.
Average receipts under head Salt as locally realised up to 1866-67	31,476
Average receipts under head Salt down to 1873-74	2,87,995
	<u>23,19,471</u>
TOTAL	<u>1,59,735</u>

3. Mr. Saunders is strongly advocating that this amount, or say in round numbers Rs. 1,50,000, be fixed as the future annual payment to Berar under head Salt, would at the same time observe that the figure is as low as it could well be, taking into consideration the average net receipts, viz., Rupees 1,86,666 obtained during the past seven years that have transpired since the proposed system was first introduced. There would be a gain to imperial revenue by the arrangement, and the Government, on the other hand, be relieved of all uncertainty under this head of account and secure to itself an annual and recurring revenue of Rupees 1,50,000.

4. Although the receipts on account of revenue realised by contract upon salt locally manufactured in Berar averaged only Rupees 31,476 per annum, it must be remembered that on the abolition subsequently of this contract in the imperial interests, the contractors sued Government, or rather the local Administration, and obtained a decree in Court in their favor for Rupees 58,436 as compensation for the five years' contract entered into with them, which was duly paid from the provincial revenues, thus proving the salt trade in Berar to be a profitable one to the province if manipulated properly.

5. Mr. Saunders, on application for orders on the subject from the Deputy Accountant General, Hyderabad, in reference to the Budget for 1875-76, provided Rupees 1,50,000 as the revenue proper of the Hyderabad Assigned Districts under head Salt, keeping in view the principle he proposed advocating for disposing of this reference from the Government of India, and he ventures to hope that Government will accord their approval of and sanction to the arrangement now proposed.

(True Copy)

W. A. G. G. O. K.

Register Foreign Dept.

No. 1719 P.

FROM

THE SECRETARY TO THE GOVERNMENT OF INDIA,

TO

THE RESIDENT AT HYDERABAD.

SIMLA, the 14th June 1875.

DEPT.
Secy. SIR,

I AM directed by His Excellency the Governor-General in Council to acknowledge receipt of your letter No. 91, dated 21st November 1874, in which you propose the annual payment to the Berar Administration of a sum of Rupees 1,50,000 as compensation consequent on the arrangements recently sanctioned under which the Berar customs line has been abolished, and a mileage rate on salt carried east of Nargaon by railway has been substituted for the former duty of Rupee 1-3 per maund which was levied at the frontier customs line and credited to Berar.

2. In the first place, I am to observe that your calculation is based upon the assumption that the Berar Administration is entitled to share in the revenue levied by the British Government upon salt manufactured in British territory and consumed in Berar. This is a principle which, as you were informed in the letter from the Financial Department No. 4198, dated 31st December 1870, the Governor-General in Council cannot admit.

3. In paragraph 3 of your letter also it is assumed that while the arrangements you suggest would provide a fixed recurring revenue to Berar, it would bring a gain also to the imperial revenues,—seeing that the average net receipts for the past seven years have been Rupees 1,86,666, while the payment you propose to make to Berar is only Rupees 1,50,000. This assumption is based on an misapprehension of the real circumstances of the case. It is shown in the memorandum from the Revenue, Agriculture and Commerce Department No. 84, dated 19th March 1874, which was forwarded for your consideration, that the effect of the recent arrangements is to reduce the rate of duty levied on salt imported into Berar from Rupee 1-3 to Rupee 0-4 a maund, and the total duty so realised from Rupees 1,86,666 to an estimated sum of about Rupees 57,000. The difference is not a gain to the British Government, but to the people of Berar. It is obvious that the reduction of the duty collected at the Berar frontier on salt imported into and consumed in Berar is no gain to the British Government, except indirectly in so far as it may lead to a greater consumption of our taxed salt: the gain is to the people, who are enabled to buy their salt 15 annas per maund cheaper than before.

4. For administrative reasons which affect Berar itself, the Governor-General in Council does not consider it right that the people of Berar while under the British Administration should pay more for their salt than the inhabitants of neighbouring British districts. The system of administration in Berar has been assimilated to that adopted in our own territories; the people have been subjected to the same system of land tax as in the Bombay Presidency, and the general burdens which have been imposed correspond in the main with those which have been imposed on our own subjects. Under these circumstances if the salt tax could be equalised all over India, the Governor-General in Council, as administering the Berars, would not think it right to impose a special tax for the benefit of the Berar revenues on British salt consumed in Berar. In that case Berar would derive no revenue at all from British salt.

