Soordah for a similar manufacture of salt. Persons, however, wishing to make salt by the indigeneous process were not allowed to do so. The Court of Directors negatived, in 1840, the proposal of the Government of India to introduce an excise sytem. In 1853, the Government of Bengal suggested to the Salt Board the expediency of trying the experiment of manufacturing on the excise system. This was supported in a modified form by the Board. In 1854, the Bengal Government recommended the whole of the old agency of the Twenty-four Parganas for the experiment of private manufacture under an excise, which was sanctioned by the Government of India.

In December, 1853, the Government of India appointed Mr. G. Plowden as Commissioner for the enquiry. Mr. Plowden submitted his report in 1855-56. The principal objections which were urged against the levy of an excise upon salt manufactured by the indigeneous process were: (1) That the supply of salt in the interior would be deranged; (2) that a few capitalists would obtain a monopoly of the supply; (3) that there would be more evasion of the tax by illicit manufacture and sale than under the existing system; and (4) that the preventive system necessary under an excise would be more expensive to the Government, and more vexatious to the *malangis* than Government manufacture. Mr. Plowden refuted all these arguments,

and expressed his opinion in favour of converting the monopoly of manufacture into a system of excise. He added, however, that the desired change should be introduced gradually.

The Salt Commissioner expressed the opinion that, regarded as a means of supplying the threatened deficiency of salt in Bengal, the experiment was a failure, but as a practical test of the possibility of applying the general principles of free trade and manufacture to the salt manufacture in Bengal, the experiment was perfectly successful. In 1855, the Salt Board, in consequence of the very low state to which the stock of salt had been reduced, recommended that the 24-Parganas agency should be reopened; but the Bengal Government deprecated such a course. The Government of India, however, came to the conclusion that it would not be safe to postpone the reopening of this agency any longer. Accordingly, this step, as has already been mentioned, was taken. The western portion of the 24-Parganas agency was reserved for excise salt, and the eastern portion for the manufacture of Government salt.

In the meanwhile, the question had been receiving attention in England. In 1853, during the passage through Parliament of the Government of India Bill, the House of Commons inserted a clause which recited that, under the Act of 1833, the East India Company had no right to engage in any

commercial undertaking, and sought to declare the continuance of the salt monopoly as unlawful. This clause, however, was expunged by the House of Lords, and its omission was subsequently agreed to by the House of Commons. Soon after this, the Court of Directors, apprehending the re-agitation of the question in Parliament desired the Government of India to institute an enquiry as to the practicability of carrying into effect any system under which the manufacture and sale of salt in India should be absolutely free, subject only to such excise, or other duties, as might be levied upon salt so manufactured. The revenue derived from salt in Bengal in 1854-55 amounted to Rs. 1,41,88,000.[1]

The question of establishing a monopoly in the Madras Presidency was first mooted and advocated by the Board of Revenue in 1799. In permanently assessing the land tax in some parts of the Presi-

[1] The following table shows the fiscal results of the year 1854-55.

Proceeds of wholesale sales of indigenous salt, including cost, and a duty of Rs. 2-8 as. a maund	Rs.	1,21,00,800
Proceeds of retail sales in the saliferous districts, at various prices, realising a small rate of duty	„	18,15,000
Excise of Rs. 2-8 as. a maund on private manufacture	„	48,000
Customs duty of Rs. 2-8 as. a maund on foreign salt imported by sea	„	42,00,000
Miscellaneous credits to the Department	„	84,000
Total receipts	Rs.	1,82,47,000
Deduct charges of manufacture of Government salt	„	27,06,000
Gross salt revenue	Rs.	1,55,41,000
Deduct charges of prevention, collection, etc.	„	13,53,000
Net salt revenue	Rs.	1,41,88,000

dency in 1802, the exclusive right of manufacturing salt was reserved to the Government. Till the year 1805, the manufacture of salt was either farmed out, or managed by the officers of the Government, but upon what system the records do not clearly show. The gross revenue amounted, on an average of five years ending 1804, to 80,000 star pagodas (or Rs. 2,80,000), exclusive of all charges. In 1804, the gross receipts amounted to Rs. 2,21,607, and the charges of establishment to Rs. 11,467.

The Board of Revenue declared the introduction of monopoly impracticable, and advocated the imposition of a high duty on all salt, manufactured or imported, the home manufacturers being required to take out permits and to register their pans. One of the members of the Board, Mr. Falconer, however, dissented from the proposal, and suggested a close monopoly such as existed in Bengal. The Collectors, in general, preferred a fixed duty to a monopoly. The Madras Government rejected the excise proposal in favour of a monopoly. In 1815, a regulation was passed establishing a monopoly in all parts of the Presidency, except Malabar and Canara, to which areas it was afterwards extended in 1807. The subsequent Regulations and Acts relating to the salt revenue did not affect the original plan. The revenue was further protected by the rules for the management of the salt department. The peculiar feature of the system was that the manu-

facture was conducted exclusively on account of the Government. The manufacturers contracted to furnish salt at a fixed price, and the Government disposed of the salt, also at a fixed price, through their own agents, to the dealers and others. The manufacture, sale and transit of salt within the limits of the Madras Presidency, excepting on account of the Government or with their sanction, was expressly forbidden. The removal of salt from the depots without a *rawanna* was prohibited.

The administration of the monopoly was originally subject to the immediate direction and control of a General Agent, acting over the Collectors, and in subordination to the Board of Revenue. In 1808, the office of General Salt Agent was abolished, and a commission of $1\frac{1}{2}$ per cent. on the salt revenue was granted to the Collectors and their head assistants.[1] In 1836, the payment of commission was finally discontinued, and the management of the salt revenue constituted one of the ordinary duties of the Collectors, in subordination to the Board of Revenue.

The regulation establishing the monopoly fixed the sale price of salt at Rs. 70 per *garce*[2], including duty and all cost of manufacture. In 1809, the price was raised to Rs. 105 per *garce*, but the revenue did not rise proportionately. The price was,

[1] *Report of the Salt Commissioner, 1836.*

[2] A *garce* is equivalent to 120 maunds.

therefore, reduced in 1820 to the original rate. The Board of Revenue, on several occasions, proposed an increase of price, but the Government did not agree until 1828. In that year, the Government acquiesced in the recommendation of the Board, and the sale price was raised to Rs. 105 per *garce*, at which rate it remained for sixteen years. The transit duties were abolished throughout the Presidency in 1844, and the net revenue relinquished by such abolition was about 31 lakhs per annum. The price of salt was, consequently, raised to Re. 1-3 as. per maund (or Rs. 180 per *garce*) in order to compensate for the loss. The Madras Government had remonstrated against the price being raised to this extent, and the Court of Directors ordered in July of that year the reduction of the rate to Re. 1 per maund (or Rs. 120 per *garce*) which continued to be the price in the Presidency till the termination of the Company's rule.

Marine salt in the Madras Presidency was made exclusively by solar heat. The sea-water was let by graduations into small shallow beds, and after evaporation the salt was scraped off and dried. The cost of manufacture differed in different localities. The average cost of manufacture was Rs. 8-11 as. per *garce* in 1855, and the establishment and other charges amounted to Rs. 3-6 as. The total cost price was, therefore, Rs. 12-1a.

The mode of taxation was of a rough and ready character. The salt was placed heap upon heap, and the mounds were taxed according to the number of men and cattle employed upon them; but, like *moturfa*, the tax was arbitrary and regulated on no fixed principles. Schemes were formulated for placing the manufacture under a more defined system of regulation and for taxing the produce moderately, but it was found difficult to give effect to them.

A charge of Rs. 15 per 100 maunds free on board was made for the exportation of salt. By a Regulation of 1805, the importation of salt into the Madras territories by sea or land was prohibited. But Regulation II of 1818 permitted such importation, subject to the payment of a duty of 100 pagodas (or Rs. 350) per *garce*. This was replaced by Act VI of 1854, which imposed a customs duty of Rs. 3 per maund, on all foreign salt imported into the Madras territories by sea or land. In 1849, however, an exception was made in favour of Goa salt, which was admitted into Canara by land, at a reduced duty of 12 annas per maund. In 1851, the court of Directors desired that the trade in salt in Madras should be placed, as far as possible, on the same footing as in the other Presidencies, that is to say, all foreign salt should be allowed to enter the Madras territories on payment of a customs duty equal to the profit derived from the manufac-

tured salt of the Presidency. In 1853, foreign salt was admitted to equal competition with the manufactured salt of the Presidency at certain specified ports. The import duty was fixed at 12 annas per maund, because this rate represented the average net profit per maund accruing from the monopoly sales. No foreign salt was ever imported into the Madras Presidency on private account, except a small quantity across the Goa frontier.[1] In 1852-53, the profit to the Government, on salt transactions amounted to Rs. 45,25,925. Deducting from this the charges of collecting and protecting the revenue, there remained a net salt revenue of Rs. 42,89,765.

The Salt Commissioner reported in 1856 that, regarded simply as a plan for the realisation of an indispensable revenue, the salt monopoly did not afford much room for practical objection. But he held that it was objectionable from one point of view, namely, that a Government monopoly in a great article of consumption in any form or degree, and any participation by a Government in the business of a trader, were such deviations from true principle as could not fail to be productive, directly or indirectly, of evil consequences. Regarding the question of substituting an excise for the monopoly, the Board of Revenue admitted the practicability of the proposal.

[1] Report of the Salt Commissioner, 1856.

Mr. Plowden thought that, although it was not practicable to render the manufacture of salt absolutely free, the possibility of substituting the Bombay system of excise appeared to him to admit of no question. He was of opinion that the adoption of the Bombay system would involve no material change in the details of local management, or in the general administrative system, and urged that such substitution should be carried into effect without delay.

In the Bombay Presidency, originally, salt revenue was one of many small miscellaneous items of State income. The first enquiries in connection with the realisation of an improved revenue commenced as early as 1816. In 1823, the Government wrote to the Court of Directors pointing out that no salt monopoly existed in the Presidency and that the duties were of a trifling nature; but that it was practicable to improve the resources of the Presidency by enhancing the duty on salt to a substantial extent, without inflicting any hardship on the people. In 1824, the Court of Directors negatived the proposal of the Bombay Government to establish a salt monopoly. Enquiries on the question of realising an improved revenue without the establishment of a monopoly were then renewed. In 1830, the Court of Directors sanctioned the proposed Regulation of the Bombay Government which fixed a maximum duty of 13 as. 3 pies per maund. This

Regulation, however, was not promulgated, and the question was referred for the consideration of the Committee which was appointed in 1836 for revising the customs laws of India. This Committee recommended the immediate abolition of the transit duties throughout the Presidency and the simultaneous substitution of an excise duty of annas 8 per maund on salt, together with an import duty of the same amount. In 1837, a law was passed for imposing and enforcing an excise duty of 8 annas per maund. In January, 1838, another Act was passed, under the provisions of which the levy of transit or inland customs duties in the Bombay Presidency was finally abolished, and a customs duty of 8 annas a maund was levied on all salt imported from any foreign territory.

The substitution of an eight-anna excise on salt in commutation of the transit duties, resulted in an annual loss of revenue to the Government amounting to Rs. 2,51,607. In 1844, the excise as well as the import duty on salt was raised from 8 annas to Re. 1 per maund. The Court of Directors, however, ordered that the rate of duty should on no account be fixed at a higher rate than 12 annas per maund; and, in compliance with this order, the Government of India, reduced the rate to 12 annas by an Act passed in the same year. The net increase of revenue realised from the increased excise, on an average of eight years from 1845-46

to 1852-53, was Rs. 7,31,720. In 1850, an Act was passed for the better protection of the salt revenue. In 1852, two other Acts were passed with the same object.

The salt of the Bombay Presidency was obtained entirely by evaporation. The produce was of two sorts, namely, sea or coast salt and salt manufactured in the inland districts. The former was the most extensively produced, constituting about nine-tenths of the entire salt of the Presidency. All foreign salt, including salt produced in any other part of India, was admitted to full competition with the locally produced salt on equal terms.[1]

Some of the salt works were the absolute property of the Government. Others were owned by individuals, subject to the payment of land rent, which was exclusive of the excise duty. The excise duty was payable before the removal of the salt from any of the salt works. The duty having been paid, the salt might be carried by sea or land to any part of the Presidency, and might also be exported out of the Presidency by sea or land, without the levy of any further duty, either customs or excise.

When the salt excise duty was first established in 1837, the collection and management of the new tax were, so far as the salt works of the province were concerned, made over to the Collecter of

[1] *Report of the Salt Commissioner, 1856.*

Customs in Gujrat and the Konkans. The salt works in the island of Bombay were at the same time entrusted to the Collector of Land Revenue. In 1852, the charge of salt works in the island of Bombay was transferred to the Collector of Customs. Three years later, the entire charge of customs and salt excise was placed in the hands of a Commissioner, aided by deputies and assistants.[1]

The gross revenue derived from the excise on salt in the Bombay Presidency in the year 1852-53 amounted to Rs. 24,62,262, the charges to Rs. 2,03,995, and the net revenue to Rs. 22,58,267. The import duty yielded a sum of Rs. 1,00,112. The total net revenue (including both excise and customs) from salt was thus Rs. 23,58,379.

In comparing the merits and demerits of the two systems of monopoly and excise, Mr. Plowden found that the only question to be solved was, which of the two alternatives would present greater difficulties in the way of the prevention of smuggling? The Bombay Government decided that the difficulties would not be greater under a system of excise than under a monopoly, and the Salt Commissioner held the view that the decision was a correct one. He expressed the opinion that the history of the salt tax in the Bombay Presidency presented no objectionable

[1] *Report of the Salt Commissioner, 1856.*

features; but, on the other hand, it bore the impress of a beneficent policy.

The manufacture of salt in the Bombay Presidency was essentially—though not absolutely—free. Mr. Plowden, therefore, did not consider it desirable that the then existing restrictions should be relaxed. The system had, however, certain defects, and the Salt Commssioner made detailed suggestions for their removal. He urged the Government to withdraw from the manufacture of salt without delay. Further, he recommended that the export of salt by sea beyond the Presidency should be free.[1]

Salt required for consumption in the Punjab and the North-Western Provinces was obtained partly from the salt rocks and partly from the Sambhar lake. Such salt paid duty on passing the inland customs lines. The net revenue derived from salt from the whole of India, exclusive of customs duty levied on the import of the article, amounted to £2,501,881 in the year immediately preceding the Mutiny, and to £2,131,346 in 1857-58. Including the yield of the customs duty, the salt revenue was £3,812,217 in 1856-57, and £3,249,978 in 1857-58.

The income derived from this source thus represented nearly 10 per cent. of the total revenue of the country at the close of the Company's

[1] *Report of the Salt Commissioner, 1856.*

administration. The mode of collecting the revenue from salt, as has already been noticed, varied in the different provinces of India. In some cases, it was derived from a system of Government sale; in others, from excise; and in the rest, from customs duties.

The burden of the salt tax formed a subject of discussion during the entire period of the Company's administration. Even in the early years, the high rates at which the tax was levied were condemned by many eminent persons. In 1776, Philip Francis expressed the view that "salt should be as free and unburthened as possible." But, in 1824, St. George Tucker defended the salt tax by pointing out that, if a certain tax be required beyond what the land would produce, the best method of raising it would be to levy an indirect tax on some article of general consumption. In regard to direct imposts, he remarked: "It can never answer any useful purpose to tease and torment a country with taxes and tax-gatherers, when such taxes are unproductive, or produce little more than is sufficient to maintain a host of revenue officers. These officers are an evil in any country; but, in India, where it is almost impossible to prevent their malpractices, they are a serious evil." He observed further: "The Government have selected it as an article of general consumption, which can be rendered productive, and as a medium or instrument for levying contributions by a sort of volun-

tary process, without the intervention of the tax-gatherer. It approaches, I own, to a poll-tax; but it is a very light poll-tax, which is paid almost insensibly; and whereas in India the great mass of people, with few exceptions, are in nearly the same condition, there is no injustice, and little inequality, in applying to them one common scale of taxation, regulated by the scale of their consumption."[1]

In the course of his evidence before the Select Committees of 1832-33, Raja Ram Mohun Ray said: "As salt has by long habit become an absolute necessity of life, the poorest peasants are ready to surrender everything else in order to procure a small proportion of this article...If salt were rendered cheaper and better, it must greatly promote the common comforts of the people."[2] In some of the petitions presented before the Select Committees of 1852-53, the salt duty was described as a tax which pressed very heavily on the poor. Not a few of the witnesses who appeared before these Committees were emphatic in their condemnation of the tax. Mr. W. Keane described it as an "oppressive tax" and as "the greatest temporal curse on the country".[3]

[1] Tucker, *Review of the Financial Situation of the East India Company*. St. George Tucker held many high positions in India including that of the Accountant-General. On his retirement, he became a Director of the Company, and ultimately rose to the position of Chairman.

[2] *Report of the Select Committee, 1832-33.*

[3] *Report of the Lords' Committee, 1852-53.*

In 1853, the House of Commons adopted a resolution urging the abolition of the duty. But the Government did not see its way to accept it, as it was, in its opinion, the only tax paid by the masses of the people, who had long been accustomed to it and on whom it did not press heavily.[1] John Bright characterised the salt tax as "economically wrong and hideously cruel."

At the time of the transfer of the administration of India from the Company to the Crown, the rates of salt duty differed in the various provinces. In 1859, these rates were as follows : Bengal, Rs. 2-8 as. a maund ; Madras, 14 as. ; Bombay, 12 as. ; North-Western Provinces, Rs. 2 ; the Punjab, Rs. 2 ; Oudh, Rs. 2. On account of the financial distress caused by the Mutiny, the Government of India proposed to raise the duty generally by 8 annas per maund. But before the step was actually taken, it was considered desirable to consult the Provincial Governments. The Government of Madras took a strong exception to any increase. Sir Charles Trevelyan, then Governor of the province, wrote : "On every ground of justice and policy, it would not be desirable to increase this tax. The salt tax is of the nature of a poll-tax ; and it is already so heavy that the labouring population, who form the bulk of the consumers, and consequently of the tax-payers, are unable to provide

[1] *Vide* Speech of Sir Charles Wood in the House of Commons, 1854.

a sufficient supply for themselves and their families." Some of the other Governments agreed to smaller rates of increase. Ultimately, the following additions to the previous rates were decided upon :— Bengal, 8 annas.; N. W. P. and Oudh, 8 annas; Madras, 2 annas; Bombay, 4 annas; Punjab, 2 annas. The expectation of an additional revenue was fully realised. The slight additions to the duty produced £1 million sterling. There was no adverse effect on consumption.

In 1861, Mr. Samuel Laing remarked that the amount per head paid for salt was small, and the general rise in prices and wages had made this amount, comparatively speaking, smaller still. He therefore, thought that a further slight increase might easily be made without inflicting any hardship on the people and checking consumption. Accordingly, the following further additions were made to the rates of duty in the different provinces: Bengal, Bombay and Madras, 4 annas per maund; North-Western Provinces and Oudh, 8 annas ; Punjab, Re. 1 ; Central Provinces, Re. 1 and 8 annas ; Sind, Re. 1. Corresponding additions were also made to the customs duties on imported salt. An enhanced revenue of over half a million was expected.

At the end of the year, it was found that the salt receipts were less than had been estimated. The Finance Member thought that the reason was

to be found not in the falling-off of consumption, but in the fact that large stocks had been carried over from the previous year. In the following year, there was an increase in the receipts, while the charges of the department were considerably less. This latter result was due to the contraction of the Government salt manufacture in Bengal, where one Government agency had been abolished and two others consolidated into one. In the budget for 1863-64, a further increase in receipts was estimated, in view of "the growth of the consumption from the improvement of the circumstances of the people and of the means of communication with the interior, and of the increased quantity likely to be sold in Bengal in consequence of the cessation of the Government manufacture and the disposal of the remaining stock".[1]

In the course of this year, owing to the inability of Government salt to compete with the low price of imported salt it was decided finally to withdraw from the manufacture of salt in Bengal. The consequence was that the production in Bengal ceased at once and entirely, for there was no one who had sufficient capital to manufacture the article under the system of excise which was now introduced. In British Burma, the manufacture

[1] Sir Charles Trevelyan observed on this occasion: "As this is an article of general consumption and the price of the consumer kinds is not liable to much variation, the effective demand for it is a good test of the circumstances of the country".—*Financial Statement, 1863-64.*

of salt continued to decline as the people found the cultivation of rice more profitable. The import duty was reduced in 1864-65 to 4½ d. a maund, in order to equalise it with the excise. In the Presidency of Madras, where salt was manufactured and sold on behalf of the Government, the revenue from this source amounted to over a million pounds sterling. The great stagnation in the saltpetre trade caused a decline in the salt revenue in the North-Western Provinces and the Punjab.

In 1865, Sir Charles Trevelyan, then Finance Member, expressed the opinion that, if additional revenue should thereafter be required, a sure and perfectly unobjectionable resource would be found in a moderate increase of the salt tax. Owing to the greatly increased importations from Liverpool, the average price of salt in Bengal, exclusive of duty, had considerably decreased, while in the south and the west of India the price had greatly diminished by the reduction in the cost of carriage, arising from the opening of railroads. He observed; "No tax can be collected more cheaply or with less annoyance to the people than the salt tax. In India, where the interference of subordinate fiscal agents is more than usually disliked, this is one of the greatest recommendations of a tax. The really productive taxes are those which are paid by the body of the people. Clearly, they ought to pay their fair share, for they profit even more than the

rich by the advantages of good government. A rich man can generally protect himself, but if the interests of the poor man are not cared for by the State, he is ground down by the rich and is rarely able to rise in the social scale".[1] It is difficult to account for this change in the views of Sir Charles Trevelyan during the brief period of five years.

A different view was, however, held by Sir Charles Trevelyan's successor in office, Mr. W. N. Massey. In 1867, when the financial position of the Government was very unsatisfactory and extra taxation was found unavoidable, an addition to the salt tax was suggested in certain quarters in preference to a license-tax. But Mr. Massey was unwilling to accept the suggestion. In the following year, when the Finance Member proposed an increase of taxation, an addition to the salt duty was again suggested. He again rejected the idea, and expressed his opinion in these words: "I suppose it will not be disputed that the salt tax is in effect a poll-tax upon the masses of the population...Then, Sir, before we increase a tax which falls exclusively on the lower classes, we are bound to enquire whether other classes contribute their share to the burdens of the State...We have been assured by the Governments of Bombay and Madras that the tendencey of increased salt duties would be to diminish consumption; and that the financial results

[1] *Financial Statement, 1865-66.*

of any increase of that duty at present would be extremely doubtful."

In 1867-68, a sudden rise in the price of salt in some parts of Cuttack drew the attention of the Government to the general question of supply of the article in the province of Bengal.[1] The expediency of reviving salt manufacture on account of the Government or of undertaking by the Government of the importation and retail sale of salt was considered. The first of these propositions was rejected at once. With regard to the second, after due enquiry, the interference of the Government was considered unnecessary. A proposal to supply the province with Government salt at reduced rates, in order to lessen the inducements to illicit manufacture or smuggling, was also disapproved. The Government of India, however, granted permission for the maintenance of an increased preventive force in the Balasore and Cuttack districts, a measure which was found necessary for the purpose of suppressing smuggling.

In 1868, when the Madras salt duties were only Re. 1-8 as. per maund, while the salt duty was

[1] The main reason why the manufacture of salt in Bengal did not prove successful was that the districts in which salt agencies were established were ill-suited for the production of the article. The sea-water becomes diluted at the mouths of the Ganges and the Brahmaputra. Therefore, salt could not be evaporated by the sun's rays, and an expensive boiling process became necessary. But in the *Moral and Material Progress Report for 1868-69* it was observed: "Looking at the small cost of its production there seems no reason why, with proper arrangements and facilities for carriage, Bengal coast salt should not eventually beat all imported salt out of the market."

levied in Bengal at Rs. 3-8 as. and in the Upper Provinces at Rs. 3, Lord Lawrence's Government sent a despatch to the Secretary of State in which it observed: "We consider that there can be no justification for maintaining this excessive difference any longer than financial necessity shall require. There is no real reason why the people of Bengal and Northern India should pay a higher salt tax than the people of Madras and Bombay, or why the people of Madras and Bombay should not pay as much as the people of Northern India. The population of Madras is at least as well-off as, and the population of Bombay is even better off than, the population of the Bengal Presidency. The prices of salt in Madras and Bombay are generally lower, the cost of production cheaper, and the distance of transit less than in most other parts of India; and the North-Western Provinces, where such a high rate prevails, are subjected to particular disadvantage relative to most parts of India, by reason of distance from the source of supply and difficulty of transit; so that the difference of duty ought to be in favour of these provinces, instead of being as it now is, much against them." In the same despatch it was further observed: "Financially, it is not possible to bring the standard of the Bengal Presidency down to the standard of Madras and Bombay. We ought, however, to give Northern India the relief which it needs, and

to which it is justly entitled; and we might reasonably call upon Southern India to bear a somewhat fairer share than it now does of the burden falling on the salt consumption of the country generally." Finally, Lord Lawrence's Government declared that the equalisation of salt duties, by raising the rates of Madras and Bombay and lowering those of Northern India, was an object to be kept steadily in view.

In 1869, the Duke of Argyll, then Secretary of State for India, in a despatch to the Government of India, gave his opinion on the nature of the salt duty. He wrote: "On all grounds of general principle, salt is a perfectly legitimate object of taxation; it is impossible, in any country, to reach the masses of the population by direct taxes; if they are to contribute at all to the expenditure of the State, it must be through taxes levied upon some articles of universal consumption. If such taxes are fairly adjusted, a large revenue can be thus raised, not only with less consciousness on the part of the people, but with less real hardship than in any other way whatever: there is no other article in India answering this description upon which any tax is levied: it appears to be the only one which, at present, in that country can occupy the place which is held in our own financial system by the great articles of consumption from which a large part of the imperial revenue is

derived. I am of opinion, therefore, that salt tax in India must continue to be regarded as a legitimate and important branch of the public revenue. It is the duty, however, of the Government to see that such taxes are not so heavy as to bear unjustly upon the poor, by amounting to a very large percentage upon their necessary expenditure. The best test whether an additional tax is open to this objection is to be found in its consumption."[1]

During the financial year 1869-70, the duties on salt were slightly raised in the Madras and Bombay Presidencies. In 1877, Sir John Strachey discussed at length the question whether the salt tax pressed heavily and unjustly upon the people. He pointed out that the circumstances under which the duties were levied varied greatly in different parts of India. Bengal and Assam got nearly the whole of their salt supply from Cheshire, a result mainly of the fact that the exports which India sent to

[1] "I observed", added the Duke of Argyll, "that several of those officers whose opinions on this question have been given in the papers before me, founded that opinion upon what they have heard, or what they have not heard, in the way of complaint among the native population: but this is a very unsafe ground for judgment: it is one of the great advantages of indirect taxation, that it is so mixed up with the other elements of price, that it is paid without obvservation by the consumers: even at home, where the people are so much more generally educated, and more accustomed to political reasoning, the heavy indirect taxes formerly levied upon the great articles of consumption were seldom complained of by the poor: they were not themselves conscious how much more of these articles they would consume if the duties were lower. But whilst this peculiarity of indirect taxation makes it a most convenient instrument of finance, it throws additional responsibility upon all governments which resort to it, to bring the most enlightened consideration to bear upon the adjustments of taxes which may really be very heavy and very uniust. without the fact being perceived by those on whom they fall."

Europe greatly exceeded the imports, and salt came virtually as ballast. The manufacture of sea salt in Bengal was not cheap. In Madras or Bombay, and the greater part of the Central Provinces, on the other hand, the sea was the greater source of supply. The Punjab possessed inexhaustible supplies of rock-salt, while the Sambhar lake was the great source of supply for Rajputana, the North-Western Provinces, and a part of the Central Provinces.

The rates of duty varied in the different provinces. In Madras and Bombay, the rate was Re. 1-13 as. per maund. In Madras, it was collected under a monopoly by which all salt was manufactured on behalf of the Government, and sold to the people at a price which gave a profit equivalent to the duty. In Bombay, the duty was levied as an excise. In Bengal, the tax was Rs. 3-4 per maund, and was levied chiefly in the form of a sea customs import duty. In the North-Western Provinces and Oudh, the rate was Rs. 3 per maund. In the Punjab, the duty was included in the selling price of the rock-salt, which was the property of the Government. In the rest of the Upper Provinces, the duty was levied when the salt was imported from Rajputana.

For this purpose, and to prevent the ingress of salt taxed at lower rates, a customs line was maintained, extending from near Attock to the

Berar frontier, a distance of more than 500 miles. Similar lines, some hundreds of miles in length, also existed in the Bombay Presidency to prevent the untaxed salt from the Indian States entering British territory. This physical barrier, which could be compared only to the Great Wall of China, consisted principally of an impenetrable hedge of thorny trees and bushes, supplemented by stone walls and ditches, across which no human being, or beast of burden or vehicle, might pass without being subjected to detention and search. It was guarded by an army of some eight thousand men.

Naturally, very serious obstruction to trade, and great annoyance and harassment to individuals took place. The magnitude of the evil called for an immediate abolition of the customs line; but this could not be done so long as the salt tax was levied at varying rates in the different parts of the country. A cheap and ample supply of salt was a desideratum, but the price depended on the cost of transport as well as the duty. The opening of Rajputana railways and the lease taken by the Government of the Sambhar lake had effected some reduction in the price of salt in Northern India. In 1874, the abolition of the southern customs line had had the effect of equalising the price of salt in some parts of Central and Southern India. But owing to a famine the Government was unable to take effective measures

to deal with the evils and inconveniences connected with the salt tax.

In the course of the financial year, however, throughout the Presidencies of Madras and Bombay, including Sind, the duty on salt, whether imported or manufactured at home, was raised to Rs. 2-8 as. per maund. The object of this measure was not to increase the burden on the people or to derive a larger revenue, but to take as large a step towards the equalisation of the duties as was possible under the circumstances, a condition of taxation desirable in itself and an essential preliminary to the abolition of that great opprobrium to British administration, namely, the inland customs line. At the same time, the mileage duty which was levied on salt brought by rail from Bombay into the Central Provinces was abolished, so that Rs. 2-8 as. was the rate for these provinces also. The duties in Lower Bengal, both import and excise, was reduced to Rs. 3-2 as. per maund; and the duty on salt imported across the inland customs line for consumption in the Upper Provinces, as well as the duty on salt manufactured in these provinces, was reduced to Rs. 2-12 as. per maund. The price of the salt obtained from the Punjab mines, the property of the Government, was diminished by 4 annas per maund. The price of Sambhar salt, purchased for importation into British territory, was reduced by 2 annas a maund.

The policy of the Government of India, considered as a whole, was successful. Although the duty was, on the whole, considerably reduced, yet the net salt revenue, which in 1868-69 stood at £5,176,000, was, according to the estimate of the year 1881-82, £6,809,000. Thus it was found financially more profitable to levy the salt duty at a moderate rate on a maximum consumption than at a high rate on a restricted consumption. There was, however, some disadvantage to counterbalance the advantages which the policy bestowed on the country in general. Whilst the inhabitants of Bengal and Northern India were given a partial relief, those of Madras, Bombay, and the Indian States of Rajputana and Central India were obliged to pay a higher price for their salt. But the number of persons who had been relieved of taxation was larger than the number of those on whom additional taxation was imposed.

The position of the salt tax in 1882 stood thus: A duty of Rs. 2-6 as. was levied all over British India, except on salt imported by sea into or manufactured in Bengal, and on salt consumed in the trans-Indus districts of the Punjab and in Burma. In Bengal, the tax was Rs. 2-14 as. a maund. In the trans-Indus districts of the Punjab, salt produced at the Kohat mines was consumed, and on this a duty varying from $2\frac{1}{2}$ to 4 annas a maund was levied. A preventive line extended

for some 320 miles along the Indus. In Burma, the duty was only 3 annas a maund. The Finance Member now proposed to reduce the salt duty to Rs. 2 a maund everywhere except in Burma and the trans-Indus districts of the Punjab. The differential duty of 6 annas then levied in Bengal was thus to disappear. It was not proposed to make any change in Burma or in the trans-Indus districts of the Punjab on this occasion.

As the Finance Member pointed out, the advantage to be gained from this reduction was two-fold. In the first place, it was exceedingly desirable to reduce the price of a necessary of life which was used by the poorest classes. In the second place, the general financial position would be strengthened because, should an emergency arise diminishing the other sources of revenue or increasing the expenditure, the Government would be in a better position to meet it by enhancing the salt duty if that duty was Rs. 2 a maund than if it were levied at a higher rate. The intention of using the salt duty as a fiscal reserve was thus clearly indicated. The Finance Member expected an increase of consumption, consequent on a reduction of the duty.[1]

This expectation was realised, and increased

[1] Major Baring added that in matters of this sort the wisest policy was generally to act with boldness; a slight reduction in the duty would very probably not reach the consumer. *Vide Financial Statement, 1882-83.*

consumption of salt during the following year resulted, in its turn, in an increased revenue.[1] But in 1885-86, there was an appreciable decrease in consumption. The Finance Member said on the occasion that the materials for forming an opinion on the causes of the falling-off were not available, and he declined to hazard a conjecture on the point beyond observing that the decrease might be in a considerable measure due to the periodical oscillations which were known to be a feature of the salt trade.[2] The decrease was, however, temporary, and in 1886-87 there was again an increase in consumption.

Meanwhile, the financial position of the Government had became steadily worse, and early in 1888 the Government found itself obliged to have recourse to an increase of the salt duty. The Governor-General in Council, in exercise of the powers given him by the legislature under the Salt Act, raised the salt duty from Rs. 2 to Rs. 2-8 as. in continental India and from 3 annas to 1 rupee in Burma. The Finance Member, Mr. Westland, pointed out on this occasion that the circumstances which, in his predecessor's opinion, would justify the enhancement of the salt duty had now materialised. The Finance Member expected that the extra duty

[1] In 1882-83, the revenue from salt was £5,674,954; in 1883-84, £5,698,777; in 1884-85, £6,057,926.

[2] *Financial Statement, 1886-87.*

of eight annas would bring in an extra revenue of Rs. 1,600,000, and the enhancement of the Burma salt duty would add to the revenues about Rs. 125,000. In view of the improvement in the means of communication and the generally improved condition of the people, Mr. Westland hoped that the burden of a duty of Rs. 2-8 as. would not have any effect in restricting the rate at which the consumption was increasing.[1]

Regarding the method of increasing the duty, opinions were expressed in some of the newspapers to the effect that the Government was not justified in resorting to what was considered an extraordinary means of raising the duty, namely, by issuing suddenly an executive order for raising an additional revenue of Rs. 1,600,000. To this objection Mr. Westland replied: "I think we are justified, in the first place, by the consideration that, the legislature having laid down a definite mode of imposing the salt duty, it was not open to the Government of India to proceed in any other way. Besides, to announce the imposition of the duty beforehand

[1] The Finance Member, in reviewing the figures of consumption of salt and the duty paid on it for the years 1871-72 to 1881-82, explained that the whole period might be divided into two parts; during the earlier of these, which preceded the reduction of duty in 1882, the rate of consumption averaged annually 2.2 per cent, while since the reduction of duty the annual increase had averaged 2.7 per cent. The case of Burma was different from that of the rest of India. After the Government of India had bound itself by treaty to permit salt to enter Upper Burma at a very low rate of duty, it was impossible, while that treaty was in force, to levy in the shape of salt tax, on the people of Lower Burma the same contribution as was paid by the rest of India.

would only be to disturb and disarrange the whole trade. If we were to announce to those who were engaged in the salt trade that the duty of 2 rupees, which was at present levied, would at some future date be raised to Rs. 2-8 as., the only result would be that everybody would make a rush at once to clear out the whole of the salt they could possibly get, and the result would be that a great part of the duty which we intended to impose would be evaded, to the advantage of a few individuals and the general loss of the State. It is always advisable, in the case of the imposition of new tariff duties, that the new measures should be taken suddenly and at once, so that all persons may, as far as possible, be placed upon a precisely equal footing."[1]

On the question of the incidence of the salt duty, the Finance Member said that it was not possible to state exactly what was the average annual rate of consumption of salt in any particular province, but it was certain that the consumption varied very much. The average rate of consumption for all India was a little under $10\frac{1}{2}$ lbs. per head of the population. At the rate of half an ounce a day the

[1] *Proceedings of the Governor-General's Council, 27th January, 1888.* Mr. Steel said: "A salt duty produces a large revenue without complaint from any quarter; that my honourable friend can find a million and three quarters of revenue which will not cost an additional rupee to collect; that the consumer who will now be taxed a half penny per month for his salt will continue to use as much as he wants, and that if the tax were a farthing per month, he would use no more; that there will be as little cause for complaint now the duty is increased, as there was for gratitude when it was recklessly reduced."

average consumption would be 11 lbs. 6 oz. Assuming for the purpose of the moment that it was as much as 12 lbs., observed the Finance Member, it might be taken that a man with a wife and three children would consume 42 lbs. in the year between them. At the average price which prevailed at the time, namely, Rs. 3-14-1 a maund, the salt of the family would cost about two rupees and six annas in the year. This was about 16½ per cent. in excess of the cost before the duty was raised, so that the man's contribution to the salt duty might be taken as having been raised from about two rupees to two rupees six annas and nine pies a year.

In 1888-89, there was an appreciable falling-off in the quantity of salt on which duty was paid. But the Finance Member pointed out that the quantity of salt paying duty in any year was not a perfect test of the salt actually consumed in that year by the people. There was always a large amount of salt in the hands of the dealers, and a falling-off in any one year might represent a reduction in the quantity of salt in the hands of dealers, and not a reduction in the quantity of salt actually consumed.[1] Discussing the effect on the real consumption of a rise in duty, the Finance Member said; "Some authorities hold that it has very little effect; others that it has a considerable effect. Experience seems to show that

[1] *Financial Statement, 1889-90.*

the truth lies between the two opinions, and that a rise in the rate of duty has an appreciable, but not a very great, effect on the real consumption. But a rise in duty may have a considerable temporary effect on the trade, and on the quantity of salt on which duty is paid, especially when rumours prevail that the rise in duty is not likely to be permanent."[1]

In 1889-90, there was an increase in consumption in all the provinces except Bengal. In July, 1896, the duty on Kohat salt was enhanced from 8 annas to Rs. 2-8 as. a Lahori maund. The main object of this increase was to enable the Government of India to abolish, at an early date, the troublesome Indus protective line, the maintenance of which was necessary so long as there was a material difference in the rates of duty on Cis-Indus and Trans-Indus salt.

Early in the twentieth century, the prosperous financial condition of the Government enabled it to take the question of reduction of the salt duty into consideration. In 1903, Sir Edward Law said that the salt tax, at the rate then levied, did not press hard on the mass of the people, the actual amount paid per head being small. But he added: "It is, however, paid in the main by those who can least afford to contribute anything, and we hope that the remission of even a trifling burden may prove a boon to the poorest class of tax-payers. Further, we hope

[1] *Financial Statement, 1889-90.*

that a reduction in the salt duty combined with the progressive cheapening of the carriage of salt by the development of communications, will lead to such greater consumption as will not only benefit the health of the people, but will also permit the greater use of salt with profitable results, for cattle and in various processes of manufacture. Finally, from the financial point of view, a reduction of the salt tax has a very special recommendation, in that it will provide a reserve which can be immediately and rapidly made use of by once more increasing the rate, should such exceptional misfortunes as war or disastrous famine, suddenly create an abnormal strain on our resources. At present we have no such reserve as is provided by the conditions of the income-tax in England, and from the financial point of view, it is of the highest importance that in such exceptional circumstances as I have indicated, and as might possibly arise, we should be in a position without delay or complications, to add, say at least one million, to our annual revenue." The duty was reduced from Rs. 2-8 as. to Rs. 2 per maund. The reduction in the duty was followed by an increase in consumption.

In 1905, a further reduction of 8 annas a maund was made in the salt tax, thus fixing it at Re. 1-8 as. a maund throughout India, exclusive of Burma where the rate was already only Re. 1. The reduction was estimated to involve a loss of revenue

of 103 lakhs in 1905-06 (besides a loss of 6 lakhs for the remainder of the year). It was expected that some portion of the loss would be made up by increased consumption. The rate of duty became thus at least 25 per cent. lower than it had existed at any date since the duties had been made uniform throughout India in 1878. On this occasion, Mr. (afterwards Sir Ernest) Cable, a representative of the European commercial community, doubted whether a reduction in the duty would lead to a lowering of retail prices, so that the benefit might reach the consumer. Mr. G. K. Gokhale said that, even with the present reduction, the impost amounted to about 1,600 per cent. of the cost price, as it took only about an anna and a half to manufacture a maund of salt, and it was clear that this was a "very heavy tax on a prime necessary of life." He added: "The salt duty question is essentially a poor man's question; for it is the poorer many—and not the richer few—who eat more salt when it is cheap, and less when it is dear. The soundest policy in the matter—even financially—would, therefore, seem to be to raise an expanding revenue on an expanding consumption under a diminishing scale of duties."[1]

In 1907, the salt tax was further reduced to Re. 1 a maund throughout the whole of India. It was estimated that this would involve a sacrifice of revenue to the extent of 190 lakhs of rupees in

[1] *Proceedings of the Indian Legislative Council, 1905.*

1907-08. On this occasion, the Finance Member pointed out that the manner in which the consumption of salt had responded to a lowering of the duty was as remarkable as it was gratifying.[1]

The Finance Member pointed out that the incidence of the duty at the time worked out to rather less than $2\frac{3}{4}$ annas per head of the population, a rate "which can only be regarded as extremely moderate when it is remembered that the salt tax is the only contribution towards the public expenditure that is made by a large number of the people." The reduction gave great satisfaction to the people. Dr. Rash Behari Ghose voiced the opinion of the entire educated community of India when he observed: "In lightening the salt tax the Government have lightened, in some measure, the hard destiny of the toiling masses who constitute the real people and who ought to be their first care. The successive reductions of the duty have all been steps in the right direction. But the greatest still remains behind—the total repeal of a tax which is such a heavy burden on those who are the least able to bear it."[2]

[1] The first reduction, said the Finance Member, to Rs. 2 a maund had been made, broadly speaking, with effect from 1903-4, and the second, to Re. 1-8 per maund from 1905-6. [Excluding Burma, which had not been affected, the consumption had increased by 9,68,000 maunds in 1903-4, 15,97,000 maunds in 1904-5, and 13,32,000 maunds in 1905-6, and during the first eight months of 1906-7 it exceeded that of the corresponding period of the previous year by 14,41,000 maunds.—*Proceedings of the Indian Legislative Council, 1907.*

[2] *Proceedings of the Indian Legislative Council, 1907.*

With this closed the chapter of reductions. A new chapter was opened by the exigencies of the European war. In 1916, the salt duty was raised to Re. 1-4 annas a maund. In proposing this addition, the Finance Member recalled the fact that the salt tax had always been looked upon as a reserve to be drawn upon in the event of a war or any other financial calamity. But as the burden fell largely upon the poorer classes, the addition to the duty he proposed was a small one. No Bill was introduced to carry out the proposal, but effect was given to it by a notification of the Governor-General in Council.

During the later stages of the War, various taxes were levied to meet the increased expenditure. But the salt duty was left untouched. And it was not until 1922 that an increase in the salt tax was proposed. In the four previous years in succession, there had been deficits in the accounts of the Government of India, and it was considered undesirable to add another deficit to the list.

In presenting the budget for 1922-23, the Finance Member estimated a deficit of about 31¾ crores. After examining the three alternative courses which were open to him to meet the difficulty, namely, to budget for a deficit, to reduce expenditure, and to increase the revenue,[1] he came

[1] The Finance Member discussed these matters at considerable length. On the suitability of the first alternative, he observed: "Putting aside all theoretical considerations of principle and of sound financial policy,

to the conclusion that it was imperative to take every possible step to increase the revenues. The burden which the country was now invited to shoulder was a heavy one; but the Finance Member assured the Council that it was the earnest desire of the Government to distribute it as equitably as possible. Among other proposals of taxation, Sir Malcolm Hailey suggested the raising of the salt duty to Rs. 2-8 as. a maund. He thought that it had become absolutely necessary now to draw upon the "ultimate reserve."[1] He expressed the view that the increase of the tax would not be "felt

the financing of a further deficit next year of an amount anything like the 31¼ crores estimated is simply not a practicable proposition. I should be much mistaken if we should not have already reached the limit of safety. To attempt to increase our floating debt beyond the figure at which it is likely to stand on April 1st next would be to invite not only grave monetary stringency, but possibly even a severe crisis. To raid the Gold Standard Reserve, which has been built for an entirely different purpose, would be merely putting off the evil day, and would be an expedient which could be adopted only as a last resort and even then purely as a temporary measure. To rely on the proceeds of our annual rupee or sterling loans to finance our deficits would, as I shall show later in my speech, be equally impracticable, seeing that we shall fully need the whole of those for financing our existing capital liabilities and productive expenditure on our railways. The inevitable result, in short, of any attempt to finance a deficit of this size would, in my opinion, be to force us to large issues of unbacked currency notes, and I am sure the House will agree with me that the effect of such inflation upon the general level of prices in the country, and upon our general credit, would be very serious. My conclusion, then, is, and I state it with perfect confidence, that the problem before us is one that cannot be shelved or left to look after itself." With regard to the second alternative, Sir Malcolm indicated the difficulties which had to be encountered in the matter of reducing military expenditure and told the House that in the civil departments all new expenditure which could not be proved to be of imperative necessity had been cut out. —*Financial Statement, 1922-23.*

[1] The Finance Member said that the existing consumption of salt worked out at about 6 seers per head of the population. The increase of Re. 1-4 as. would, therefore, be 3 annas per head per annum, or 12 annas per annum for each household of four.

appreciably by even the poorest classes." The extra revenue expected from this addition was 4.30 crores in the first year, and 5 crores in subsequent years.

The Government of India possessed the power under Act XII of 1882 to increase the rate of salt duty, subject to a maximum of Rs. 3 a maund; but it was considered undesirable to proceed by executive order in a matter of such importance to the legislature and to the country at large. It was, therefore, decided to include a provision in the annual Finance Bill for the enhancement of the tax. When the Finance Bill came up for consideration by the Legislative Assembly, amendments seeking to delete this clause were moved by all the non-official groups. Mr. N. M. Joshi moved that for the words "two rupees and eight annas" the words "one rupee and four annas" be substituted. He said that the salt tax was an obnoxious tax, inasmuch as it fell upon every man, woman and child irrespective of their ability to pay. He remarked that, as past experience had shown, a diminution in consumption was likely to follow a raising of the rate of duty. Mr. Joshi also observed that, as salt was required for maintaining the health of the people, an increase in the tax was likely to prejudicially affect the entire population of the country. In regard to the argument that the poor people must pay some tax, he expressed the view that the land

tax, many of the local taxes, and a large part of the indirect taxation fell upon them. He, therefore, felt that the Government was not justified in levying this taxation at all, and that there was even less justification for increasing a tax which was already very heavy.