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5. At present, however, salt is not all taxed alike,—the duty in the British districts north and east of Berar being, for reasons which it would be out of place to discuss here, heavier than in the districts to the west; and under the arrangements recently adopted an intermediate rate of duty will for the present be levied in the intermediate districts which form the province of Berar on salt imported for consumption in those districts. If the rates of duty in the adjacent British districts were altered however, it would probably be necessary to alter the intermediate rate in Berar; and should the salt tax be hereafter equalised in British India, the Governor-General in Council, as already observed, would think it necessary and right to abolish the Berar duty altogether so long as he continues to direct the administration of the Hyderabad Assigned Districts.

6. In the memorandum from the Revenue, Agriculture and Commerce Department No. 81, dated 19th March 1874, the average imports of salt into Berar were estimated at 228,747 maunds per annum, which under the new arrangements therein described would, at 4 annas a maund, yield Rupees 57,187. The Government of India pay the Great Indian Peninsula Railway Company Rupees 10,000 a year for collecting the mileage rate on all Kokan salt passing by railway to the east of the Nargaoon and Ravee stations. If the Berar revenues are credited with the duty derived from the mileage rate levied on salt consumed in Berar, they must also be debited with their share of the cost of collection. This share may be put at about Rupees 3,500.

7. The Governor-General in Council is willing either to pay to the Berars the sum annually realised on the preceding calculations and debit them with the proportionate share of the charge actually incurred, or to pay a sum taken upon a fair estimate of what the net proceeds of the mileage rate are likely to be. The latter plan is, in the opinion of His Excellency in Council, the simpler of the two, as it enables Government to dispense with accounts. As at present advised, the Governor-General in Council considers that Rupees 55,000 a year would be a proper payment. But if you prefer an annual payment, based upon the actuals, the Governor-General in Council will make arrangements accordingly; but in that case the cost of keeping the necessary additional accounts will be entirely debited to Berar. In the meantime the Berar Budget will be amended by the substitution of an annual payment of Rupees 55,000 for the former payment from the date when the reduction of the duty was carried into effect.

8. With regard to the cessation of the local manufacture of salt, the Governor-General in Council considers there is no ground on which compensation from British revenues can be claimed. The salt-pans are not closed for reasons affecting the interests of the British Government, but for reasons affecting Berar. The local salt is very bad; it has been described as the worst salt manufactured in India; it was unable to compete with British salt even when taxed at Rupees 3 a maund. It would probably be unable to bear the cost of carriage into British districts, and there is therefore little risk of its being smuggled into our territories. If the salt-pans were re-opened, it is doubtful whether even in the Berar districts the local salt could compete with the salt imported by railway, which is now annas 150/maund cheaper than before. If it did, there would be so far a diminution of the revenue credited to Berar from the mileage duty on salt, so that the gain from the tax on local salt on the one hand would be reduced by this loss on the other. The Government of India would not be affected except in so far as there would be a trifling loss of duty from the diminished consumption of British taxed salt in Berar.

9. Under these circumstances as the closing of the pans appears to be an advantage to the Berars and the revenue now received is far in excess of the average receipts from the local works when they were open, and as the British revenues would in all probability not suffer any appreciable loss from the re-opening of the pans, the Governor-General in Council is unable to see on what grounds compensation can be claimed on account of the closing of the

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local works. If, however, you are of opinion either that such compensation should be paid or that the local works should be re-opened, the Governor-General in Council will be glad to receive from you a full statement of the reasons for your opinion, and will give any suggestions which you may make his careful consideration. Should you suggest the re-opening of the local works, a clear statement of the probable effects of the measure will be expected.

I have the honor to be,

SIR,

Your most obedient Servant,

Secretary to the Government of India.

No. 1720 P.

Copy of the above, and of the correspondence noted on the margin, forwarded to the Government of Madras for information, in continuation of docket No. 8R., dated 12th January 1874.

From Revenue, Agriculture and Commerce Department
No. 81, dated 19th March 1874.
To Resident, Hyderabad, No. 66R., dated 20th March 1874.
From " " " 91 " 21st Nov. "

By Order, &c.,

SIMLA,
FOREIGN DEPARTMENT,
POLITICAL,
The 14th June 1875.

Under-Secy. to the Govt. of India.

Exd.—C. F

Rev: 1895-246E
A. 2378.

From

The Under Secy. for the
Treasury Dept
A. 17200

Noted 14th
Recd 220 3 June/95

E. 2

Trans (in continuation of
letter A. 8.9 of 12 June/95) for information of
you letter of 12 June/95 to the Secy of the Treasury
regarding the same, is submitted with the report
of the letter of 12 June/95. The same is accompanied
by the Bureau of Investigation of A. 15000 as compared
with the report of the same, and the Bureau
of the same has been advised the same.

A. 1050.

11-22-95

13 June/95

10/12/97