Mr. Seshagiri Ayyar and many other non-official members strongly opposed the increase of the duty and supported Mr. Joshi's amendment. But the amendment was opposed by Sir Montagu Webb, a representative of the European commercial community. He made a fairly long speech and concluded with these words : "The poorer classes are quite able to contribute a small additional sum towards the cost of government, that is the first argument; secondly, if we do not provide the necessary means, the Government will have to meet more deficits with more inflation of the paper currency and still higher prices. If perhaps the Government can meet the sentimental feelings of the House by raising the duty only to Rs. 2 instead of Rs. 2-8 as., I think perhaps that might go a good way to meet the sentimental feelings of the House, but I submit that no case has been made out for not raising the salt duty at all."

Mr. C. A. Innes, on behalf of the Government of India, said that this proposal was justified in the circumstances of the case. He admitted that, theoretically, the salt tax was a bad tax, that

it was a tax on a necessity of life, and that, since the consumption of salt did not vary materially with the wealth of the consumer, relatively the tax pressed more heavily upon the poor than upon the rich. But he was unable to agree that the enhancement of the tax would be any hardship to anybody, even to the very poor. He then pointed out the disadvantages of leaving the deficit uncovered, and concluded his speech with the following appeal to the House : "You can take the honest course, the straightforward course and the difficult course of giving us this taxation we require, or you can take the easy course which will enable you to go back to your constituents and say, 'We have saved you from the duty on salt.' That is the popular and easy course, but, Sir, what I fear is that, if we take that course, we shall start India on an inclined plane which may lead to financial chaos." The amendment was, however, carried by an overwhelming majority.

When the Bill went to the Council of State, an amendment was moved on behalf of the Government to restore the original proposal of the Bill relating to the salt duty. The non-official members opposed the amendment, and it was rejected. The Government accepted the decision of the legislature.

The year 1922-23 ended with a deficit. In the following year, the new Finance Member, Sir Basil Blackett, compared the progress of India to that of

a rake. He pointed out that, in spite of additional taxation, for five years in succession, India had had deficits, and that the accumulated total of these deficits had amounted to no less a sum than 100 crores of rupees. He also apprehended a further deficit of $4\frac{1}{4}$ crores in the year 1923-24. This deficit, in his opinion, should not be left uncovered. But the only way by which it could be met was additional taxation. After examining the different expedients, the Finance Member came to the conclusion that the right course was to ask the legislature to agree to an increase in the salt tax.

The Finance Bill was, accordingly, so framed as to include a provision for the enhancement of the salt duty from Re. 1-4 as. to Rs. 2-8 as. This provision met with stubborn opposition in the Legislative Assembly. An amendment to substitute "one rupee and four annas" for "two rupees and eight annas" in Section 2 of the Bill was carried. Thereupon, the Governor-General recommended to the Council of State that "it do pass the Finance Bill in its original form." A keen debate took place in the Council of State on this question. Ultimately, however, this Chamber accepted the recommendation of the Governor-General and restored the original provision of the Bill relating to the salt duty. The Bill was again sent to the Legislative Assembly with a similar recommendation from the Governor-General. But the Assembly disregarded

the recommendation and again reduced the rate of salt duty to Re. 1-4 as.

A certificate was then issued by the President of the Assembly to the effect that the Assembly had failed to pass the Finance Bill in the form recommended by the Governor-General. On the 29th March, 1923, Lord Reading, in exercise of the power conferred on him by sub-section (1) of section 67-B of the Government of India Act, certified that the passage of the Bill in that form was essential for the *interests* of British India, and on signature by the Governor-General it became an Act. Further, the Governor-General declared that a state of emergency existed which justified a direction by him that the Finance Act should come into operation forthwith, and he, therefore, directed accordingly.

On the same day, Lord Reading issued a statement in the course of which he dwelt on the vital necessity of securing financial equilibrium, specially in view of the representations of the provinces for a reduction in their contributions. He also remarked that, as the need for large capital funds for material improvement obliged the Indian Government to enter the money market for loans both in England and India, the rehabilitation of India's credit by preventing a balanced budget was not a measure which could be delayed. He also said that the most careful consideration had been given to the possibility of finding an alternative to the salt

tax as a means of raising the necessary amount of additional revenue, but none had presented itself. The Governor-General then observed: "I hold strict views regarding the exercise of my special powers; their use can only be justified, in the words of the Government of India Act, when it is essential for the interests of British India. This requirement has throughout been present to my mind. In the present case the interests of India only and no other interests are in question. A balanced budget is absolutely essential to her interests at the present time, and I believe that it is my duty to take the necessary action to secure this in the discharge of the responsibility placed upon me as Governor-General by the Imperial Parliament."[1]

The matter was not allowed to rest there. Several members of the Assembly resigned their seats as a protest against the action of the Governor-General, and were again returned by their constituents. It

[1] Lord Reading's statement concluded with the following observations: "It may be that the scheme of reforms introduced by the Government of India Act will be attacked on account of the action taken by me. This would be unfortunate and could only be due to misapprehension; for the constitution is embodied in the Act, and I do not believe that there is any substantial difference as regards the meaning of the important provisions under which I am acting. Unbalanced budgets appear to me to involve dangers to the future of India perhaps inherently greater than any constitutional or political issue, while their immediate effect is to stifle the development in the provision of all those beneficent activities, e.g., Education, Public Health, Industry, which should be the first fruits of the reforms. I am convinced, therefore, that my action will prove of ultimate benefit in the development of the reforms and the advancement of India and for these I shall continue to labour in the discharge of the responsibilities entrusted to me as Governor-General."—*Statement of the Governor-General, dated the 29th March, 1923.*

also gave rise to a storm of public opposition both in the press and on the platform. A petition was also sent to the House of Commons against the doubling of the salt tax.

The matter was brought up when the House of Commons considered the India Office grant in connection with the Civil Service Estimates. Mr. Charles Trevelyan moved a reduction of the grant by £1,000 in order to challenge the policy of the India Office in supporting Lord Reading's action in certifying the Finance Bill of 1923. An interesting debate then took place in the House. The line taken by the speakers on behalf of the Conservative Party which was then in power was that the deficit had to be covered and that there was no alternative. The Liberals condemned the certification in very mild but unmistakably clear terms. But several members of the Labour party, such as Mr. Charles Trevelyan, Colonel Wedgwood, Mr. Lansbury, and Mr. Buxton made excellent speeches in condemnation of the action of the Governor-General. Mr. Ramsay Macdonald did not believe for a moment that certification was essential on financial grounds, for the credit of India was steadily recovering itself "in spite of bad budgets." He expressed the view that the significance of the doubled salt duties was "not so much financial as political," and observed that the Governor-General had made a great political mistake in regarding this matter as "chiefly a

financial problem." The motion seeking to reduce the India Office grant was rejected by 213 votes to 74, all Liberals abstaining from voting.[1]

In the following year, the financial situation considerably improved, and the Government proposed a reduction of the duty to Rs. 2 a maund. This, however, did not satisfy the Assembly; and when the Finance Bill was placed before that body, it reduced the duty to Re. 1 and 4 annas.[2] This time the Governor-General accepted the decision of the popular Chamber, and the duty was lowered to the amount at which it had been fixed in 1916. No alteration in the rate of this tax has since taken place.

A few words may be said here about the changes which have taken place in the system of production since the seventies of the last century. In 1872, an enquiry was conducted by Mr. W. G. Pedder into the salt system of Bombay. His views differed from those of Mr. Plowden, and he expressed his doubt as to "whether it would not have been a wiser measure to buy up the existing rights

[1] Sir Montagu Webb considered the salt debate in the House of Commons to be satisfactory. He observed: "The political mistake is perceived, and freely admitted by leading statesmen in England." *Vide* Sir Montagu Webb's leaflet, *The Salt Duty Debates*.

[2] This had, indeed, been anticipated by the Governor-General in his statement of the 29th March, 1923, in which the following significant words occur: "It must be clearly understood that my action merely imposes an enhancement of the tax until March 31st, 1924, when the matter must again come before the legislature. It will then have had a year's experience of the operation of the tax, and it will be in a position to determine whether, in view of the condition of the country and having regard to our obligations to the provinces, it will vote for its retention."

of *shelotrees* and thus to introduce the Madras system." It was, however, too late to make the change. In 1875, the Madras Salt Commission was appointed to investigate the question of introducing an excise system. This Commission reported that there were no practical difficulties in the way of a change from monopoly to excise and that the measure was not likely to prove injurious to the interests either of the consumers of salt or of the imperial revenue. In pursuance of this recommendation, a change was made in some factories, but it was soon found that the anticipated advantages did not ensue, and some of the factories reverted to the monopoly system, while in the case of others the modified excise system was adopted, under which the licensee was bound to sell his produce or part of it to the Government if required. A Salt Commission was appointed in Bombay in 1903-4, who gave a divided opinion on the question of a radical change. They were unanimous, however, in recommending that steps should be taken when new factories were to be erected or old Government lands were to be given on fresh leases, for the adoption of licensing on the modified excise plan to enable the Government to secure a greater command over stocks and prices.

During the European War, the imports of salt were cut off to a very large extent, and a salt famine was threatened, particularly in Bengal, which

depended almost entirely on imported salt. Prices rose very high, owing mainly to the want of railway facilities for carrying salt from the Northern India sources. The Bombay factories were unable to increase their output, but a large expansion was secured in Madras.

The salt tax formed one of the subjects of investigation by the Taxation Enquiry Committee. They said that there was no reliable evidence that the quantity of salt used in India was inadequate to the requirements of health.[1] They, therefore, thought that the effect of the duty had not been such as to unduly restrict consumption. They admitted that the 3 annas per head per annum, which was what a duty of Re. 1-4 as. a maund would roughly represent, might involve a hardship on the very poorest. But they doubted whether a complete abolition of the duty would result in any considerable increase in the well-being of classes.[2]

[1] The following figures are extracted by the Taxation Enquiry Committee from *Dr. Ratton's Hand-book of Common Salt* regarding annual consumption per head in different countries: "England, 40 lbs.; Holland, 11¼ lbs; Sweden and Norway, 9½ lbs., (Schleiden) Switzerland, 8½ lbs." Dr. Ratton adds: "Assuming that the people require 10 lbs. per head of taxed salt for their use, everything above that represents so much industrial activity."

The following statement shows the annual consumption per head in the different provinces of India in 1921-22: Punjab, 10.26 lbs., Sind, 10.41; Rajputana and Central India, 10.59; Behar and Orissa. 10.97; United Provinces, 10.98; Central Provinces and Berar, 11.56; Bombay (excluding Sind), 13.94; Bengal, 15.24; Burma, 18.54; Madras, 18.88.—*Report of the Taxation Enquiry Committee, 1924-25.*

[2] Sir Josiah Stamp says in this connexion; "I should work out the tax burden on a low income (*via* salt) and ask, if abolished, or altered, in what probable respects well-being would be improved by the ordinary exercise of the improved purchasing power. If inconsiderable, I should

The Taxation Enquiry Committee, therefore, came to the conclusion that, if it was desirable to impose any tax on the mass of the community at all, there was much to be said for the continuance of the salt tax. "The present rate of duty", they said further, "is appropriate and causes no hardship. The retention of the machinery for collection makes it possible to secure additional revenue with ease in case of a grave emergency which should be the only ground for raising it. It seems desirable to add that changes in the rate should neither be made nor officially adumbrated except in cases of such grave emergency." [1]

On the question of production of salt, the Taxation Enquiry Committee considered it desirable that India should be made self-supporting in the matter of supply, and suggested that the matter should be enquired into by the Tariff Board. They also made some suggestions with the object of removing the defects of the excise system. Dr. Paranjpye expressed the view that the aim of the Government policy should be to make salt manufacture a monopoly in the hands of the State and that no new steps should be taken which might militate against the attainment of this aim.

About one-third of India's requirements is now

continue the burden."—*Quoted in the Report of the Taxation Enquiry Committee.*

[1] Dr. Paranjpye wished the rate to be reduced to about 8 annas in normal times.

produced by, or for sale to, the Government, another third is imported, and the rest is manufactured by licensees subject to a payment of excise. The experience of the war period and the desirability of rendering the country independent of foreign countries in the matter of supply of a prime necessary of life have, in recent times, led some public men to urge the Government to grant protection to the salt industry. A resolution was moved in the Legislative Assembly in March 1929, and a few months later, the Government of India decided to refer the question to the Tariff Board.

CHAPTER VI

OPIUM

CONSIDERABLE divergence of opinion exists as to the nature of the opium revenue. The view of most officers of the Government is that it is a profit derived from a commercial transaction, and as such cannot be looked upon as a tax. This opinion was supported by the majority of the Finance Commission of 1880, who expressed the opinion that the opium revenue was "in no proper sense raised by taxation." One of the members of this Commission, Mr. H. E. Sullivan, however, said that he failed to understand this view of the matter. He observed: "There is no question as to opium being a valuable product of the soil, which in spite of a very heavy duty is in great and increasing demand, and it is equally certain that, were the present restrictions on its manufacture and sale removed, a considerable portion of the nine millions which now form a principal asset of the public revenue would go into the pockets of the agricultural and mercantile classes. By intercepting these profits it seems perfectly clear to me that a heavy tax is imposed

by the State on this branch of agricultural and commercial industry, a tax far exceeding in amount the share of produce and profits which by prescription the ruling power in India is entitled to claim. When the matter was discussed at a meeting of the Commission it was alleged that the profits of the monopoly were derived from the foreign consumers, and to a large extent this is doubtless correct; but I contend that, if the monopoly were abolished, the growers would command their own terms with the merchants, and as the growth and manufacture of the commodity is confined to a comparatively limited tract of country, there would be keen competition amongst the latter to secure it in view of the enhanced profits to be obtained from the trade being thrown open. To maintain the proposition that the opium revenue is not in any way raised by taxation of the people of India it must be shown that the price paid by Government to the growers is as much as they would receive if there were no State monopoly, and that the merchants' profits suffer no diminution thereby."

There is a great deal of substance in this line of argument. But apart from this view, there can be no doubt that revenue derived from the opium consumed in India is obtained by taxation. As a portion at least of opium revenue falls within the category of a tax, convenience points to the

desirability of the whole question being discussed at one place.

Opium occupied the third place in Indian finance in respect of the amount of its yield as a public resource during the first three quarters of the East India Company's rule. In the last quarter it advanced to the second place, and stood next to land revenue. Opium maintained this position till the beginning of the twentieth century, when owing to an agreement with China, its importance began gradually to diminish. It has now ceased to be an important source of Indian revenue. A history of the rise, decline, and fall of opium is, therefore, likely to be found interesting.

It is difficult to say definitely when or how the drug was first introduced into India. But it is believed that it was brought into this country from Persia by the Moslem invaders. In any case, there is no doubt about the fact that, during the Mahomedan rule, considerable income was derived by the State from this source. The monopoly of the East India Company in this article in Bengal began at Patna in 1761, when it was managed by the civil servants of the factory "for their own benefit."[1] The acquisition of the *diwani* opened a wide field

[1] *Report of the Select Committee, 1783.*

For a fuller account of the system which prevailed in the early period, see the author's *Indian Finance in the Days of the Company, ch. V.*

for the project. It was then adopted and owned as a resource for persons in office. The monopoly was strongly condemned by Philip Francis, but other persons in authority sought to justify it on various grounds. The real motive, as was mentioned by the Select Committee of 1783, seems to have been "the profit of those who were in hopes of being concerned in it." In 1773, Warren Hastings took into his own hands the administration of the monopoly, and for twelve years the privilege of farming was granted to persons of his own choice. This system led to great abuses.[1] Forcible means were often employed in order to induce the cultivators to grow poppy. On one occasion, it was reported that fields green with rice had been "forcibly ploughed up to make way for that plant."[2]

After the departure of Warren Hastings, the contract was thrown open to public competition in 1785, and the highest offer was accepted. The contract was made for four years, and on the expiry of this period, it was renewed for another term of four years. In 1792, the opium regulations were revised. In 1799, it was decided to discontinue the farming system, and the agency of a covenanted

[1] This monopoly grew day by day to be a greater object of competition. When Mr. Sullivan, son of the Chairman of the East India Company, came to India, he was given the contract, and extraordinary concessions were made in his favour.—*Report of the Select Committee, 1783.*

[2] *Report of the Select Committee, 1783.*

servant of the Company was substituted. One result of this change was a large increase in revenue. Rules for enforcing the monopoly, and at the same time for protecting the cultivators, were embodied in a regulation in 1816.

The opium question was fully considered by the Parliamentary Select Committee of 1832-33. This Committee held that the monopoly of opium, like all other monopolies, had certain defects,—it was uneconomical in production, and imposed restrictions on the employment of capital and labour. But, in their view, it was not productive of very extensive or aggravated injury. They thought that it would be highly imprudent to rely upon the opium monopoly as a permanent source of revenue. They further expressed the belief that the time was not very distant when it might be desirable to substitute an export duty, and thus by increased production under a free system it might be possible to obtain some compensation for the loss of monopoly profit.[1]

In 1839, there was serious trouble with China over the trade in opium. In 1847, the Board of Control observed that the system of sales tended to identify the Government completely with the opium trade in the Far East, which was hardly desirable in view of the complaints of the Chinese people. They, therefore, urged that it should be

[1] *Report of the Select Committee, 1832-33.*

considered whether a fixed duty added to the cost of manufacture might not be conveniently substituted for the constantly fluctuating profits then derived from the speculative competition of bidders at the opium sales, or whether it would not be advisable, in the first instance, to introduce the principle of fixed prices instead of sale by auction. The advantages of the proposed changes were summed up by the Board in these words: "By an arrangement of the above description the Government of Bengal would be relieved from all share in the opium speculations based on upset prices, and the speculators would have no occasion to invest a single rupee in purchasing opium before the time they required it for export. The value of the opium would be paid by each purchaser into the government treasury, without any notoriety being given to the extent of the traffic in that article between British India and China."[1]

In 1852, Lord Dalhousie introduced important changes into the system of opium administration in British India. The main features of the system as it existed at the close of the Company's rule were as described below. The management of Bengal opium[2] continued to be vested in the Bengal Board

[1] *Parliamentary Paper No. 146 of 1852.*

[2] It was called Bengal opium, though nearly one-half was both cultivated and manufactured within the jurisdiction of the North-Western Provinces. The reason was that the North-Western Provinces originally formed part of the Bengal Presidency.—*Vide Moral and Material Progress Report, 1882-83.*

of Revenue. There were two opium agencies, with headquarters at Patna and Ghazipur. These were under the control of European agents, who were assisted by a large staff of sub-deputy and assistant deputy agents, all of whom were also Europeans. The entire system was a strict Government monopoly. Nowhere in the British territories in Northern India (except to a slight extent in the Punjab, where a few thousand acres were grown for local consumption), was either the cultivation of poppy or the manufacture of opium permitted, except on account of the Government. The poppy might be grown only under license from an authorised officer of the department. Annual engagements were entered into with the cultivators who undertook to cultivate certain areas and to deliver their whole produce at specified prices, according to quality. A pecuniary advance was made to every cultivator before he commenced operations, this amount being deducted from the price of the opium when delivered. A portion was issued for consumption in India under the excise regulations, but the bulk of it was sent to the Government stores in Calcutta where it was made into balls and packed in chests. These chests were sold in Calcutta by auction as "provision opium" to the highest bidders at monthly sales. The price obtained in Calcutta sales, *less* the cost of production, was the revenue from Bengal "provision" opium. The quantity of the produce varied

according to the area sown and the nature of the harvest. The average price per chest in Calcutta was £89 in 1856-57.

In the Bombay Presidency, the revenue was obtained from opium manufactured in the Indian States of Malwa and Gujrat. Passes were given, at a certain price per chest, to merchants who wanted to send opium to the port of Bombay. The original rate of duty was Rs. 175 per chest, but it was subsequently reduced to Rs. 125 per chest. From the year 1843, the duty was gradually raised. An attempt was made to equalise the duties on Bengal and Malwa opium in two ways, namely, first, by increasing the quantity and lowering the price of Bengal opium, and secondly, by raising the duty on Malwa opium. In 1858, the duty on Malwa opium was Rs. 400 per chest. The poppy was not cultivated in the Presidency of Madras.[1]

At the time of transfer of the administration of India to the Crown, the Government derived about 5 millions of pounds sterling a year from the sale of opium. As was pointed out by Mr. James Wilson, this was perhaps one of the most unique facts in the history of finance, that a Government, without calling upon its people to make any sacrifice whatever, on the contrary by affording a profitable cultivation to a large class, should be able to derive

[1] The cultivation of poppy was prohibited in Assam in 1858-59, as it was found to interfere with the supply of labour in the tea plantations.

so large a revenue for the benefit of the State. It was also a rare instance of one country having succeeded in raising a large revenue from the people of another. But Mr. Wilson thought that there was no certainty of the continuance of this source of income. The true policy with regard to opium, in his opinion, would be to keep the supply up to the full demand and, in order to avoid competition, to obtain a moderate price for a large quantity, rather than a large price for a small quantity. But still, at the best, the Finance Member considered it impossible not to regard this resource as more or less precarious.

Mr. Samuel Laing, however, saw no reason why the opium revenue should be considered as precarious. He believed that the cry of the precariousness of the opium revenue had originated from the strong aversion felt to it in certain quarters on ethical grounds. The most contradictary opinions had been held on the moral bearings of the question. But Mr. Laing believed that the truth lay between the two extremes, and that opium was neither very much better nor very much worse than gin.[1] At the bottom of the opium revenue, therefore, there was one of those great natural instincts of a large population upon which English Chancellors of the Exchequer confidently relied for half their revenue. There was, however, one

[1] *Financial Statement, 1862-63.*

important distinction between the two sources of revenue in the two countries. It was that while, in the case of England, the revenue was derived from the natives of the country, in the other, it was derived from foreigners.

Mr. Laing further expressed the opinion that, notwithstanding great fluctuations of price and of supply from year to year, the opium trade with China was amenable to certain general laws. There had been a progressively increasing demand, which being met by a stationary supply of about 70,000 chests a year, had in ten years, nearly doubled the price, and called into existence a supplemental native supply. The conclusion, therefore, was irresistible that there was no risk of the actual opium revenue diminishing, on the other hand, there was a probability of the realisation of a progressive increase of revenue. In 1862-63, the actual receipts considerably exceeded the estimates.

Sir Charles Trevelyan agreed with the views expressed by Mr. Laing in regard to the character of the opium revenue. He felt inclined to regard this resource as "anomalous", but not "precarious". There was, he thought, as little likelihood of the Chinese going without opium as of Englishmen foregoing the use of spirits. Then, again, the idea of the Chinese becoming independent of India by growing their own opium was a mere chimera. The great division of labour established by nature

was in India's favour in this respect. The moral justification of the opium revenue, in the opinion of Sir Charles Trevelyan, was that it was better to check the consumption of opium by placing the highest possible tax upon it than to give the Chinese the means of unlimited indulgence by leaving the cultivation and exportation of the drug entirely free.[1]

In 1864-65, opium, the great disturbing element of Indian finance, failed, converting an estimated surplus into a considerable deficit. In the following year, Mr. Massey described this head of revenue as "a source of distraction" to the finances of the Government. The revenue derived from opium was, however, one million in excess of the budget estimate in 1867-68. Mr. Massey remarked on this occasion: "Opium is the source of our income more calculated than any other to disconcert our financial arrangements. It is a source which is very obscure. It depends upon a market of which we have very little information. It is subject to the most violent fluctuations."

In the years 1868 and 1869, the province of Behar, the home of poppy, suffered from a severe drought, and the crop was short. The result was a

[1] Sir Charles thought that the alternative to deriving any revenue from opium was to maintain an army of preventive officers in the interior and round and coasts of India, to secure the entire cessation of the cultivation. But it would not do to stop there, for it would be necessary to suppress other intoxicants which were truly brutalising.—*Financial Statement, 1863-64.*

shrinkage in opium revenue. The question of the cultivation of poppy was at this time the subject of consideration by the Government. Sir Richard Temple observed: "It is clear that unless Bengal produces enough opium, the Chinese will raise it for themselves. And if the Chinese will have opium, they may as well get it first rate from us as second rate at home, and they may as well consume it taxed as untaxed. Again, if they do not procure it from us, they might procure it from other countries of Asia. The culture of the poppy in Persia is increasing, and some 4,000 chests are exported annually from that country to China." He then said that the desirability of substituting an open excise system in Bengal for the existing direct governmental agency, had been under consideration, but the propriety of such a change, on either moral or practical grounds had not been as yet established to the satisfaction of the Government. On the other-hand, it is a serious thing to make a change in a case where such critical interests are concerned."[1]

In 1877, the Finance Member pointed out to the legislative council that the cultivation of the poppy was a source of prosperity to the agricultural population of Behar and the North-Western Provinces, and was popular with them. He further said that

[1] *Financial Statement, 1869-70.*

it did not tend to any objectionable consumption of the drug by the people.[1] About this time, an opium reserve was accumulated in pursuance of a policy the object of which was to make the supply of Bengal opium to the market as far as possible steady and independent of calamities of seasons.

The opium administration of the Bombay Presidency was far from satisfactory. Under the system which existed till the time of Lord Lytton, the cultivation of opium was permitted in only a few districts of the Presidency, but was unrestricted in the Indian States. The result was that large quantities of opium escaped taxation. Consequently, the opium revenue of Bombay was small. An Act of the Bombay legislature was passed in 1878 for regulating the transit trade as well as the retail trade for local consumption. The cultivation of poppy was prohibited throughout the Bombay Presidency, both in the British territories and in Indian States (with the exception of Baroda). The importation of Malwa opium[2] was restricted to certain specified routes. The transit trade was entirely separated from the retail trade. The Indian States were required to adopt regulations for the local consumption of opium similar to those in force in the British territories; and, in return, a remis-

[1] *Financial Statement, 1877-78.*

[2] 'Malwa opium' is a technical term used with reference to the opium produced in the Indian States of Central India, Rajputana, and the Bombay Presidency.

sion was granted to them of the whole or part of the British duty levied on opium consumed within their limits. The Government maintained scales and weighing staffs at nine places. These arrangements led to a considerable addition to opium revenue.[1]

The opium crop was particularly sensitive to seasonal influences, and the out-turn was variable. An opium reserve was accumulated in pursuance of a policy deliberately adopted, the object of which was to enable the Government to make the supply of Bengal opium to the market as far as possible steady, and independent of calamities of season.[2] The price of opium varied from year to year. The average price in 1861 was as high as Rs. 1,850 per chest. But it gradually became smaller in the years following. At the start there was very little competition of Indian opium with the home-grown drug of China. But in later years competition became keen as Chinese cultivation increased and the quality of the article improved.

In 1882, the opium policy of the Government was discussed by the Finance Member. He pointed out that the crop was precarious and that it was difficult to extend its cultivation. He also expressed the view that the competition of Persian opium constituted a danger to Indian revenue, but that

[1] *Moral and Material Progress Report, 1882-83.*

[2] *Financial Statement, 1877-78.*

danger was not very serious at the moment. Regarding the competition of Chinese opium he held that the production of opium in China had greatly increased and was steadily increasing, but that the Indian drug, owing to its superior quality, had been able to hold its own amongst the wealthy classes. He, therefore, considered it not impracticable—although the amount derived during the previous five years had been large—that the opium revenue might undergo some diminution. On the moral aspect of the question, Mr. Baring said that, while there was a wide field for difference of opinion, the problem ought to be treated as a practical one.

In this connexion Mr. Baring discussed the two points as to which the position of the Government of India had been specially attacked. He admitted that the economic objections to the methods by which the opium revenue was raised, namely, in Bengal, by the Government itself engaging in private manufacture, and in Bombay by the levy of a heavy export duty, were considerable. But if the trade was opened to private enterprise, this would be no advantage to China, for that country would be flooded with opium. It was just possible that at some future date the Government would be able to deal with this question. He held that, if the policy was to be productive of some practical good, it must aim, not only at the disconnexion of the Indian

Government with the manufacture and sale of opium, but at the total suppression of the cultivation of poppy. Secondly, he contended that it was wholly incorrect to say that the Chinese had been forced to admit opium when the treaty of Tientsin had been signed; nor were they forced to admit it at this time.

The Finance Member expressed the opinion that the Chinese Government, though willing, was unable to stop the use of opium. The total suppression of poppy cultivation in British India, would give a stimulus to the Malwa trade and involve a total loss of revenue amounting to £5 millions. The sacrifice of this revenue could not be recouped and would render India insolvent. Such a step would also be unfair to India. Mr. Baring thought, that many influential persons, animated by a laudable zeal to benefit the population of China, were somewhat forgetful of their duty to the population of India. The tax-paying community in India was exceedingly poor, and to derive any very large increase of revenue from so poor a population was obviously impossible; and even if it were possible, it would be unjustifiable. Mr. Baring observed that it ought be remembered that no large increase of revenue was possible unless by means of a tax which would affect those classes. "To tax India", he said, "in order to provide a cure, which would almost certainly be ineffectual, to the

vices of the Chinese, would be wholly unjustifiable."[1]

Mr. Baring said further that Indian opinion would strongly resent any additional burdens being placed upon the taxpayers with a view to the abandonment, either wholly or in in part, of the opium revenue, that the views of the British Government would be misunderstood and that such a step would alienate from the British the feelings of the people of India.

The Finance Member drew the attention of the Council to the total net revenue derived from opium during the years 1871-72 to 1881-82, which had varied between $6\frac{1}{4}$ crores and $8\frac{1}{2}$ crores. The revenue from this source for 1882 was estimated at £$7\frac{1}{4}$ millions. The Finance Member announced that this justified some reduction of taxation and that it had been decided to afford some relief to the taxpayers in the shape of a reduction of the salt duty.[2] The estimated net revenue from opium for the year 1882-83 was less than the actual receipts for the

[1] *Financial Statement, 1882-83.*

[2] In answering the question how far taxes might be taken off in reliance on the opium revenue, Mr. Baring said: "A great deal depends on the nature of the tax we take off. If we abandon a source of revenue which involves a permanent and absolute loss of money, and which, moreover, from whatever reason, it would be difficult in the event of the opium revenue failing, to restore to its former position, then the course would be open to great objection. If, on the other hand, we reduce a duty with a fair hope that the reduction will increase consumption, and thus, after a while, recoup us for any loss, and if, moreover, the duty can, without any great fiscal disturbance, be reimposed in the event of the opium revenue falling off, then the reduction of taxation would be unobjectionable. The salt duty falls within the latter of those two categories."—*Proceedings of the Governor-General's Council, 1882.*

two previous years. The main cause of this progressive diminution was to be found in the increased competition of the indigenous Chinese drug. During this year, the duty on Malwa opium was reduced by Rs. 50 a chest.

In 1883, a Commission was appointed to consider the opium question. They made a number of recommendations, the most important of which was that the Government should in the matter of purchase of crude opium, deal direct with the cultivators instead of dealing through middlemen.

The opium convention with China came into operation in the year 1886-87. During the period 1881-82 to 1887-88, with the exception of one year, namely, 1884-85, there was a steady downward tendency in the prices of opium. The fall in 1887-88 was in a large measure due to the additional article of the Chefoo Convention, which came into operation on the 1st February, 1887. The inland or *likin* duties, which used formerly to be levied but were often evaded by foreign merchants, were now commuted for a fixed sum payable at the port of entry. Evasion now became impossible, and the foreign drug had to compete with the indigenous product which was subject to less onerous taxation. The increased duties levied under the Chefoo Convention thus operated in favour of the consumption of the native drug. In the following year, however, there was a recovery.

The special character of the opium revenue attracted attention in England about this time, and communications passed between the Secretary of State and the Government of India. In accordance with a resolution passed by the House of Commons, a Royal Commission was appointed in 1893 to consider certain aspects of the question. The terms of reference to the Commission were as follows :—

1. Whether the growth of the poppy and the manufacture and the sale of opium in British India should be prohibited except for medical purposes, and whether such prohibition could be extended to the Indian States :

2. The nature of the existing arrangements with the Indian States in respect of the transit of opium through British territory, and on what terms, if any, those arrangements could be with justice terminated :

3. The effect on the finances of India of the prohibition of the sale and export of opium, taking into consideration (a) the amount of compensation payable, (b) the cost of the necessary preventive measures, and (c) the loss of revenue :

4. Whether any change short of total prohibition should be made in the system at present followed for regulating and restricting the opium traffic and for raising a revenue therefrom :

5. The consumption of opium by the different

races and and in the different districts of India and the effect of such consumption on the moral and physical condition of the people :

6. The disposition of the people of India in regard to (a) the use of opium for non-medical purposes ; (b) their willingness to bear in whole or in part the cost of prohibitory measures.

Sir David Barbour, a former Finance Member of India, in the course of his evidence before the Commission of 1893, discussed the probable effect on the finances of India of the prohibition of the sale and export of opium. He said : "We may fairly take the total net revenue from opium at Rs. 6,00,00,000 yearly at the present time. I have no hesitation in saying that it would be impossible to carry on the administration of India if the revenue was reduced by Rs. 6,00,00,000. As it is, there is considerable difficulty in making revenue balance expenditure ; and for my part I would positively refuse to attempt the task if the revenue were reduced by Rs. 6,00,00,000. Some revenue could of course be raised by additional taxation, but not Rs. 6,00,00,000. I have no doubt that people in this country will bear some additional taxation if the taxation were imposed in consequence of some disaster which we could not have avoided ; but the imposition of a heavy or perhaps of any considerable amount of taxation on the people of India, in order to make good the loss of revenue caused by inter-

ference with the consumption or export of opium would cause most serious discontent among the people of India."

In 1895, the Finance Member remarked that, as India had long ceased to have a monopoly of opium supply in China, it was now necessary to steer between the two opposing policies of risking her position in the market by restricting the quantity supplied, and risking the prices obtained by sending too much into the market. At the moment the risk the Government was taking was the first of these two risks, and it was desirable to restore the standard of production with a view to increasing the amount sold, as well as setting aside a revenue which would enable the Government to maintain a pretty equal supply.

The Commission submitted its report in 1895. They did not recommend the prohibition of the production or sale of opium in India for non-medical purposes, though they thought that the regulation for the restriction of its consumption could be amended. They found no evidence of extensive moral or physical degradation from its use in India. They considered that the people of India would be unwilling to bear the cost of prohibitory measures, and that the finances were not in a position to bear the loss of revenue and the expenses which such measures would entail. With regard to the export of Indian opium to China,

in the absence of any declared wish by the Chinese Government to prohibit the traffic, they did not recommend any action tending to destroy it. On the question of the purchase of crude opium, the Commission recommended direct dealing with the poppy cultivators. Another important recommendation of the Commission was that no licenses should be granted for the sale of opium prepared for smoking and that smoking saloons should be prohibited.

The price of opium continued to vary from year to year. In 1892-93, the budget estimate was based on the expectation of an average price of Rs. 1,050 per chest, but the price actually realised was Rs. 1,147. The lowest price on record, Rs. 929 per chest, was obtained at the June sale of 1898. But in October, 1900, the price realised was Rs. 1,450 per chest. The local production of the drug in China had by this time become much larger than the imports from India.

Towards the end of 1906, edicts were issued by the Chinese Government ordering that within ten years the growth and the consumption of opium in China should be suppressed. Proposals were made that the Government of India should co-operate in this object by gradually restricting the amount of opium exported from India to China. Negotiations were carried on with the Chinese Government for the gradual diminution, and ultimate extinction of

the export of Indian opium to China. These negotiations gave the Government of India much cause for anxiety as they involved the loss of a large amount of revenue. For several years a great deal of controversy had raged round the question of opium traffic. At last, in 1907, an Agreement was made by which the exports from India were to be gradually reduced and the trade finally extinguished in the course of ten years, China on her part engaging to curtail and ultimately to prohibit local production. After the lapse of three years there were fresh negotiations which culminated in another Agreement. The principal terms of this Agreement were as follows: India was to reduce progressively the quantity of opium exported to China; but if China was able to completely eradicate the cultivation of poppy before 1917, India would shut down her exports at the same time. In the interval, as each Chinese province stopped its production and import of native opium, the admission of Indian opium to that province would cease; China was to levy a consolidated import duty of Rs. 689 a chest, along with an excise duty equivalent to the import duty; all other taxation and all restrictions on the wholesale trade in Indian opium were to cease.

The opium question was discussed by an International Opium Commission at Shanghai in February 1909, and again at an International Conference at the Hague at the end of 1911. The convention drafted

at the latter created no new position in regard to opium so far as India was concerned ; while in regard to morphia, cocaine, and other similar drugs, the Conference by accepting the view long held by the Indian Government that these drugs were a greater danger to the East than opium, and by inviting the European countries which manufactured them to agree to concerted action, took a notable step forward.[1]

On the question of the opium policy of the Government of India Sir Guy Fleetwood Wilson said in 1911 : "We have accepted and are loyally carrying out a policy which subordinates financial to ethical considerations. The Indian people will be called upon to make sacrifices in the interest of humanity. They are a sensitive and sympathetic race inspired by lofty ideals and I dare prophesy that they will not shrink from bearing their share of the burden since it will contribute to the uplifting of a sister nation.[2]

The price paid at the monthly auctions held for Bengal opium, which had always been subject to considerable fluctuations, rose to unprecedented heights at the close of the decade 1901-2 to 1909-10. Up till 1909, the average price was, generally speaking, about Rs. 1,300 or 1,400 a chest, the extremes being Rs. 1,074 in May, 1902 and Rs. 1,765 in February, 1904. In November, 1909,

[1] *Moral and Material Progress Report, 1911-12.*
[2] *Financial Statement, 1911-12.*

the average rose to Rs. 1,800, and from that time onwards a strong upward tendency continued, though still with marked fluctuations. After the beginning of 1911, when the distinction between "certificated" and "uncertificated" opium was introduced, the former was sold at much the higher price. Speculation reached its zenith in October, 1911, when opium certificated for exportation to China fetched the phenomenal price of Rs. 6,015 a chest.[1] Prices remained high in 1912. The rates of duty on Malwa opium were also largely enhanced. New arrangements were at this time made with the Indian States, and a portion of the surplus profits was made over to them.

But the sudden increase of opium revenue was like the last flicker of a dying lamp. There was a large drop in 1913-14. The stringent anti-opium measures adopted by the Chinese authorities, and the consequent accumulation of stocks at Shanghai and elsewhere, led to the suspension of sale of opium destined for China. In January, 1913, the Government of India gave notice that the sale of "certificated" opium would be suspended in April, and fixed an enhanced upset price for sales before that date. This in effect operated as an immediate suspension of sales. Shortly afterwards, it was decided to stop the export to China of Indian opium altogether, although the production of native

[1] *Moral and Material Progress Report, 1911-12.*

opium continued in some of the provinces of China.[1] But the trade with the other Far East Countries, such as the Straits Settlements, Hongkong, and the Dutch East Indies continued, though to a reduced extent.

From the year 1915 the Government of India continuously pursued the policy of endeavouring to supply opium direct to the Governments of consuming countries in substitution for sales by public auction. In the year 1920-21, about three-fourths of the total exports were made direct to such Governments. Negotiations were carried on for direct contracts with the remaining large importers of Indian opium, which included Japan, Portugal, and France. India exported no opium to any country which prohibited import; nor did she export any opium in excess of the quantities which the Government of the consuming country desired to admit; and in practice she voluntarily placed a limit on the total exports from India irrespective of what the particular demands might be.

[1] For a long time, there were two agencies for the manufacture of 'Bengal opium'. In the course of the decade 1891-92 to 1901-2, there was some discussion upon the method of dealing with poppy cultivation in the Behar agency. It had been usual there to employ the agency of middlemen, but as it had been found that this gave an opening to fraud against the raiyats, the question was raised whether it was possible to assimilate the practice to that of the Benares agency, where the Government dealt with the cultivator direct. Ultimately, it was considered best to adopt an intermediate system. In 1910, the two agencies were amalgamated, the single agent being stationed at Ghazipur, and the control was transferred to the United Provinces Government. In 1911, the head factory at Patna was abolished. The opium department in Bombay was abolished from the 1st January, 1914.

The opium question received attention from the League of Nations immediately after its establishment. At its first session, the Assembly recommended to the Council the appointment of an advisory committee to make suggestions regarding the more effective execution of the Hague Convention. At the second session, the committee proposed the appointment of a Board of Enquiry which would investigate and report on the quantity of opium required for strictly medicinal purposes, and thus would enable the League ultimately to restrict the cultivation of opium to this amount. But the delegates of the Government of India protested, on the ground that the recommendation took no account of the fact that, in several countries, the use of centuries sanctioned the employment of opium in certain circumstances. They further pointed out that India was the one important opium-producing country which had rigorously observed and even improved upon, the recommendations of the Hague Convention. The view of the Government of India was that the more effective observance of the terms of that Convention should be for the present the object of the League's efforts; but that if an enquiry was to be instituted, its scope should be extended so as to include all legitimate uses of the drug. This view made a great impression upon the audience and finally prevailed.[1] In

[1] *Moral and Material Progress Report, 1921-22.*

1923, the 'import certificate system' was adopted in India as prescribed by the League of Nations. The effect of this was that opium could be exported to any country only on the production of a certificate from the Government of that country that the drug was required for legitimate purposes.[1]

A very substantial decline took place in exports between 1913 and 1923, the total number of chests exported from India fell from 15,760 to 8,544. The exports to China fell from 4,612 chests to zero, those to Singapore from 2,367 chests to 2,100; to Hongkong from 1,120 to 240; to Penang, from 200 to nil; to Colombo, from 150 to 30; to Batavia, from 3,535 to 900.[2] Only in the case of two destinations was there a noteworthy rise. The chests exported to Bangkok rose from 1,350 in 1913 to 1,600 in 1923; and those to Saigon rose from 450 in 1913 to 2,975 in 1923.[3]

[1] In addition to the fixed sales under agreements with Governments, 3,000 chests were offered for sale every year by auction at Calcutta. But the international discussions regarding opium introduced much uncertainty into the trade; and between October 1924 and February 1925, very few chests were sold.

[2] *Moral and Material Progress Report, 1924-25.*

[3] The Finance Member observed in 1924:—"In regard to the exports they are carrying out their agreement under the Convention to the full. They have in one or two cases gone beyond it. In the case of Macao where they were convinced that the amount imported under license was more than the colony could possibly require for internal consumption, they did go beyond the Convention and seriously restricted the amount for export. The Government will be perfectly happy to see these exports further reduced. They do not wish to secure revenue out of the degradation of the other countries, but they do not see that they are going to help forward any useful work if they themselves suddenly or even over a period of years, without co-operation from elsewhere, deprive India of her revenue and the cultivators of their employment by refusing to send exports of opium to countries whose Governments

During the last decade, the international anti-opium movement, which has for its object the reduction of the consumption of opium and its derivatives to such quantities as are in accordance with medical and scientific needs, has gathered considerable strength. The discussions of the League of Nations Opium Committee and of the Assembly in 1923 centred in the two following propositions: (1) If the purpose of the Hague Opium Convention was to be achieved according to its spirit and true intent, it must be recognised that the use of opium products for other than medicinal and scientific purposes was an abuse and not legitimate; (2) In order to prevent the abuse of these drugs, it was necessary to exercise the control of the production of raw opium in such a manner that there would be no surplus available for non-medical and non-scientific purposes.[1] The representatives from India associ-

continue to license their import, in pursuance of the policy which those Governments have themselves agreed to carry out, of gradual reduction; since the only result so far as the Government of India can see of such an action on their part would be to mulct the Indian taxpayer in a considerable sum of money and have no effect whatsoever on the amount of opium imported to and consumed in these places.

[1] *Moral and Material Progress Report, 1921-22.*

Lord Reading observed as follows on the 9th February, 1923:

"We have very carefully examined the new obligations undertaken by us under Article 1 of the Protocol to the Convention of the Second Opium Conference at Geneva, to take such measures as may be required to prevent completely within five years from the present date the smuggling of opium from constituting a serious obstacle to the effective suppression of the use of prepared opium. As a result we have come to the conclusion that in order at once to fulfil our international obligations in the largest measure and to obviate the complications that may arise from the delicate and invidious task of attempting to sit in judgment on the internal policy of other Governments, it is desirable that

ated themselves with these resolutions, subject to the reservation that the use of raw opium according to the established practice in India, and its production for such use, were not illegitimate under the Convention.

In June, 1926, it was announced that the extinction of exports of opium for other than medical and scientific purposes would be accomplished in ten years, so that no opium would be exported, except for those legitimate purposes, after the 31st of December, 1935.[1] With effect from the 19th March 1925, the transhipment at any port in British India of any of the drugs included in the Hague Convention was prohibited unless covered by an export authorisation, or diversion certificate issued by the exporting country, and this order was revised in the light of the Geneva Convention on the 12th February, 1927.

Between the years 1916-17 and 1927-28, the area under poppy cultivation was reduced by more than 76 per cent. In the former year, the area under poppy stood at 204,186 acres, while by the end of March, 1928, it had fallen to 48,083 acres. The Government of India also entered

we should declare publicly our intention to reduce progressively the exports of opium from India so as to extinguish them altogether within a definite period, except as regards exports of opium for strictly medical purposes."

[1] It was arranged that exports in 1927 would be 90 per cent. of the exports of the year 1926; in 1928, 80 per cent.; and so on.

into negotiations with those Indian States in which opium was produced, as a result of which the total quantity of crude opium purchased from the Indian States was considerably reduced. Since January, 1926, the Government of India has prohibited the cultivation of poppy in Ajmere-Marwara, and within British India it is now confined to a limited area in the United Provinces. In March, 1926, a Conference was held to consider what arrangements should be made by the Indian Government to check opium smuggling from Rajputana and Central India into British India. In May, 1927, a Conference was held in Simla between the representatives of the Government of India and of the various Indian States interested in the cultivation and consumption of opium, and the relations of these States to the Government of India's opium policy, both external and internal, was discussed. The Government of India appointed a committee in November, 1927 to investigate the question. This committee submitted its report in 1928, which is now under the consideration of the Government.

Opium contributes to the revenue of India under two heads. The net revenue credited in the public accounts under the head 'opium' is that derived from the export of opium to other countries. There is also a very considerable, though hitherto much smaller, revenue derived from opium consumed in

India, which is credited under the head 'excise'.[1] We shall now briefly notice this part of the subject.

The receipts from excise opium increased year by year from the early days of the Company till in 1881-82 it stood at Rs. 79,94,520. The next decade showed a further increase, and in 1891-92 the income derived by the Government from this source was Rs. 97,65,130. The increase was attributed by the Government to the greater efficiency of the preventive arrangements, by which the consumption of licit opium was largely substituted for that of the article smuggled into the province across the frontier. The whole question of the increase in the consumption of the drug in India was exhaustively treated in a despatch of the Government of India in 1891. The main points on which stress was laid in this document may be thus summarised: The number of licensed opium shops diminished during the previous ten years in just the same proportion as that by which the population had increased. The proportion of such shops to the population was, in 1889-90, about one to 22,000 people, and the shops for the smoking of the drug and preparations from it, one to 197,000. The

[1] Opium is consumed in all provinces in India. It is largely used for medicinal purposes, and is a common household drug of the people. It is commonly taken in the form of pills; but in some places, chiefly on social and ceremonial occasions, is drunk dissolved in water. Opium smoking is not extensively practised in India proper, where it is considered disreputable; the practice of opium eating, as it exists in India, has little or no connexion with what is generally known as the "opium habit."

consumption of opium had risen from 889,666 lbs. in 1880 to 910,224 lbs. in 1890. The local authorities in two provinces had ceased to issue licenses for opium to be consumed on the premises, and steps were in contemplation to restrict or abolish such licenses elsewhere. The consumption of this drug in the Madras Presidency, which had been uncontrolled in the past, had, since 1880, been brought under the same restriction as in the rest of India. The duty on excise opium, again, had been raised in several provinces to an extent sufficient to restrict, in some degree, the amount consumed, or, at all events, to check the spread of the habit of indulging in the use of the drug. The Government of India also had it in contemplation to restrict, if possible, the consumption of opium amongst the Burman population of the Lower Division of the province, as had been done in the Upper. The possibility, however, of enforcing upon a portion of the population a prohibition that did not extend to the rest, especially in a tract containing so large an admixture of foreigners, and one so adapted to successful smuggling as Lower Burma, was, it was thought, extremely doubtful. With regard to the prohibition of the sale of the drug throughout India generally, as had been suggested, the Government of the country considered it neither feasible so long as the poppy was cultivated either in British or protected territory, nor advisable owing to the

deep root the habit had taken among the people of the north of India and other classes. Finally, it appeared from the returns that the annual consumption of licensed opium was equivalent to a dose of 45 grains a day for about 400,000 people, in other words, to two in every thousand of the aggregate population.[1]

The methods of distribution of opium for home consumption vary slightly, but in all provinces retail sales are permitted only in licensed shops, and the limit of private possession of the drug is fixed. Consumption of opium on shop premises is forbidden throughout India. The number of shops licensed for the retail sale of opium in 1901-2 was: Assam, 775; Bengal, 1,651; Berar, 433; Bombay, 1,128; Central Provinces, 899; Madras, 1,190; United Provinces, 1,142; Punjab, 1,456; Burma, 56. This was considerably smaller than the corresponding number in 1891-92 in Assam, Bengal, the Punjab, and Bombay; it was about the same in the Central Provinces and in the United Provinces; in Madras it was rather larger.[2]

The incidence of taxation on the licit opium consumed was at this time much greater in Burma than elsewhere, amounting in 1901-2 to Rs. 77 per seer, chiefly from the sale of licenses. In Assam,

[1] *Moral and Material Progress (Decennial) Report, 1891-92.*
[2] *Moral and Material Progress (Decennial) Report, 1901-2.*

the direct taxation was rather heavier than in Burma, but the receipts from vend fees were much smaller, and the result was a total incidence of Rs. 34½ per seer. Bengal stood next, with Rs. 28 per seer, Berar following with Rs. 26⅗, and the Central Provinces and Madras with Rs. 23 and Rs. 20 respectively. The consumption per head of the population was more than twice as large in Assam as it was in any other province, and this fact, combined with the high rate of duty, accounted for the very high proportion of opium receipts per 10,000 of the population, amounting in one district, namely, Lakhimpur, to Rs. 13,761. This was exceeded, in the whole of India by the corresponding figure, Rs. 36,963, for Rangoon town.[1]

The Opium Commission, as has already been noticed, recommended that measures should be taken to restrict the practice of opium smoking. This was not, except in Burma, a common practice in India. In India proper, opium smoking on licensed premises was forbidden in 1891, and the sale of preparations for smoking known as *madak* and *chandu* had been prohibited. Special measures were taken during the decade to discourage the use of opium in Burma. The view was accepted, in 1893, after much discussion, that the consumption of opium was specially harmful to the Burmese race; and from January, 1894 it was made penal for

[1] *Moral and Material Progress (Decennial) Report, 1901-2.*

the Burmans who had not registered themselves as habitual consumers to possess or consume opium. Further, the taxation of opium in that province was about twice as heavy as in those provinces of India where the taxation was the highest. These restrictions resulted in a large increase in smuggling and illicit consumption in Burma, and it was decided in 1900 to revise the arrangements.[1]

In most of the provinces the issue price was raised during the following decade, and the legal limit of the amount of opium which might be held by private persons was reduced. In regard to opium smoking, the then existing law imposed severe restrictions. The sale of smoking preparations was absolutely prohibited throughout India proper, while private manufacture was only allowed to the smoker himself or on his behalf and, generally speaking, to the extent of one tola (180 grains) at a time. These restrictions, however, were found inadequate, and the Government announced its intention of taking further steps in the direction of direct unqualified prohibition.[2]

[1] Dealing in opium was regulated by rules framed under the Indian Opium Act of 1878. The details varied in different provinces. The excise revenue derived from opium was mainly composed of duty and vend fees, the rate of duty varying with the conditions of the locality and being highest where smuggling was most difficult. Generally speaking, the drug was issued to licensed vendors and druggists at a fixed price from Government treasuries and depots, and the right of retail vend was sold by annual auction, for one or several sanctioned shops. Bengal opium was supplied for internal consumption in most provinces, but Malwa opium was supplied in Madras up to 1908, and in Bombay up to the end of the period (1911-12).

[2] *Moral and Material Progress (Decennial) Report, 1911-12.*

The use of opium in India was enquired into in 1923 by a non-official agency, namely, the National Christian Council of India, Burma and Ceylon. The main facts revealed by this enquiry were as follows: In many parts of India, the custom of giving opium pills to small children prevailed. The reasons were various. But the commonest was the mother's desire to prevent the child from crying, particularly in the case of mothers who worked as operatives in factories. Opium was also given to children to appease hunger or to allay diarrhoea, vomiting, etc. The drug was often taken by grown-up people to ward off the approach of fatigue. It was also taken mostly by elderly men in the belief that it was a cure for various diseases and ailments, such as asthma, bronchitis, diarrhoea, dysentery, diabetes, and rheumatism. Lastly, addiction to opium

The case of Burma with regard to opium regulation stood by itself. The consumption of opium, which there usually took the form of smoking, was not commonly practised by the Burmans, they appeared to be specially susceptible to injury from it, and viewed it in general with disfavour. Consumption was permitted only to non-Burmans, and to a limited number of Burmans, specially registered as opium consumers in Lower Burma. In Upper Burma, its sale to or possession by Burmans, was absolutely prohibited except for medical purposes, since the annexation of the country in 1886. The prohibition was extended to Lower Burma in 1893, but exception was made in favour of Burmans over the age of 25 who had acquired the smoking habit, and were allowed to register themselves as consumers. The arrangements for the sale of opium were in Burma under the closest official supervision, each shop, though let to a private licensee, being placed in charge of a separate resident excise officer. The Burma opium rules were recast and made more stringent in 1910, while amendments of the law, made in the preceding year, gave increased power in the matter of dealing with persons suspected of unlawfully trafficing in opium and as regards arresting and searching for the drug. The retail price to consumers, moreover, is fixed at a uniformly high figure, except at a few shops in places where it would be easy to obtain smuggled opium at a lower rate.

eating was nothing more or less than addiction to a pleasurable and harmful drug. In regard to the effects, there was general agreement among the medical men that the use of opium was very injurious, particularly to children. The most normal effect was a general stupor of the child at the very outset of life. The nerves and brain were also affected. Doped children succumbed far more easily to diseases than other children. The infantile death-rate—so tragically high in India—was thus enhanced by the opium habit. In the case of adults and elderly people, the evil effects varied with the degree to which the subject came under the influence of opium. In extreme cases, physical deterioration and intellectual and moral degradation were to be found.[1]

Enlightened public opinion in India is dissatisfied with the opium policy of the Government. But there seems to be less unanimity on the desirability and practicability of measures which have been suggested from time to time to cope with the evil. The question should be thoroughly investigated from all points of view. Indian publicists may not endorse all the suggestions put forward by persons

[1] *Opium in India*,—Published by the National Christian Council of India, Burma and Ceylon. Of the ailments, physical and mental, caused by the use of opium, the following were mentioned by some of the persons consulted by this body: Dyspepsia, constipation, anæmia, loss of appetite, disease of the heart, lungs and kidneys, nervous debility, loss of memory, drowsiness and lethargy, loss of will-power and general moral unreliability.

and organisations who have interested themselves in the question; but there can be no difference of opinion in regard to the following view urged by the National Christian Council in the concluding portion of their appeal. They say: "While much depends upon Government action (and where growing is a Government monopoly, nothing can be done without Government), we feel that no great advance can be made without the education of public opinion. If Provincial Legislatures are to consider the diminution of their opium excise returns, they will need to be supported by public opinion. But, most of all, there is need for the kind of simple education in the elements of public health, not least through the schools which is being undertaken by some public-spirited men and women, and which is the soundest foundation for the health and well-being of the people."[1]

During the decade 1910-11 to 1919-20, there was a decrease in the consumption of opium in all the provinces except the North-Western Frontier Province and Ajmere-Marwara, in which there were slight increases. At the same time, the revenue derived from opium in the various provinces of India, owing to the enhanced price at which the drug was sold, rose considerably. On the introduction of the Montagu-Chelmsford Reforms, excise opium came under the control of Ministers in all the provinces

[1] *Opium in India.*

except Assam. The Indian public was not satisfied with the measures taken by the Government to check the evil. In 1925, the Government was attacked in the Indian Legislative Assembly for the conservative policy which it was adopting in respect of limiting the consumption of opium. The Finance Member explained the view of the Government of India and proved by figures that consumption during the period 1910-11 to 1922-23 had decreased by about 50 per cent. He announced his readiness to appoint a Committee on Opium Consumption to review the conclusions of the Commission of 1893, provided that Provincial Governments agreed that there was a *prima facie* case for such an enquiry. Nevertheless, a censure motion for a nominal cut was carried. In deference to the opinion expressed in some quarters, the Government of India asked the Provincial Governments to consider three aspects of the opium question: the high consumption in certain areas, the practice of administering opium to infants, and the desirability of closer co-ordination of policy between the different Provincial Governments in regard to fixing the sale price of opium.

The revenue derived from opium was at one time one of the most important sources of State income in India. On its variable and somewhat uncertain amount depended not only the character of a budget,—namely, whether it was to be a deficit or a

surplus one,—but also the decision of the Government in regard to its programme of expenditure. For a century, opium influenced the financial activities of the Government in India, and for full fifty years it disturbed the sleep of almost every one of her Finance Members. But to-day opium has lost its dominant position, and the day is not far distant when the few crores now realised from this source will almost entirely disappear.[1]

[1] *Moral and Material Progress, 1924-25.*

The Government point of view is thus set forth in *India in 1924-25*.

"The reduced figures of consumption in recent years suggest that there must now be very little abuse indeed in connexion with opium. Enhanced prices and restricted supply, together with a welcome, though slow, trend of public opinion, are resulting in a decreasing use of opium for ceremonial hospitality or for personal indulgence, and are thus tending to restrict the consumption of the drug to purposes either medicinal or quasi-medicinal. The figures for each province will show to what extent the policy of Government has been justified. Between 1910-11 and 1923-24, the consumption has fallen in Madras from 1,178 maunds to 876 maunds; in Bombay, from 1,436 maunds to 819 maunds; in Bengal, from 1,626 maunds to 998 maunds; in Burma, from 1,306 maunds to 772 maunds; in Behar and Orissa, from 882 maunds to 654 maunds; in the United Provinces, from 1,545 maunds to 603 maunds; in the Punjab, from 1,584 maunds to 834 maunds; in the Central Provinces, from 1,307 maunds to 761 maunds; in Assam, from 1,511 maunds to 911 maunds. Only in the North-Western Frontier Province and in Ajmere-Marwara, there is a slight increase from 69 to 72 maunds and from 69 to 71 maunds respectively. In 1910-11, the consumption for the whole of India was 12,530 maunds; in 1923-24, it was 7,406 maunds.

CHAPTER VII

LAND REVENUE

A GREAT deal of controversy raged soon after the commencement of British rule in India as to the true nature of the land revenue. Some regarded it as partaking of the character of rent, while others felt disposed to call it a tax. The protagonists of the former theory held the view that the State in India had always been considered the sole proprietor of the soil. They sought to base their arguments on some texts of the ancient Sanskrit works. But a careful reading of these very texts seems to lead to a very different conclusion. The king is described by Manu as '*bhumeradhipati.*' The real meaning of this term, is 'supreme ruler of the country' and not 'lord paramount of the soil' as it was rendered by Sir William Jones. The position is made clearer in another passage of Manu in which the great sage fixes the king's share in the produce of the soil.[1] Nor does Kautilya, a great champion of royal authority, say anywhere in

[1] Dhanyanam ashtamo bhagah shashtho dvadasa eva ba.—*Manu*, ch. vii., sl. 130.

his *Arthasastra* that the King is the owner of the soil.[1]

The question was discussed later by historians and economists. James Mill favoured the rent theory, while H. H. Wilson advocated the opposite view.[2] John Stuart Mill expressed the view that land throughout India was "generally private property, subject to the payment of revenue, the mode and system of assessment differing materially in various parts." In the course of correspondence with Madras in 1856, the Court of Directors emphatically repudiated the doctrine of State proprietorship, and affirmed the principle that the assessment was revenue and not rent. Sir Charles Wood reaffirmed the principle in 1864.

[1] Yajnavalkya is quoted in Jagannath's Digest to show that the king had no particular property even in unclaimed or uncultivated land. Jaimini, the author of the Mimansa, also denies the king's ownership. "The kingly power," he says, "is for the government of the realm and the extirpation of wrong, and for that purpose he receives taxes from husbandmen and levies fines from offenders; but the right of property is not thereby vested in him, else he would have property in house and land appertaining to the subjects abiding in his dominions. The earth is not the king's, but is common to all beings enjoying the fruit of their own labour."—*Colebrooke on the Mimansa Philosophy.* Vide *Report of the Taxation Enquiry Committee, Vol. II.*

[2] "Notwithstanding the positiveness," wrote H. H. Wilson, "with which it has been affirmed that the proprietary right of the sovereign is indissolubly connected with the ancient laws and institutions of the Hindus, the accuracy of the assertion may reasonably be disputed. In adducing the authority of the Hindu writers in favour of the doctrine, two sources of fallacy are discernible. No discrimination has been exercised in distinguishing ancient from modern authorities; and isolated passages have been quoted, without regard to others by which they have been qualified or explained. If due attention had been paid to these considerations, it would have been found that the supposed proprietary right of the sovereign is not warranted by ancient writers; and that, while those of a later date seem to incline to its admission, they do not acknowledge an exclusive right, but one concurrent with the right of the occupant; they acknowledge *a property in the soil*, not *the property of the soil*." Mill, *History of India, Vol. I.*

A very interesting discussion took place in 1875 when this question was considered officially by the Council of India in connexion with a paper on the subject written by Sir Louis Mallet. Sir Louis said that an indifference to accurate thought and expression had been and was a source of the greatest difficulty. He expressed the view that the amount of land revenue demanded by the Government was not only large, but also uncertain. Sir George Campbell thought that much good could not come out of "the stirring of the vexed question." Sir Henry Montgomery considered it unlikely to lead to any practical advantage. Sir Erskine Perry regarded the discussion of the matter as a "*speculation oisive.*" Sir Henry Maine, however, took a different view of the matter. He wrote: "If it is absolutely necessary to answer the question whether the land revenue taken from time immemorial by Eastern Governments is or is not rent, I imagine that the answer must be in the negative. It seems to me incredible that any Government, since the beginning of history, should have taken the exact economic rent of the territory occupied by its subjects. In order to obtain this, a Government must have put up the soil in parcels to competition, without recognising any hereditary right in any one person which entitled him to be preferred to another person who bid higher for the occupation. No evidence of any such system

exists... The rival theory that the land revenue is a tax, is so far more correct that we in Western Europe have agreed to apply the word 'tax' to every exaction of the State from persons recognised as owners, and the English Government has never pushed taxation so far as to obliterate ownership." On the practical aspect of the question, Sir Henry observed: "It is much to be wished that questions whether land revenue is rent or tax, and inferences from one view to the other, would give way to unbiassed enquiries whether the heavy or permanent assessments, which generally go with the theory of rent, or the light assessments, which are usually associated with the tax theory, do most to improve the moral and material condition of the great mass of the population."[1]

Sir Bartle Frere thought that the discussion was a very useful and practically important one. He pointed out that a good deal of difficulty arose from the want of accurate knowledge of the sources from which land revenue was derived. "We talk of the 'land tax',[2] 'land assessment', etc.", Sir Bartle observed, "without recollecting that the land revenue of India, or of almost any district in India, generally includes specimens of almost every

[1] *Minute dated the 13th March, 1875*, quoted in the report of the Taxation Enquiry Committee, Vol. II. Extracts are also given in the volume from the opinions of other eminent authorities, to which reference is made here.

[2] *Minute dated the 10th April, 1875.*

conceivable form of income, public or private, which can be derived from land."[1]

Sir Louis Mallet, in replying to the criticisms, emphasised the practical character of the question. "Without disturbing past settlements", he wrote, "which we cannot afford to do, and cannot now do without fiscal sacrifices, I shall rejoice to see a limit placed on future assessments, with a view to which the renunciation of the theory of State landlordism would be the most effectual step. In speculating on its future resource, I should like to see the Government steadily putting rent out of view, as only liable to taxation in common with other forms of property".[2] He added: "I regard this question of rent or revenue on financial grounds alone, as one of immediate practical importance. I have never concealed my opinion as to the extreme gravity of our financial position, and I believe nothing but the fact that the present system is almost secure from all independent and intelligent criticism has enabled it so long to survive."

Lord Salisbury, then Secretary of State, did not feel disposed to regard the question merely as "one of words". He said: "To us it may seem indifferent whether we call a payment revenue or rent; but it is not indifferent by what name we call it in his (the modern Indian statesman's) hearing. If we

[1] *Minute dated the 10th April, 1875.*

[2] *Minute dated the 12th April, 1875.*

say that it is rent, he will hold the Government in strictness entitled to all that remains after wages and profits have been paid, and he will do what he can to hasten the advent of the day when the State shall no longer be kept by any weak compromises from the enjoyment of its undoubted rights. If we persuade him that it is revenue, he will note the vast disproportion of its incidence compared to that of other taxes, and his efforts will tend to remedy the inequality, and to lay upon other classes and interests a more equitable share of the fiscal burden... I agree, therefore, with Sir Louis Mallet in desiring that our present non-descript land dues should tend to the form of revenue rather than that of rent."[1]

But if the State is not the sole owner of the soil,[2] the question arises, Who is the owner? The claim of the zemindars to proprietorship was supported by Sir Philip Francis, Sir John Shore, and Lord Cornwallis. But other authorities, equally eminent, contested this view. Sir Thomas Munro expressed the opinion that, if the name of landlord belonged to any person in India, it was the raiyat.[3]

[1] *Minute dated the 26th April, 1875.*

[2] H. H. Wilson expressed the view that the notion of the proprietary right of the sovereign was rather of Mahommedan than Hindu origin. But Colonel Galloway observed in 1824 that, under Mahomedan law and usage, the Emperor was the proprietor of the *revenue* but not the proprietor of the *soil.*

[3] Sir Thomas Munro's *Minute on the Depressed condition of the Bellary District, 1824.*

Mountstuart Elphinstone wrote in 1819: "A large portion of the

The truth seems to be that in India there is no absolute proprietor of the soil, but that several parties, such as the State, the intermediate holders of land, and the actual cultivators possess limited rights in it.[1]

During the early Hindu period of Indian history a share of the produce of the soil was set apart for the support of the King. This share was ordinarily one-sixth,[2] but was liable to be reduced to one-eighth or one-twelfth in the case of poorer soils which required much labour to cultivate them. In special circumstances, the King's share was also liable to be increased to one-fourth. When Mahommadan rulers established themselves over a large part of the country, some of them demanded higher

(Mirasi) raiyats are the proprietors of their estates, subject to the payment of a fixed land tax to the Government." He further expressed the view: "Many of the disputes about the property in the soil have been occasioned by applying to all parts of the country, facts which are only true of particular tracts; and by including, in conclusions drawn from one sort of tenure, other tenures totally dissimilar in their nature".

[1] Jagannatha Tarka-Panchanana, the compiler of Colebrooke's Digest, says, "There is property of a hundred various kinds in land".

Sir George Campbell wrote in 1870: "The long disputed question whether private property in land existed in India before the British rule, is one which can never be satisfactorily settled, because it is, like many disputed matters, principally a question of the meaning to be applied to words. Those who deny the existence of property mean property in one sense; those who affirm its existence mean property in another sense. . . In the sense, then, of the right of holding the land subject to the payment of customary rents, I think that private property in land has existed in many parts of India from time immemorial." *Systems of Land Tenures in Various Countries.* (*The Tenure of Land in India*). Though this statement looks like an evasion of the issue, the view contains a substantial amount of sound commonsense.

[2] Hence the popular designation of the King 'Sharbagha-bhirit' Kautilya, however, fixes the share of the King at one-fourth—'*dhanayanam chaturtham amsam.*' *Arthasastra*, Bk.V., ch. II.

proportions, the exact shares being determined by practical, rather than theoretical considerations. In the reign of Akbar, a settlement of all the territories under the sway of the Great Moghul was made by his able Finance Minister, Turya Mal. The State share was at this time fixed at one-third of the produce, and the rule of money payment was introduced into many parts of the country. This assessment remained in force as the standard till the commencement of the Company's administration, but additional amounts were often demanded by provincial satraps in the shape of *abwabs*.

The produce of the soil was originally divided between the ruling authority and the cultivators. But in the course of time middlemen of various grades established themselves between the State and the actual occupiers of the land. When the East India Company acquired administrative authority in India, the old systems were continued for a time. Before long, however, the divergences which had existed for a long time past became more pronounced. But before we discuss in some detail the history of these differences, a few general observations will perhaps be found desirable.

The first question which demands our attention is the person who pays the revenue. The land revenue is always, on the last analysis, paid by the actual cultivators, and the State alone is entitled to demand its payment. But during the period

of disruption of the Moghul Empire, every power which became predominant for the time being over any area, extorted whatever it could from the tillers of the soil. In order that this object might be better achieved, the system of farming was extensively employed in many parts of the country. The right of collecting land revenues of definite tracts was sold to contractors for short terms. These farmers, in their turn, often used to sub-let portions of their farms to under-farmers, and the process went on till quite a number of middlemen intervened between the ruling authority and the cultivators. This practice, it is needless to say, led to a great deal of extortion and oppression.

It was not until some years after the acquisition of territories by the East India Company that the direct collection of revenue was assumed by its officers. In Bengal and the north-eastern districts of Madras, which were the first to come into the possession of the Company, a class of superior holders was found, who collected the revenue and made it over to the ruling power. It was considered expedient to enter into a settlement with this class. The system is known as the *zemindari* system. This method of revenue collection was afterwards extended to the Benares division of the North-Western Provinces and Oudh. A variant of the system was at a later period established in the Central Provinces. In the greater

part of Southern and Western India, no class with any permanent or hereditary right was found to intervene between the peasant and the State. Here, after ineffectual attempts had been made to introduce the system of village settlements, engagements were entered into with individual raiyats. Hence it was called the *raiyatwari* system. This system was established in much the greater part of the area forming the Madras and Bombay Presidencies, and later in Berar, and with some modifications, in Assam and Burma. In the rest of the country, where the joint village system prevailed, the settlement was made with the community as a body.[1]

The second point which deserves consideration is the period for which revenue settlements are made. In the early years of the Company's administration, settlements were made sometimes annually, and on other occasions for periods of three, four, or five years. These temporary settlements were a fruitful source of many abuses. Orders were, therefore, issued by Lord Cornwallis for a decennial settlement of Bengal and Behar, and these settlements were ultimately declared permanent. The Permanent Settlement was, shortly afterwards, extended to Benares. Settlements in perpetuity were also carried out in several districts of the Madras Presidency

[1] Vide W. G. Pedder's *Memorandum on Land Settlements* (*included in the Moral and Material Progress Report, 1882-83*).

between the years 1801 and 1807. It was at this time the intention of the Company's officers in India as well as of the authorities in England to introduce the system of perpetual settlements into all the territories of the Company. But, gradually, the views of the Court of Directors underwent a change, and in the second decade of the nineteenth century the question was decided in favour of a system of periodical settlements. Some of the experienced officers of the Government, however, continued from time to time to advocate permanent settlements.

The official pendulum, as has been aptly remarked, "swung backwards and forwards' with "periodical oscillations." The discussion was seriously resumed after the Sepoy Mutiny. In 1862, Sir Charles Wood sent a despatch to the Government of India expressing his intention to sanction permanent settlements in places where cultivation had sufficiently advanced to warrant such a measure and where there was no apprehension of an "undue sacrifice" of Government revenue. A long official correspondence was carried on for twenty years. Ultimately, however, the view prevailed that, as the progress of the country would require larger revenues for increased expenditure, it was but right and proper that a portion at least of the unearned increments derived from the land should belong to the State. Therefore, in

1882, it was decided finally to abandon the policy of perpetual settlements.

In 1900, Mr. R. C. Dutt, formerly a member of the Indian Civil Service who had won great distinction as an able officer of the Government, addressed to the Governor-General a series of letters concerning the land revenue system of the country.[1] He expressed the view that one of the causes of the dreadful famines which had occurred in recent years was the system of temporary settlements that had been adopted by the Government in most of the provinces. He observed that, if the policy of permanent settlements had been carried into effect, India would have been "spared these dreadful and desolating famines." He also stated that, in consequence of the Permanent Settlement in Bengal, the cultivators in that province were more prosperous, more resourceful, and better able to help themselves in years of bad harvest, than cultivators in any other part of India, that agricultural enterprise had been fostered, cultivation extended, and private capital accumulated, which was devoted to useful industries, and to public works and institutions. The Government of India was unable either to accept his assertions or to endorse his views. It pointed out that it was not a fact that Bengal had been saved from famines

[1] These letters were subsequently published in book form under the title '*Open Letters to Lord Curzon.*'

by the Permanent Settlement: nor was there any ground for the contention that the position of the cultivators had, owing to the Permanent Settlement, been converted into one of exceptional comfort and prosperity. It was not in the Permanent Settlement, the Governor-General in Council observed, that the raiyat had found his salvation but in the laws which had been enacted by the Government "to check its license and to moderate its abuses."[1]

A question analogous to the one to which we have just referred is that of the effect upon the community of long-term as against short-term settlements. As has already been noticed, settlements originally made were for very short periods. Short-term settlements were also the rule in the first quarter of the nineteenth century. Gradually, however, the evils of the system impressed the minds of the Government in India and of the authorities in England. Under the orders of the Court of Directors, a thirty years' term was introduced in Bombay in 1837. This was then adopted in Madras and the North-Western Provinces. The same principle was followed in an extension of the Orissa Settlement in 1867, and in confirming most of the settlements made in the Central Provinces between 1860 and 1870. In the greater part of the Punjab, the shorter term of 20 years

[1] Vide *Resolution of the Governor-General in Council issued on the 16th January, 1902.*

was the recognised rule. The question was fully examined in 1895, when it was finally decided by the Secretary of State that thirty years should continue to be the ordinary term of settlement in Madras, Bombay, and the North-Western Provinces, but that in the Punjab and the Central Provinces, twenty years should be the general rule. In backward tracts, such as Burma and Assam, and in the exceptional circumstances prevailing in Sind shorter terms were permitted.

The reasons for this differentiation in the periods of settlements were thus stated by the Government of India in 1902: "Where the land is fully cultivated, rents fair, and agricultural production not liable to violent oscillations, it is sufficient if the demands of Government are readjusted once in 30 years, i. e., once in the life-time of each generation. Where the opposite conditions prevail and where there are much waste land, low rents, and a fluctuating cultivation, or again where there is a rapid development of resources owing to the construction of roads, railways and canals, to an increase of population, or to a rise in prices, the postponment of a re-settlement for so long a period is both injurious to the people, and unjust to the general taxpayer, who is temporarily deprived of the additional revenue to which he had a legitimate claim. Whether these considerations, justifying a shorter term of settlement

than 30 years, apply with sufficient force to the Punjab and the Central Provinces at the present time; and if they do apply at the present time, whether the force of their application will diminish with the passage of time, are weighty questions to which careful attention will be given by the Government of India upon a suitable occasion."[1]

It may be mentioned here that one of the objections to frequent revisions of settlements was that these processes were very dilatory and that they produced a disturbing effect on agricultural operations. They led to considerable harassment and to no small degree of extortion. The evils were of such a magnitude that these processes were often described even by Government officers as "unsettlement operations." It is true that the improvement of village records has in recent years obviated the necessity of detailed surveys, and the exclusion of subordinate officers from the main task of assessment or the preliminary investigations leading up to it has minimised harassment and extortion to which the agricultural community was in the earlier period subjected.[2] But the objections urged against periodical settlements are still valid to a considerable extent.

One of the advantages derived by the cultivators

[1] Resolution of the Governor-General in Council, dated the 16th January, 1902.

[2] Ibid.

from a long-term settlement is that it leaves more money to the people. But if the enhancement of revenue be large and sudden at its close, the increase is keenly resented. On the other hand, when the enhancement is gradual, it is not felt acutely even though the total increase may be very large as the result of a series of short-term settlements.

This brings us to the question of the amount of land revenue demanded by the Government. After the assumption by the Company of the direct administration of territories in Bengal and Madras, the lands were for several years leased to the highest bidders. The amount of revenue was believed to represent approximately eight-tenths or nine-tenths of what the zemindars or farmers actually received from the cultivators. This system led to many abuses. Attempts were then made to ascertain the real value of each estate, but without much success. In the North-Western Provinces, in Bombay, and in Madras, the principle adopted for the determination of the amount of land revenue in the earliest settlements was that of a percentage of the net produce. This principle proved an utter failure in the North-Western Provinces and was formally abandoned by Regulation IX of 1832. Mr. Pringle's abortive settlement of the Bombay Deccan in 1830 was also based on this principle, but it completely broke down. The method subse-

quently adopted in Bombay was an empirical one. For the purpose of the settlement of any tract, its revenue history for the preceding thirty or more years was ascertained, with particular reference to the amount and incidence of assessment, the ease or difficulty with which the revenue had been realised, the arrears and remissions, the rainfall and the nature of the season, the harvest prices, the extension or diminution of cultivation, the effect of improvements in the means of communication, the selling value of land, the prevailing rates of rent, etc. The total assessment was distributed pretty much in the same way among the different villages, and the total assessment of each village was then distributed over its assessable fields in accordance with the classification determining their relative values in point of soil, water supply, and situation.

The net produce principle was never applied in the settlement of territories which came under British rule after 1840, e. g., the Punjab, Oudh, or the Central Provinces. The only province in which it was maintained in theory for a considerable time was Madras. In practice, however, it was found impossible or dangerous to adhere to it strictly. As a matter of fact, the Madras method did not differ very widely from that of Bombay.[1]

When the Government of India considered

[1] W. G. Pedder's *Memorandum on Land Settlement.*

it desirable to abandon the attempt to ascertain the net produce of the land for settlement purposes, it decided to substitute as the basis of assessment of each estate its actual 'assets'. These represented the rent actually paid by the tenants, where the land was let out for cultivation. If, in a particular case, the rent was found to be obviously inadequate, a 'fair rent' founded chiefly on the prevailing rates of rent, was substituted for the purpose of calculating 'assets.' Where the land was cultivated by its proprietor, its fair rental value was assumed on a consideration of the prevailing rates of rent of similar lands let in the vicinity and of other circumstances. The former method of calculating the assets was that chiefly adopted in Oudh, the latter in the North-Western Provinces. These methods were applied with considerable modifications in the Punjab and Central Provinces settlements.[1]

Speaking generally, whatever the exact method employed, the principle of settlement throughout Upper India was to ascertain the rental value of each estate and to fix a proportion of that value as its assessment. In the settlements originally effected in the North-Western Provinces, which commenced in 1833-34, this proportion was two-thirds. At the time of revi-

[1] W. G. Pedder's *Memorandum on Land Settlement.*

sion, the Saharanpur Rules, issued in 1855, laid down that about one-half, and not two-thirds, as heretofore, of the well assertained net assets, should be the Government demand. These rules have since remained the accepted canon of assessment on landlords' estates in the North-Western Provinces. They continued to govern assessments in the adjacent districts of the Central Provinces until their constitution as a separate administration in 1862. For the settlement of the Nagpur district, however, assessment up to 60 per cent. of the gross rental had been permitted by separate orders issued in 1860, and this became the maximum standard for the whole of the Central Provinces. The 'half assets' rule, though not formally accepted in the new province, continued to be the guiding principle in the areas in which it had previously prevailed.[1]

In 1883, important correspondence took place between the Secretary of State and the Government of India with regard to land settlements. In 1884, Sir Auckland Colvin gave an outline of the new arrangement the effect of which would be to limit, within narrower bounds than had hitherto been the case, the increased assets accruing to the Government at re-settlements, and, on the other hand, very considerably to decrease the expenses attendant on

[1] *Resolution of the Governor-General in Council, dated the 16th January, 1902.*

survey and settlement.' He said: "The substance of the arrangement decided on is, briefly, that when (as in a very large number of districts is already the case) the land revenue of a district has been equitably assessed on the basis of a careful survey, finality, in some sort, should be given to the asessment. The manner in which this may best be effected in each province, without undue sacrifice of public interests, is still under consideration, but the principles which at present have been accepted by the Indian and Home Governments may be summarily mentioned. They are: first, that all improvements made by landlords or tenants shall be exempted from assessment; secondly, that no re-classification or revaluation of the soil shall be allowed in any case in which the soil has once been properly classed and valued; thirdly, that the existing assessment shall be taken as the basis of revision, and shall be liable to alteration only on two or three carefully defined grounds. These grounds the Government of India is disposed to restrict to increase of cultivation, increase of of produce due to improvements executed by the State, and rise of prices."[1]

In reply to Mr. R. C. Dutt's criticism that the half assets rule had not in all cases been enforced, the Government of India, after explaining the real import of the Saharanpur Rules, said that it was

[1] *Speech in the Governor-General's Council, 1883.*

an erroneous assumption that what was known as the 'half assets rule' "anywhere bound the Government to take as its land revenue from a district as a whole not more than 50 per cent. of the actual rental of the landlords". They observed further that not only were there no compulsory orders in the matter, but the construction placed on the word 'assets' at the time, and for many years later permitted the settlement officer to look beyond the actual cash rental, and to take into consideration prospective increases of income, to assume a fair rent for land held by tenants enjoying privileges as against the landlord, and to consider the profits of *sir* or home-farm cultivation (where the land was held entirely by cultivating proprietors) as well as the rental value of home farm lands. Hence it arose that the assessments, though amounting only to about 50 per cent. of the nominal assets, "absorbed as a rule a considerably higher proportion of the realised rental".

The Government of India pointed out, however, that there had been, in recent years, a steady movement in the downward direction. In the North-Western and other *zemindari* provinces, the prospective assets had been excluded from consideration, and allowances had been made for improvements effected by the landlord, for precariousness of cultivation, and for local circumstances; the share taken as land revenue was

being brought down to an average of less than 50 per cent. In Oudh, the average had fallen below 47 per cent. In the Central Provinces, there had been a progressive reduction of assessment; and although the level of the North-Western Provinces had not yet been reached, land revenue demand of the districts which had been recently re-assessed had been fixed at less than 50 per cent. of the rental. In Orissa, the gradual reduction of the Government share had been from 83.3 per cent. of the assests in 1822 to 54 per cent. in 1900. The general average in the Punjab had been reduced to 45 per cent. of the net income.

One of the concrete suggestions made by Mr. Dutt in his Open Letters was that one-fifth of the gross produce should be fixed as the maximum Government demand in any area and that the average land revenue for a whole district should not exceed one-tenth of such produce. The Government of India deprecated the suggestion of laying down any hard-and-fast arithmetical standards which, in its opinion, would not only be impracticable, but would lead to the placing of burdens upon the shoulders of the people, from which, under a less rigid system, if sympathetically administered, they would be exempt.[1] The Government of India considered it to be an entirely erron-

[1] In justice to Mr. Dutt it should be observed that he never suggested the laying down of hard-and-fast rules. What he did suggest was the acceptance of certain definite maximum standards.

eous idea that it was either possible or equitable to fix the demand of the State at a definite share of the gross produce. It pointed out that, apart from the difficulty of ascertaining average produce under the existing practice, the Government was taking much less than it was invited to exact, and that the suggested standard would, if systematically applied, lead to an increase of assessment all round.[1]

In a Memorial addressed to the Governor-General in 1901 by certain former members of the Indian Civil Service, it was urged that in *raiyatwari* tracts assessment should not be enhanced except in cases where the land had increased in value, "(1) in consequence of improvements in irrigation works carried out at the expense of the Government; (2) on account of a rise in the value of produce, based on the average prices of thirty years next preceding such revision." The Government, however, refused to accept this suggestion on the ground that it would amount to a surrender to a number of individuals of an "increment which they had not themselves earned."[2]

In addition to land revenue, cesses are levied on land for the construction and repair of roads, the upkeep of schools and dispensaries and other similar duties of a local character. These cesses are

[1] *Resolution of the Governor-General in Council, dated the 16th January, 1902.*

[2] *Ibid.*

generally assessed on the assets or rental value. In the Memorial referred to above, it was urged that local taxation should be limited to objects directly connected with the land, and that the maximum rate of such taxation should not exceed 10 per cent. The Government of India recorded its emphatic dissent from the former proposal, while in regard to the second it pointed out that the proportion had nowhere gone beyond the limit suggested in the Memorial. In calculating the amount of these cesses, the Government did not take into account the sums payable by the agricultural community for the remuneration of the village officers, such as the headmen, the accountants, and the watchmen, the ground advanced for such omission being that the support of the village staff had been a charge on the community from time immemorial. If these latter charges were included, the Government of India observed, even then local taxation would not exceed the maximum suggested in the Memorial, except in three provinces, namely, Sind, Madras, and Coorg, where the incidence was $12\frac{1}{4}$, $10\frac{3}{4}$ and $13\frac{1}{2}$ per cent. respectively on the *raiyatwari* revenue. The burden on the agriculturists was, however, greatly enhanced by the various illegal cesses exacted by the landlords.[1]

The Government admitted, on this occasion, that three possible cases of hardship were involved in

[1] *Resolution, dated the 16th January, 1902.*

the land revenue system which might be due to (1) a large and sudden enhancement of revenue, (2) the exaction of a fixed demand in bad years as well as good, and (3) a local deterioration. In order to remedy these evils, or at least to minimise their effects, the Government of India expressed its willingness to lay down principles, where the necessity was established, to make a further advance in respect of (1) the progressive and graduated imposition of large enhancements, (2) greater elasticity in revenue collection, facilitating its adjustment to the variations of the seasons and the circumstances of the people, and (3) a more general resort to reduction of assessments in cases of local deterioration, where such reduction could not be claimed under the terms of settlement.

In concluding a review of the land revenue system as it existed in 1902, the Governor-General in Council disclaimed all pretensions to exactitude or freedom from blemish, and remarked that the system was not a science at all. He observed: "In no country can land valuation be so described; and India, in spite of records, estimates and tables, is no exception to the rule. A part of the weakness of the criticisms which have been directed against it, arises from the assumption that it can be regulated by fixed laws, or shaped by arithmetical standards. Assessments cannot be dictated by the theorist in his study; they elude dogmatic treatment, and can only

be safely worked out by the Settlement Officer in the village and on the fields".[1] While it may be conceded that there are practical difficulties in the way of treating the land revenue system as an exact science, it is impossible to subscribe to the view that it is incapable of being treated scientifically. The great drawback of the land revenue system of India has been that too much has been left to the discretion of the individual officers, with the result that while in some cases the burden has been comparatively light, in others it has been unbearable.

The principles laid down in 1902 marked a real advance on those which had been in vogue previously to that date. But, unfortunately, these principles were not carried out in the right spirit throughout the country. While there was a general tendency towards a reduction of the percentage of increase, the re-assessments were not conducted on proper lines in all the provinces. Besides, rules were framed by the executive officers ; and owing to the absence of sufficient definiteness in these rules, the excessive zeal shown by some officers in improving the revenues of the Government led to considerable hardships in many areas and in innumerable individual cases.

This brings us to the question of the authority under which the land revenue demand is determined. Various Acts of the provincial legislatures were

[1] *Resolution, dated the 16th January, 1902.*

passed at different dates laying down the procedure to be followed in connexion with the settlements. But, until recently, important questions like rates and periods of settlement were left to be determined by executive action. When the provisions of the Government of India Bill were placed before the Joint Select Committee of Parliament, several witnesses raised objections to the manner in which the land revenue system of India was regulated. The Committee advised that "the process of revising land revenue assessments ought to be brought under closer regulation by statute." "No branch of the administration," the Committee added, "is regulated with greater elaboration and care ; but the people who are most affected have no voice in the shaping of the system, and the rules are often obscure and imperfectly understood by those who pay the revenue. The Committee are of opinion that the time has come to embody in the law the main principles by which the land revenue is determined, the methods of valuation, the pitch of assessment, the periods of revision, the graduation of enhancements, and the other chief processes which touch the well-being of the revenue payers."[1] Since then, legislation has been enacted in some of the provinces and is in contemplation in several others. It is to be hoped that, before long, the entire land revenue system will be placed on a statutory basis.

[1] *Report, paragraph 11.*

The complaint is often made that the land revenue is collected with greater rigidity under British rule than it was under any of the previous governments. As the systems differ, a comparison is hardly possible. The collection is now made generally in two instalments at the end of the two principal harvest seasons. The procedure adopted for enforcing payment of the land revenue differs in the different provinces. In the permanently settled areas of Bengal, if the revenue demand is not met on or before the prescribed date, the estate is put up to sale. In the permanently settled districts of Madras, the personal property of the defaulter is first attached; and if the demand is not satisfied, a sale of the landed estate then takes place. In the rest of the country, the Government proceeds to a sale of landed property only as a last resort. In those parts of Northern India where the *mauzawari* system of settlement prevails, the processes of recovery at first resorted to are a writ of demand, arrest of the defaulter, the distress on movable property; when these processes fail, recourse is had to an attachment of the land. Ultimately, the landed estate of the defaulter is sold. No interest is charged for arrears in Northern India. In the *raiyatwari* tracts of Madras and Bombay, the law provides for the attachment and sale of the movable and immovable property, for the holding being taken under management, for

forfeiture of the occupancy, or for the arrest and imprisonment of the defaulter.[1]

The evils of an inelastic system of collection became manifest after the severe famine of 1876-78. The Famine Commission of 1880 discussed this question and made some important recommendations. The Government has since adopted the policy of suspending the collection of revenue on occasions when the people are unable to pay, owing to failure of crops resulting from drought or floods. Remissions are also made in times of severe and widespread famine.[2]

Apart from such remissions on special occasions, the practice of assignment of revenue, in favour of persons who have rendered service or of pious and learned men, has prevailed from pre-British days. These grants have been known by various names, such as *lakhiraj*, *jaigir*, *inam*, and *mafi*. In such cases, lands have been either held revenue-free or have paid revenue at favourable rates. Exemptions of this sort are regarded as cherished privileges, but it is the ruling authority alone which is entitled to exercise the power to grant them. In the early years of the Company's rule, however, exemptions were in many cases granted by unauthorised

[1] *Moral and Material Progress (Decennial) Report, 1901-02.*

[2] The Famine Commission considered the true principle of leniency to be "that nobody should be forced in such seasons as these to borrow in order to pay the land revenue, but that all who can pay it without borrowing should do so."—*Para 167.*

persons. No steps were taken to remedy this evil till 1788 and 1790. In these years, certain rules were laid down with the object of facilitating the recovery of public dues from lands in the Bengal Presidency held exempt under invalid grants, and preventing any similar alienations being thereafter made. These rules were embodied in two Regulations enacted in 1793.[1] By these Regulations, all grants for holding land exempt from the payment of revenue which might have been made previous to the 12th August, 1765, by whatever authority and whether in writing or not, were to be held valid, provided the grantee had actually and *bona fide* obtained possession of the land so granted previous to that date, and the land had not been subsequently rendered subject to the payment of revenue by the officers of the Government. But all grants made after that date by any authority other than that of the Government, and which had not been confirmed by the Government were declared invalid.

These Regulations were subsequently modified and extended. In the other provinces, investigations were made into the titles of persons holding revenue-free lands. But the delay which occurred in instituting these enquiries gave the possessors of invalid tenures a sort of prescriptive right, and

[1] *Bengal Regulation XIX (Non-Badshahi Grants) and Bengal Regulation XXXVII (Badshahi Grants) of 1793.*

when steps were actually taken, there was a good deal of bitterness and discontent.[1] Towards the end of the Company's administration, the question of alienations of land engaged the serious attention of the Government. A Commission was appointed to investigate the matter. Principles were laid down for the decision of disputes relating to the validity of alienations of lands, and rules were framed for the different classes of *inams*.

The settlement of waste lands is regulated on principles different from those of lands under ordinary cultivation. Towards the close of the Company's rule, many applications were made to the Directors of the East India Company by Europeans, individuals as well as companies, who were desirous of obtaining unoccupied land for the purpose of carrying on the cultivation of cotton, tea, coffee, and other exportable products. Such applications were renewed after the transfer of the administration to the Crown. The applicants were anxious to obtain grants of land "in fee simple," either gratuitously or in consideration of an immediate payment, under which the land should be for ever discharged from all demand on account of land revenue. The extent of land absolutely at the disposal of the Government of India was, of course, limited. In such parts of the country as Dehra-Dun,

[1] Campbell's *India* (a paper included in *Systems of Land Tenure in Many Countries*).

Assam, the Sunderbuns, Kumaun, Garhwal, and other areas similarly situated, rules had already been promulgated under which settlers could obtain allotments under very easy conditions, and for long terms of years. In 1858, Lord Stanley, the first Secretary of State for India, sent a despatch to the Governor-General in Council in which he expressed his desire that steps should be taken for the purpose of permitting grantees to commute the annual payments for fixed sums per acre.[1] After considering the views of the Provincial Governments, the Government of India adopted a Resolution[2] in 1861, in which it was observed that the Governor-General in Council looked for substantial benefits both to India and England which must follow the establishment of European settlers in districts where the climate was not injurious to their health, and whence they might direct such improvements as European capital, skill, and enterprise could effect in the agriculture, communications, and commerce of the country.[3] The Government also laid down the principal rules to be observed in giving effect to this purpose.

Under these rules, land might be granted in

[1] *Despatch dated the 31st December, 1858.*

[2] *Resolution dated the 17th October, 1861.*

[3] There were many officers of the Government who did not attach much importance to the question. Lord Elphinstone, Governor of Bombay, for instance, wrote: "The settlement of Europeans in this country in such numbers as to be worthy of being termed the colonization of India, has always appeared to me to be a chimera." *Minute dated the 23rd February, 1860.*

perpetuity, as a heritable and transferable property, subject to no enhancement of land revenue assessment and all prospective revenue would be redeemable, at the grantee's option. The price to be paid for unassessed land was not to exceed $2\frac{1}{2}$ rupees per acre for uncleared land, or 5 rupees per acre for land unencumbered with jungle, subject to a deduction of one-fourth of the area for unculturable land. When the question was referred to the India Office, the new Secretary of State, Sir Charles Wood, disapproved of the proposal to fix a uniform price for uncleared land throughout India, and directed that Provincial Governments should be instructed to fix minimum prices suited to the circumstances of the various descriptions of land in different parts of the country. These instructions were carried out, and detailed rules were framed or modified in accordance therewith in all the provinces permitting the grant of waste lands in perpetuity.

In the same despatch, Lord Stanley had asked the Government of India to consider another important question, namely, the expediency of allowing the proprietors of estates subject to the payment of revenue to redeem the land-tax by the immediate payment of a sum of equivalent value. He pointed out the likely advantages of the proposed change, the most important of which would be political. The Secretary of State hoped that the

fortunes of the zemindars, who would be allowed to extinguish their fixed annual liabilities by single payments, would thenceforth be more intimately connected with those of the British Government than previously. The Government of India invited the views of the Provincial Governments and the responsible officers on the question. The correspondence which ensued showed that there existed great divergences of opinion on the subject. The Government of Madras expressed the opinion that as the land tax was the main constituent of the public resources, it would deprecate a curtailment of the State income. It did not, however, object to the redemption of the revenue derived from land used for building purposes, as such land was limited in total extent and was a species of property in which security of tenure was peculiarly important. The Lieutenant-Governor of the North-Western Provinces thought that, if practicable, no more politic and beneficial measure could be carried out. But he was of opinion that the first proposal was not a practicable one, because such redemption could not be carried out except at a very large sacrifice on the part of the Government, secondly, the poverty of the people forbade any hope of its successful execution to any large extent, and thirdly, a partial carrying out of this redemption would not realise either the political, or the economic, or the commercial advantages which were

expected from it.[1] The opinion of the Lieutenant-Governor was that the proposed measure was a good one ; but he did not think that it would be extensively taken advantage of, owing to the high value of money in this country.[2] The Government of Bombay, as a whole, did not express any opinion, but the Governor and the Members of Council wrote separate minutes on the subject. Lord Elphinstone said : "Provided a sufficient price is paid for the privilege, the price will secure the State from loss. I certainly think that upon every ground, financial, agricultural, and political, it is our true policy to encourage the necessarily gradual and partial redemption of the land tax." He, however, looked upon it as a limited measure. Lord Elphinstone did not apprehend that any sudden or general commut-

[1] Mr. A. O. Hume, who afterwards rose to the position of Secretary to the Government of India, strongly supported the proposal and expressed the view that the conversion of landholders into *bona fide* proprietors might result in an increase of the amount of produce by 50 per cent.—*Letter dated the 15th September, 1859.* With regard to the objection that the redemption of land revenue in the temporarily settled districts would preclude the state from sharing in any increased production of the land, he expressed the view that the State would be able to derive an enhanced income in the shape of various taxes.—*Letter to the Government of the North-Western Provinces, dated the 15th September, 1859.* On the other hand, Mr. J. Strachey, who subsequently became Finance Member of the Government of India, thought that, in those parts where a settlement of the land revenue had been made for limited periods, the evil of abandoning the right of the state to profit by future increase of the rent of land far counterbalanced all the possible advantages.—*Letter dated the 30th September, 1859.*

[2] The Lieutenant-Governor did not feel inclined to attribute great weight to the political results of the measure, as he believed that a permanent settlement of the land tax had in India so strong a political effect for good that the practical operation of a permanent immunity from land tax could hardly be stronger.—*Letter to the Government of India, dated the 9th March, 1860.*

ation would take place ; and he suggested that, if necessary, it might be announced that the object of the measure was the repayment of the public debt, and that when this object was attained, the redemption of the land tax would cease. He further expressed the view that, if the whole of the public debt could be paid off by allowing a portion of the land tax to be redeemed at thirtyfive years' purchase, it would be "an admirable financial operation." Mr. Reeves, a member of the Executive Council of Bombay, on the other hand, considered the proposal inappropriate as a financial measure, though he thought that the political aspect of the question deserved consideration. Mr. Mallet, another member, did not think that this was a concession under which numerous applications might be expected, unless the purchase money were fixed so low as to be disadvantageous to the Government.

After carefully weighing the opinions of many experienced officers, the Government of India published in 1861 a Resolution[1] in which it observed that great caution was necessary in dealing with a

[1] *Resolution dated the 17th October, 1861.*

Mr. Cecil Beadon wrote a minute in which he said that he would allow the owners of permanently settled estates to redeem their land revenue, but only on condition that legislative provision was made for the rigid application of the proceeds to the purpose of extinguishing the debt, and that no part of the redemption was regarded as current revenue. He further thought the main objections to redemption would lose much of their force if the rights of all subordinate holders were maintained intact and the right to redeem was conceded only when three-fourths of the culturable land was already under tillage.

financial resource of the greatest importance like the land revenue. It, therefore, proposed, in the first instance, to limit the permission of redemption in any one district to a maximum of 10 per cent. of the estates. Such restriction would, they thought, enable government to ascertain in each province, without undue risk to its permanent fiscal resources, the practical effect of permitting the redemption, both in well-cultivated tracts and in those in which much uncultivated land existed and would thus afford an opportunity of reconsidering afterwards the effect of the measure in the light of ample experience. The price to be paid was fixed at twenty years' purchase of the then existing assessment.

In reply to the despatch which was sent to the Secretary of State on this subject. Sir Charles Wood expressed his disapproval of the main scheme. He observed that, if a right to redeem the land revenue to the extent of one-tenth of the land was allowed, it would be impossible to stop at that point; it would be necessary to go further and recognise the general right to redeem the assessment. Besides, the amount of capital which would be required for the purpose of redemption would be found to be far greater than what existed in the hands of the landholders. And further, if they were in a condition to provide such a sum, the Government would find itself in the embarrassing

position of having its treasury over-flowing with money which it would have no adequate means of employing or investing. Sir Charles added: "The objection arising from capitalising the income of the State and depriving it in future years of the steady and stable resource of the land revenue, on which it can under all circumstances rely, is most serious. It is not a consideration of slight importance that, of all sources of revenue, none is so easily collected, and none so willingly paid. Her Majesty's Government would be sorry to deprive the Government of India in future years of this large and most unobjectionable portion of their revenue, which the people have been immemorially accustomed to contribute, and which consequently has all the authority of prescription and tradition in its favour. These considerations seem to be fatal to a scheme of general, or even of a very extensive, redemption of the land revenue."[1] The Secretary of State, however, sanctioned a measure of a narrow and partial character. The Provincial Governments were given the power to allow, at their discretion, the

[1] *Despatch dated the 9th July, 1862.*

The views of Sir Charles Wood, however, were not shared by all his colleagues. Four members of the Council of India wrote separate minutes dissenting from the opinion of the majority, their main grounds being that it was inexpedient to withdraw the offer of a privilege which had been made by a previous Secretary of State, that the despatch was retrograde in policy, and that there could be no possible objection to the redemption of land tax in parts of India which were under perpetual settlement.

The dissentient members were E. Macnaughten, R. D. Mangles, Sir Henry Montgomery, and Mr. W. E. Baker.

redemption of lands required for dwelling-houses, factories, gardens, plantations, and other similar purposes.

A few words may be said about the applicability of the canons of taxation to the land revenue systems of India. This subject is discussed at some length by the Taxation Enquiry Committee. They hold that, except in the case of fluctuating assessments in the Punjab and Burma and in the variable charges connected with the annual settlements in Madras, the canon of certainty is satisfied. This, undoubtedly, is true so far as the currency of a settlement is concerned. But at a re-settlement the situation becomes different, and the cultivator hardly knows what amount he will have to pay or on what principles the increased demand will be based. So far as the second canon is concerned, the Committee are right in expressing the view that convenience is often sacrified to certainty. On the question of economy, the Committee are of opinion that, if the assessment and collection of the land revenue were the only matter in issue, it would be practicable to devise a less costly scheme; but the justification of the high cost of the settlement is to be looked for in the other advantages derived from the elaborate procedure connected with the land revenue system. In considering the question of ability, the Committee emphasise the statement of Dr. Gregory that land revenue is

essentially a tax on things and not on persons, and as such it is not a tax to which the doctrine of progression can be applied. This argument does not seem to be very sound, for it is now recognised that the distinction between taxes *in rem* and taxes *in personam*, though convenient for certain purposes, has no basis in economic theory.

Some of the other defects of the present systems are thus summarised by the Taxation Enquiry Committee: "The land revenue, viewed as a scheme of taxation, is not only not progressive, but actually tends in the opposite direction. At one end, the large landlords, many of whom are creations of the British Government, form one of the classes who pay a comparatively small part of their surplus towards the upkeep of the State. At the other end of the scale comes the cultivator of the uneconomic holding, in whose case the system of reducing the State's share from a share of the crop of the year to a cash average coupled with the collection of the land revenue at harvest time, has led to extravagant expenditure by an improvident class in good years, followed by indebtedness and transfer of lands to moneylenders in the lean ones."[1]

We now proceed to trace briefly the history of the land revenue systems of the different provinces.

[1] *Report, Ch. IV.*

Bengal, of course, claims our attention first.[1] The East India Company obtained the *Diwani* of Bengal, Behar and Orissa[2] from the Emperor Shah Alam in 1765. In the following year, Lord Clive took his seat as *Diwan* by the side of the Nawab Nazim of Murshidabad at the *punyaha* ceremony. But, as the European officials were not at the time familiar with financial business, the actual work of collection and management of the revenues was left for the time being in the hands of the officers of the Nawab.

In 1769, Supervisors were appointed to check the work of the Indian officers. In the following year, two controlling Councils of Revenue were established at Murshidabad and Patna. In 1772, under the orders of the Court of Directors, the Company decided "to stand forth as *Diwan*" and, by the agency of its own servants, to take upon itself "the entire care and management of the revenues." A settlement of the land revenue for five years was decided upon, and offers were

[1] For a more detailed account of the land revenue system of Bengal during the Company's administration, see the author's *Indian Finance in the Days of the Company, ch. IV.*

[2] The Bengal of those days comprised the present divisions of the Presidency, Rajshahi (with the exception of Darjeeling and the Western Duars), Chittagong, and Dacca, with parts of the Hazaribagh and Manbhum districts, (now in the Chota Nagpur division of Behar and Orissa), and of Cooch Behar. Behar comprised the Patna, Bhagalpur and Tirhut Divisions. Orissa did not include any part of the present division of that name; this term, in those days, was applied only to the tract of country between the Rupnarain and Subarnarekha rivers, now included in the district of Midnapur.—Vide *Moral and Material Progress Report, 1873-74.*

invited for each *pargana* from landholders, speculators and adventurers, and those of the highest bidders were accepted.[1]

The results of these arrangements proved very unsatisfactory. A change of management was made in 1774. The European collectors were recalled, and Indians were placed in their stead. For the superintendence of the collections, six divisions were formed, each under the direction of a Chief and Council. Shortly afterwards, the question of settlement formed the subject of discussion between the Governor-General and the members of his Council. In 1775, a joint plan was prepared by Warren Hastings and Barwell. In the following year, Philip Francis submitted a rival plan, in which he advocated a system of settlements in perpetuity. For the moment the Directors did not consider it advisable to adopt either of these plans, but directed that a settlement should be made for one year.

Meanwhile, the quinquennial settlements of 1772 had proved a disastrous failure. Many of the revenue contractors had failed in their engagements, and defalcations had occurred to a very large extent.

[1] It was resolved on this occasion to subtract certain oppressive taxes from the public revenue, such as *baxi jama*, *sair chalunta*, *marocha*, and *haldari*. *Nazars* and *salamis* were also forbidden. It was notified that the farmers should neither pay the amount of these taxes to the Government nor be allowed to collect them from the people. These instructions, however, were generally disregarded.

It was, therefore, resolved in 1777[1] to recall the farmers and put the land under the management of the *zemindars*, if they possessed capacity and agreed to engage for such amounts as the Provincial Council might consider reasonable. During the three following years, settlements were made on the same principles, and by European agency. But the average produce of this period was less than that of the previous period. Another change was made in 1781. By the new plan, the Provincial Councils were abolished and a Committee of Revenue was established in Calcutta. The Committee was required to conclude the new settlement by deputation on the spot. This settlement was made for one year, and annual settlements were made during the next few years.

In the meantime, the unsatisfactory nature of the land revenue system and the frequent changes of policy had attracted the attention of Parliament. By Pitt's India Act of 1784 the Directors of the East India Company were commanded to enquire into the grievances of landholders and others, and to take steps towards "settling and establishing, upon principles of moderation and justice, according to the laws and constitution

[1] In 1776, a committee of three European civil servants was appointed by Hastings for the purpose of investigating the question of land settlements with the assistance of Indian *amins*. The *Amini Report* was submitted in 1778. This has been reproduced in full in Mr. R. B. Ramsbotham's *Studies in the Land Revenue History of Bengal.*

of India, the permanent rules by which their respective tributes, rents, and services, shall be in future rendered and paid."[1] When Lord Cornwallis was appointed Governor-General, he was furnished with definite instructions. In the Instrument of Instructions the Directors, after pointing out that heavy arrears of revenue had accumulated, expressed the opinion that the best security for the revenue was the hereditary tenure of the possessor of the land. On the question of settlement, they observed that it was their intention to make it ultimately permanent and unalterable, but that, for special reasons, it should be effected at the time for ten years. The concluding words of this document were these: "A moderate *jama* or assessment, regularly and punctually collected, unites the consideration of our interest with the happiness of the natives and security of the landholders more rationally than any imperfect collection of an exaggerated *jama*, to be enforced with severity and vexation."[2]

On arrival in India, Lord Cornwallis found not only that the collection of revenue had been attended with various difficulties and large arrears had accumulated, but that a considerable part of the province had been turned into an uncultivated waste. He, therefore, made up his mind to change

[1] *Act for the Better Government of India, Sec. 39.*

[2] Vide *Fifth Report, 1812.*

the system; but for the moment he considered it wise to continue the practice of annual settlements. He caused enquiries to be instituted as to the rights of the different classes of persons to the land, the ancient modes of revenue collection, the proper amount of land revenue, and other cognate matters. The results of these enquiries, were embodied in Shore's able Minute of the 18th June, 1789.[1] Most of the officers of the Government, in view of the unfortunate experience of the past, expressed themselves in favour of a settlement being made in future with the zemindars. On the question of the amount of the assessment to be fixed on the land, considerable difference of opinion was revealed. James Grant, the Chief Sheristadar, suggested that the total assessment ought to be over half a million per annum more than what had at any time been collected by the Company. On the other hand, Sir John Shore, President of the Committee of Revenue and a member of the Governor-General's Council, who afterwards rose to the position of Governor-General with the title of Lord Teignmouth, pointed out that, since the acquisition of the *Diwani*, the amount of revenue had generally been fixed by conjectural estimates only, with the result that the impositions had been too heavy to be discharged and that the Government had often fouud it necessary

[1] As Mr. C. D. Field rightly observes, the high encomium bestowed by the Directors on this masterly dissertation was fully deserved.

to grant remissions. By a comparison of the assessment of 1786-87 with that of 1765-66 (the first year of the *Diwani* assessment), he showed that both the gross and the net revenues had considerably increased. He urged various grounds in opposing the proposal of enhancing the assessment, not the least important of which was that a foreign Government should be very cautious in its demands. Sir John Shore also objected to a progressive increase of the assessment.

Sir John Shore held the view that the land revenue demand should be fixed for ever. He did not, however, desire that the proposal should come into force at once. Lord Cornwallis, on the other hand, was extremely eager to introduce without delay a system of settlements in perpetuity[1]; and as a step towards it, he concluded a settlement with the zemindars for ten years. It was notified, on this occasion, that the *jama* assessed upon the lands would be continued after the expiration of the ten years' period and remain unalterable for ever, provided that such continuance should meet with the approbation of the Court of Directors. The Decennial Settlement was commenced in 1789 and completed in 1791.[2] The Directors expressed

[1] For an account of the Cornwallis-Shore controversy see the author's *Indian Finance in the Days of the Company, Ch. IV.*

[2] The Permanent Settlement Regulations were not applied to certain tracts in Bengal, e.g., parts of Chittagong, for special reasons. Nor did it come into force in the territories which came into the possession of

their approval of the Decennial Settlement, but they expressed the view that the fixing of rates in perpetuity was "not a claim to which the landholders had any pretensions, founded on the principles or practice of the native government, but a grace which it would be good policy for the British Government to bestow on them."

When the Decennial Settlement was effected, no attempt was made to measure the fields or to calculate the out-turn. The amount of revenue to be paid in future was fixed by reference to an average of actual collections in former years. The total realisation of land revenue in the year 1790-91, the first complete year of the new system, from the provinces of Bengal, Behar and Orissa amounted to *Sicca* Rupees 2,68,00,989. The Directors expressed their satisfaction that the revenue had come up to a sum which was likely to prove equal to the needs of the Government. In 1793, the Governor-General in Council issued a Proclamation in which he declared the settlement as permanent, and notified that no alteration would be made in the assessment in future. The zemindars were enjoined to pay regularly the revenue in all seasons. They were, further, given clearly to understand that in future no claims for suspensions

the Company later. It was also considered undesirable to settle permanently the waste lands, the deforested areas, and the islands formed in the beds of large rivers.

or remissions, on account of drought, inundation, or any other calamity of seasons, would be considered, but that in the event of any *zemindar* failing in the punctual payment of the public revenue, a sale of the lands of the defaulter, would positively and invariably take place.[1] The right of the Government to re-establish *sair* collections or any other internal duties was retained.

The entire text of the Proclamation was embodied in Bengal Regulation I of 1793. Regulation VIII of 1793 provided that the allowances of *kazis* and *kanungos*, as well as public pensions, were to be added to the *jama*. It also provided that the assessment was to be fixed exclusive of *sair*[2] and of *lakhiraj*[3] lands. Further, in terms of this Regulation, *nankar*, *khamar*, *nij-jot* and other private lands appropriated by the zemindars, as well as *chakaran*[4] lands, were annexed to the *malguzari*[5] lands. Zemindars were given the right to let out their lands.

During the years immediately following the Permanent Settlement, various inconveniences were felt and grievances complained of. The zemindars were bitterly opposed to the new system as it

[1] *Proclamation dated the 22nd March, 1793.*

[2] Inland duties and collections of a miscellaneous character.

[3] Revenue-free.

[4] Lands granted for the support of public servants.

[5] Revenue-paying.

proved ruinous to them.[1] The revenue was not realised with punctuality, and large areas of land were periodically exposed to sale by auction for the recovery of outstanding balances. Most of the older families of landholders were swept away. Regulations were, therefore, enacted to facilitate the collection by zemindars of their dues from the raiyats. These measures placed the zemindars in a position of unfair advantage as against the tenants, but they proved successful in effecting a more punctual collection of the Government revenue. The arrears outstanding at the end of each year greatly diminished, and the sale of lands for the recovery of arrears became less frequent. The land revenue system was thus at last placed on a stable—though hardly satisfactory—basis in Bengal.

As for the effects of the Permanent Settlement, the Select Committee of 1810 observed that the system had proved "beneficial both to the interests of the sovereign and the subject." But opinion both in England and in India had begun already to change. It came gradually to be realised that, while the Permanent Settlement had fully assured the immediate revenue position of the Government, it was destined to prove a permanent obstacle to the growth of the State resources. The *zemindars*

[1] Ascoli is of opinion that the larger zemindars were hostile to the Permanent Settlement because of the law of sale.

of a later date, without doubt, derived great benefit from the measure, but all other rights in the land were adversely affected. The net effect of the law and practice of the Permanent Settlement and the measures connected with it was not only to depress the condition of the peasants, but to place them almost entirely at the mercy of the *zemindars*.[1] If a Permanent Settlement had been effected with the actual cultivators, instead of with the zemindars, the benefits of a perpetual arrangement would have been reaped without its disadvantages.

The subsequent history of the land revenue system of Bengal relates to improvements in the machinery of collection and administration. With this object in view Regulations were enacted in 1801, 1812, and 1814. The law relating to the recovery of arrears of revenue was recast in 1822. Several amendments were made to this Regulation during the next two decades. It was, however, not until

[1] Ascoli observes: "It is true that the settlement may have apparently freed the Central Government for its wars in Southern India, but that freedom was obtained at a heavy price in money and internal administrative tangles; that freedom was obtained, rightly or wrongly, at the expense of the proprietary classes then existing, and wrongly, without doubt, at the expense of the cultivator. The freedom gained by Government was merely temporary; the destruction of the proprietary classes was a permanent bequest to posterity; whilethe position of the cultivator has remained to this day one of the most difficult and insoluble of administrative problems."—*Early Revenue History of Bengal, p. 81.* Lord Hastings wrote in 1819: "Never was there any measure conceived in a purer spirit of generous humanity and disinterested justice than the plan for the Permanent Settlement." This view can hardly be substantiated. The real motive was security of revenue.

1841 that the general principles of the system of sales of land for recovery of arrears of revenue were satisfactorily settled. A few other measures were enacted in the course of the next 18 years. The provisions of Act XII of 1841 were embodied in Act XI of 1859, together with various other important matters. The legislation during the years 1799 to 1859 was concerned principally with the sale of estates for the recovery of arrears. Little was done by way of improving the law for the recovery of arrears by any other process. There were also various ambiguities in the then existing law. Act VII of 1868 of the Bengal Legislative Council was passed to remedy these defects. Though a few minor amendments have since been made, almost the entire law on the subject now operative in Bengal is to be found in the two measures, namely, Act XI of 1859 and Act VII (B. C.) of 1868.[1]

Although by the Permanent Settlement Regulations the Government reserved to itself the right to intervene in cases of hardship and oppression to the *raiyats*, the power was not exercised for nearly a century. In fact, as has already been noticed, the Regulations enacted between the years 1795 and 1810, particularly the *Haftam* and the *Pancham*, considerably added to the troubles of the tenants. In 1859, a measure was enacted which secured the

[1] A summary of the main provisions of these Acts is to be found in C. D. Field's *Introduction to the Bengal Code.*

rights of the holders of under-tenures, farms and leases. But it was not until 1886 that the tenants were given anything like adequate protection. In 1928, the tenancy law of Bengal was completely revised. On this occasion, the tenants were given certain rights which they did not possess before; but the measure was not regarded as a wholly satisfactory one from many points of view.

We come now to Behar and Orissa. It originally formed part of the province of Bengal, but was constituted a separate province in March, 1912. The Permanent Settlement, as we have already seen, was established in 1793 in the whole of Behar, that is to say, the tract of the country now included in the Patna, Tirhut, and Bhagalpur Divisions, and also in the Hazaribagh and Manbhum districts and a few estates in Singhbhum and Ranchi in the Chota Nagpur division. This system has continued to the present day. As in Bengal, the revenue of the permanently-settled estates is realised with great punctuality. Under the conditions of settlement, no pleas based on losses occurring through famines, epidemics, cyclones, or other natural calamities, can be urged as excuses for non-payment of revenue. When a landholder fails to pay, his estate is put up to sale.

Orissa proper came into British possession at a subsequent date. In 1804, a proclamation was issued in the districts of Cuttack, Balasore and

Puri to the effect that a settlement would be made with the *zemindars*, in all practicable cases, for a period of three years, at the end of which a permanent settlement would be concluded with the same persons, provided the lands were in a sufficiently improved state of cultivation. The promise of a settlement in perpetuity was reiterated in subsequent years, but it was not carried out in practice. The settlements actually effected were for short terms, and were based on new principles. The system was known as the village or *mauzawari* system. The settlement was made for five years, and extended for another term of five years. By Regulation IX of 1833, the system was improved, and the then existing settlement was continued for a further period of five years. The first regular settlement with a survey and record of rights, was concluded between the years 1837 and 1845. This settlement was based upon a careful field measurement, and it was made for thirty years. It yielded an increase of revenue to the extent of only Rs. 34,980. The settlement of 1837 expired in 1867, when it was renewed without alteration for another thirty years. Another re-settlement took effect in 1897, but the work extended over a period of nearly ten years. The Government revenue was at this time fixed for over six thousand estates. The re-settlement dealt with an area of 5,897 square miles.

Till the year 1898, no principle had been adopted for fixing the amount of revenue at a settlement. But in that year, the Secretary of State approved the proposal that from 50 to 55 per cent. of the assests should be taken as revenue, and at the same time directed that the limit of 55 per cent. should be very rarely exceeded. The actual percentage of the assests taken was 54. Nearly 6,400 estates situated in 11,000 villages were assessed to revenue. The total amount of the settled revenue was Rs. 21,05,073. The percentage of increase of revenue amounted to 54 in Cuttack, 67 in Balasore, and 28 in Puri, the average increase being 52 for the three districts. The incidence of revenue at the settlement of 1897 was Re. 1. 1a. 10p. per acre as against 15as. 7p. of the previous settlement.[1] The Government estate at Khurda and the confiscated tributary estates of Angul and Banki were settled on somewhat different principles.[2]

[1] *Behar and Orissa Administration Report, 1911-12.*

[2] The estate of Khurda, comprising nearly half the district of Puri was until 1837 settled *mahalwari* on rough estimates, the persons admitted to engagement being the *sarbarahkars*, or village headmen. In 1837, a regular *raiyatwari* settlement was made after measurement and ascertainment of rates for different classes of the soil. The settlement was for twenty years, but was renewed for a further like period after measurement of new cultivation. Preparations for a revision of the settlement began in 1875. This settlement met with much opposition from the raiyats. The Government ultimately reduced the revenue demand from a quarter to one-fifth of the gross produce, and limited the period of settlement to fifteen years, terminating in 1897. A further settlement for a period of fifteen years was made in that year.

Angul was at one time a tributary state, but it was confiscated by the British Government in 1847. In 1855, a settlement of rents was made with the *raiyats*, the *sarbarahkars* engaging for the amount of the

As Behar formed part of the administration of Bengal, for much the greater part of its history the tenancy laws enacted in that province were and still are applicable there. A Tenancy Bill is at present under consideration by the Legislative Council.

We come now to the Agra province. Before the commencement of British Rule, the tenure prevalent in most of the places which were afterwards incorporated into this province was *zemindari*. The owner was, or co-owners jointly were, responsible for the payment of the land revenue of the whole village. But in some places the system was *raiyatwari*, where each cultivator was responsible for the payment due on his own land. In 1795, a Permanent Settlement was made with the zemindars of the Benares Division, and most of the Regulations enacted for Bengal were extended to this territory. In 1803, that is to say, soon after the acquisition of the territories known as the Ceded Districts, settlements were made in these areas for three years

Government revenue. The re-settlement of the estate was begun in 1887-88 and completed in 1891-92. With a view to minimising the strain which might arise from the increase in the rental, the settlement was made on the progressive system and for a period of fifteen years. Another settlement was made between 1905 and 1908 for a period of fifteen years. In this settlement the gross rental increased by Rs. 1,24,033, the enhancement taking effect by gradual instalments. The collections continued to be made by the *sarbarahkars* who received a commission of 15 to 25 per cent. Another Tributary State, Banki, was confiscated in 1839. It was first settled in 1844, and re-settlements took place in 1854, in 1888-91, and in 1905-6. Here also, the collections were made by the *sarbarahakars*, who received a commission varying from 10 to 20 per cent. of the demand.

with the landholders in all instances where it was found practicable. In other cases, the lands were let in farm, and in a few instances the collections were left to be made from cultivators by the officers of the Government. These arrangements proceeded in some instances on *rassad* or annual augmentation, founded on an expectation of increased cultivation. When the triennial settlement was made, it was announced that, at the expiration of this term, a settlement for another period of three years would be made, which would be continued for a further period of four years "with the same person, if willing to engage at a fixed annual *jama*, formed by adding to the annual rent of the second three years, three-fourths of the net increase of the revenue during any one year of the period."[1] It was further notified that, at the end of this period of four years, a permanent settlement would be concluded with the same persons if they should be willing to engage, for such lands as might be in a sufficiently improved state of cultivation to warrant the measure, and on such terms as the Government should deem fair and equitable.[2]

The Government also expressed a desire to extend the same policy to the territories acquired from the Mahratta Chiefs and others. In 1807, the Government considered it to desirable to entrust the

[1] *Fifth Report, 1812.*

[2] *Ibid.*

work of further settlement to a special Commission. The Commissioners submitted their report in 1808, in which they expressed their view to be adverse to the immediate conclusion of a permanent settlement in the Ceded and Conquered Territories.

In the meantime, a change had taken place in the attitude of the Court of Directors towards this question. In reply to the Governor-General's letter they stated that it was not their intention to proceed immediately to the introduction of a Permanent Settlement in the Ceded and Conquered Territories, "because it would be premature to fix the land rents of those countries, at so early a stage of their connexion with them, when their knowledge of the revenue actually derived from them by the zemindars and of their capability must necessarily be imperfect, and when the people are yet so little habituated to their government."[1] They further observed that the mistakes committed in the settlement made in Bengal, and the inconveniences which had resulted therefrom, suggested the danger of precipitancy and emphasised the need for caution and deliberation in proceeding to a measure which was to be irrevocable. On receiving the report of the Commissioners, the Directors adopted a still more decided tone. In the Revenue Despatch of the 27th November, 1811, they observed; "The proposed final settlement of

[1] *Fifth Report, 1812.*

the revenues would be premature, supposing the arrangement otherwise to be completely unexceptionable: that it would be attended ultimately with a large sacrifice of revenue; that they were by no means sufficiently acquainted, either with the resources of the country or with the rights and ancient customs of the different classes of landholders to venture upon a step of so much importance, and in its nature irrevocable; and that whether the measure may be eligible at a future period, and what modifications it may be prudent to apply to it, are questions which will remain open for discussion".[1]

On receiving these instructions, the Government notified that the Court of Directors had not deemed it advisable to sanction a permanent settlement, but they expressed their intention to fix the revenue of such lands in perpetuity as might be in a sufficiently improved state of cultivation to warrant that measure. The Board of Commissioners was asked to ascertain what estates were in such condition. Meanwhile, the settlements were made for five years; and on expiry of the period they were continued for a further term of five years.

A remarkable Minute was written by Mr. Holt Mackenzie, Secretary to the Board of Commissioners, in 1819. In it he reviewed the condition of the different districts of the province, and urged

[1] Regulation X of 1812.

that the villages be surveyed and a record-of-rights prepared. He expressed himself in favour of a permanent settlement. In 1822, an important Regulation was enacted with the object of laying down the principles on which the demand of the State was thenceforward to be regulated and the manner in which the future settlements were to be made.[1]

The settlements under Regulation VII of 1822[2] were, in a few cases, made with the *zemindars* or *taluqdars*. In some other cases, they were made with the heads of the inferior proprietary body. But in a still larger number of cases, they were concluded with the village communities as the joint proprietors, the *lambardar* being taken as the representative of the body.[3] The Regulation declared that the settlements would be in force for five years, and after that engagements would be entered into for such periods as the Government might decide, but that no increase would take place unless it should clearly appear that the net profits to be derived from the land by the *zemindars* would exceed one-fifth of the previous assessment, and that in the event of such increase being made, the assessment was to be so regulated as to leave to the *zemindars* a net profit of 20 per cent, on the *jama*.[4]

[1] Regulation VII of 1822.

[2] By Regulation IX of 1824 the provisions of Regulation VII of 1822 were extended to the Conquered Provinces.

[3] Baden-Powell, *Land Systems of British India, Bk. iii. ch. i.*

[4] Regulation VII of 1822.

The period of settlement was subsequently extended for another term of five years in both the Ceded and the Conquered Territories. The enquiries required by Regulation VII of 1822 were so minute and elaborate that the system was declared unworkable in 1830. In 1832, Lord William Bentinck wrote a Minute in which he laid down the principles which ought to be followed in future. These principles were embodied in Regulation IX of 1833. The method of framing estimates of produce and its value was simplified, and a system of average revenue and rent rates, actual or assumed, for different classes of soil, was introduced. The first "regular" settlements under Regulation VII of 1822 and IX of 1833 were made by Mr. R. M. Bird and Mr. Thomason between the years 1833 and 1849. The term was one of thirty years, except in a few districts where, for special reasons, the settlements were made for shorter periods. Two-thirds of the "gross rental" was adopted as the standard of assessment in cases in which the land was held by tenants. Where the tenants paid in kind, or where there were large numbers of proprietors cultivating their own holdings, the standard was two-thirds of the "net assets." The system of settlement was *mauzawar* or by villages.[1]

[1] Baden-Powell, *Land Systems of British India, Bk. iii. ch. I.* Baden-Powell prefers to call the system *mahalwar*, because the village is not always the unit of assessment.

In 1851, the Directors expressed their satisfaction at the results which had been achieved in the settlements of the North-Western Provinces. They observed that, making allowances for the large amount of nominal balances, the revenue had progressively increased, and that the increase had been "realised without undue pressure on the people".[1] No changes of any importance were made in the system till 1855. In that year, under the instructions of Sir Charles Wood, then Secretary of State, certain modifications were introduced, which were embodied in the Saharanpur Rules. Under these rules, the Government's share of the rental or the assets was reduced from two-thirds to one-half. The assets were to be the "well ascertained" net average assets, after consideration of other data. It was enjoined, however, that time was not to be wasted in "minute and probably fruitless attempts to ascertain exactly" the amount of such assets.[2] This standard has since continued to be in force, and the Government claims that it has been applied with increasing moderation, and that it is at present exceptional to take a full 50 per cent. assessment.[3]

Various improvements were introduced on the occasion of the second regular settlement of the

[1] Despatch dated the 13th August, 1851.

[2] This passage gave rise to some confusion.

[3] *Administration Report of the United Provinces, 1921-22.*

Agra Province. The soils were now classified, and standard rates of rent were fixed for each class. The assessment was based upon this estimated rental, which might be higher than the amount actually paid, but represented the sum which could be realised.

The Sepoy Mutiny and the famine of 1860-61 gave rise to a prolonged discussion on the desirability or otherwise of introducing a permanent settlement into the North-Western Provinces. There had indeed always been some experienced officers of the Government who had regarded settlements in perpetuity as a highly beneficial measure. But these unfortunate events brought the question prominently before the Government and the public. Mr. A. O. Hume expressed the view that a permanent settlement would be a great step towards inducing the people to make the most of the land they held, and was likely to increase the actual amount of agricultural produce by at least one-third in twenty years. Col. Baird Smith, in his now famous Report on the Condition of India argued that, as the intensity of the famine of 1860-61 was less than that of 1837 on account of the increased staying power of the people secured by the limitation of the Government demand on the land for thirty years, the fixing of the revenue for ever was likely to produce even better results. He was not blind to the fact that a Permanent Settlement would

preclude the Government from ever obtaining any future augmentation of income from this source, while the growing cost of administration would of necessity have to be met by taxation in some other shape. But he argued that any sacrifice of public revenue involved in the concession of the land revenue being fixed in perpetuity would be more than compensated by the increased ability of the people generally to bear other forms of taxation, direct or indirect, which would necessarily follow on the improvement in their social condition. An intelligent and powerful Government, he thought, "could not fail to participate in these advantages."[1] The same policy was advocated by Mr. Saunders in his Report on Cotton.

In 1861, Mr. (afterwards Sir William) Muir, then Senior Member of the Board of Revenue, North-Western Provinces, wrote an elaborate Note on the subject discussing the advantages and disadvantages of a permanent settlement. He pointed out two main defects, namely, first, that increase of revenue from future extension of agriculture would be relinquished, especially in the case of Government irrigation works, and secondly, the power of re-adjusting the revenue to fluctutations of agricultural conditions would be given up. The merits of the

[1] "Its intelligence," wrote Col. Baird Smith, "would direct it to the least offensive means of sharing in the general prosperity, and its power would ensure the fair trial and ultimate success of those means."

proposal, in his opinion, were the following: first, the expenses of periodical re-settlements would be saved; secondly, *zemindars* and *raiyats* would be rendered immune from the vexation, oppression, and exaction incidental to a re-settlement; thirdly, permanency would remove the check to agricultural improvement occurring towards the close of a settlement; fourthly, the fixity of demand on land would encourage the investment of capital; fifthly, the value of landed property would increase; and sixthly, it would secure the contentment of the people. He urged, however, that a permanent settlement should be preceded by a careful revision, that the scheme should be applied to such lands as were in a sufficiently advanced state of cultivation, and that the Government should retain the right to levy a moderate water-rate in areas irrigated by Government canals.[1]

Sir Charles Wood, then Secretary of State for India, was greatly impressed by Colonel Baird Smith's arguments. While rejecting the proposal of redemption of the land tax, he accepted the idea of a permanent settlement. He came to the conclusion that periodical revisions of assessment could

[1] Mr. Muir showed that the essential requirements of property would thus be maintained without affecting the financial interests of the State, and quoted, in support of his contention, J. S. Mill who had said: "The idea of property does not necessarily imply that there should be no rent, any more than that there should be no taxes. It merely implies that the rent should be a fixed charge, not liable to be raised against the possessor by his own improvements or by the will of a landlord." *Political Economy, Ch. VII. Sec. 4.*

not fail to be harassing, vexatious, and even oppressive to the people affected by them, while the probability of any considerable increase of land revenue in the fully developed parts of the country was very slight. In 1862, he wrote to the Governor-General in Council: "Her Majesty's Government are of opinion that the advantages which may reasonably be expected to accrue not only to those immediately connected with the land, but to the community generally, are sufficiently great to justify them in incurring the risk of some prospective loss of revenue in order to attain them, and that a settlement in perpetuity in all districts in which the conditions absolutely required as preliminary to such a measure are, or hereafter may be, fulfilled, is a measure dictated by sound policy and calculated to accelerate the development of the resources of India and to ensure, in the highest degree, the welfare and contentment of all classes of Her Majesty's subjects in that country."[1]

The Secretary of State was warmly supported by Sir John Lawrence, then a member of the Council of India. He recommended a perpetual settlement because he believed that such a measure would encourage the investment of money in the land and would thus help the development of the resources of the country. This policy was also advocated

[1] *Despatch dated the 9th July, 1862.* Some members of the Council of India differed from this view and wrote minutes of dissent.

by some of the administrators in India. The Lieutenant-Governor of the North-Western Provinces agreed generally with the views of Mr. Muir, but he made some suggestions for carrying out the object. A somewhat long correspondence then ensued between the Secretary of State, the Government of India, and the Lieutenant-Governor of the North-Western Provinces in regard to the mode in which the proposal was to be carried into effect.

The policy laid down by Sir Charles Wood was followed by his sucessors in office, Earl de Grey and Ripon and Sir Stafford Northcote. The latter insisted in 1867 that the following rules should be observed before estates in the North-Western Provinces, or elsewhere, were admitted to the Permanent Settlement, namely, first, that no estate should be permanently settled in which the actual cultivation amounted to less than 80 per cent. of the cultivable or *malguzari* area; and secondly, that a Permanent Settlement should not be concluded for any estate to which canal irrigation was likely to be extended within the next twenty years, and the existing assets of which would thereby be increased by 20 per cent.[1]

[1] *Despatch dated the 23rd March, 1867.* In this despatch Sir Stafford Northcote thus described the object which Her Majesty's Government had in view in consenting to a permanent Settlement: "They are giving up the prospect of a large future revenue, which might have been made available for the promotion of objects of general

Thus the plan of a permanent settlement of the North-Western Provinces became complete, and, in 1867, orders were actually issued for concluding a such a settlement. For financial reasons, however, the plan could not be carried out at the time. Gradually, the views of the high officers of the Government in India as well as of the authorities in England turned against the policy of settlements in perpetuity. In 1871, the then Lieutenant-Governor of the North-Western Provinces, in asking the deferment of a permanent settlement observed that the sacrifice of revenue, which would be consequent on the carrying out of the measure, would be gratuitous and indefensible. It was suggested, in these circumstances, that a third condition for a permanent settlement was shown to be necessary, namely, the evidence that the standard of rent prevalent, or the estimate of 'net produce' on which assessment would be based, was adequate. In 1871, the Governor-General in Council recommended to the Secretary of State that, pending the further discussion of the entire subject, the orders contained in the despatch of the 23rd March, 1867, should be held in abeyance. This recommendation was approved, and the Government of India was authorised at once to suspend all proceedings

utility, and might have rendered it possible to dispense with other forms of taxation. This sacrifice they are prepared to make in consideration of the great importance of connecting the interests of the proprietors of the land with the stability of the British Government."

towards a permanent settlement.[1] In 1882, proposals were made for a scheme under which an enhancement of revenue would be confined only to an increase of area under cultivation, or a rise in prices, or an increase in production due to improvements made at the expense of the Government. This scheme was considered impracticable. In 1883, the Secretary of State expressed his concurrence with the Government of India that the policy laid down in 1862 should be formally abandoned.[2] The question of a permanent settlement for the Agra province was thus finally dropped.

On the occasion of the third regular settlement, the actual rent roll was adopted as the basis of assessment, and any consideration of a prospective increase was definitely excluded from the assets. Concessions were also made to private individuals for improvements effected by them. The settlement procedure was considerably simplified. The land revenue law was consolidated in 1873. This was revised in 1901.[3]

Legislation for the protection of tenants was undertaken for the United Provinces as elsewhere. The first measure of this kind was the extension of Act X of 1859 to the North-Western Provinces.

[1] This view was based upon the experience gained on the occasion of the re-settlement of the Bulandshahr district, where it was found that the Government would have to relinquish an increase of 14 per cent.

[2] Vide Field, *Introduction to the Bengal Code.*

[3] *Administration Report of the United Provinces, 1921-22.*

This Act was remodelled in 1881, and was further altered by the Tenancy Act of 1901. In 1928, the tenancy law of the Agra Province was completely overhauled.

On the annexation of Oudh in 1856, Lord Dalhousie decided to introduce the system of settlement with the village proprietors. His idea was to do away with the interposition of the middlemen. As a result, the *taluqdars* were outsed from the greater part of their estates. After the Mutiny, however, Lord Canning reverted to the *taluqdari* settlement. By the second summary settlement of Oudh in 1858 the *taluqdars* were given full proprietary rights in all the villages which they had held at the time of annexation. The Government demand was fixed at one-half of the gross rental, the under-proprietors only retaining that share of the profits which they had formerly enjoyed.[1]

The village proprietors were allowed only to claim under-proprietary rights. In 1860, the question of subordinate rights in Oudh came up again. Under-proprietary rights were limited to those who had enjoyed proprietary rights within twelve years of annexation, while occupancy rights were conferred on all tenants who had been in proprietary possession within thirty years of annexation. The land revenue of Oudh in 1872-73

[1] *Moral and Material Progress Report, 1882.*

amounted to Rs. 1,42,19,741. The land revenue law was considered in 1876 and revised in 1901 (together with the law for the North-Western Provinces). A Rent Act was passed in 1886, which was amended in 1921.

The Land Revenue Act of 1901 has recently been amended by an Act of 1929. The main provisions of the new measure are as follows: When the period of settlement in any district or other local area is about to expire, a forecast of the probable results of a re-settlement is to be made. The Government is given power to frame rules, but before they are given effect to, the Legislative Council is to have an opportunity of discussing them. At a re-settlement, the settlement officer is instructed to inspect every village in the local area and divide the area into soil classes and assessment circles and fix circle rates. He is to exclude from assessment lands of certain descriptions. The revenue assessed on a *mahal* is to be ordinarily 40 per cent. of the net assets, and is not in any case to exceed 45 per cent. The revenue assessment may be less than 35 per cent. of the net assets, where the number and circumstances of the proprietors or the existence of heavy charges on account of *malikana* justify a reduction below this percentage, but in no case is it to be less than 25 per cent. The revenue of a *mahal* may not be enhanced by more than one-third of the expiring demand. If the revenue fixed for any *mahal* exceeds

the previous demand by more than 15 per cent., the enhancement is to be progressive. The term of every settlement is to be 40 years.

In the early acquisitions made in the Central Provinces, short-term settlements were made. But the evils of the system led to the adoption of the policy of long-term settlements. In the Saugor-Narbada territories settlements were effected for twenty years between 1835 and 1839. For the first regular settlement of the Nagpur province, the long-term principle was accepted. In 1862, Sir Richard Temple actually recommended the settlement in perpetuity of those parts of the province which had been settled for the longest periods. The Government of India, however, did not accept his proposals, but directed in 1863 that the settlements in progress in the Central Provinces should be made for a period of thirty years. In 1883, the policy of a permanent settlement for this province along with the rest of India was finally rejected. The period of thirty years fixed for the settlements of the sixties was not adhered to in all cases; but some of the districts were settled for shorter periods. Before the first re-settlements fell due, the question of the period of settlements was again considered, and it was decided that twenty years should be the standard period. This decision was confirmed by the Secretary of State in 1895. When the question was discussed in 1902 in

connexion with the Open Letters of Mr. R. C. Dutt and the Memorial submitted by a number of retired members of the Indian Civil Service, the Governor-General in Council laid down the principle that, where land was fully cultivated and rents were fair, settlements should be effected for thirty years, but where there was the possibility of a rapid development of resources, a shorter period would be justified.

In the first settlement, the revenue fixed in each village was virtually a competition figure. The twenty years' settlements of 1835-38 witnessed the first attempt to lay down principles for the fixation of the revenue. It was at this time prescribed that a "fair and equal *jama*" was to be fixed. No definite rules, however, were prescribed for calculating the revenue demand. In 1847, for the proprietary settlement recommended for Nimar, it was laid down that the *jama* should be assessed at "two-thirds of the present fair average annual rental, supposing the whole of the lands to be cultivated, or at more than that, supposing a portion of them to be waste and capable of cultivation." When the grant of proprietary rights in the Saugor-Narbada territories was proclaimed in 1854, one of the rules laid down was that, after the extent of the cultivated and cultivable land, the crops, cultivation, soil and various details of agricultural economy had been investigated, the settlement officer should fix what

he considered to be a fair *jama* with reference to both the *cultivated* and the *cultivatable* area.[1]

No arithmetical standard was prescribed, but the then prevailing rule of the North-Western Provinces fixed the maximum Government demand at two-thirds of what might be expected to be the net produce during the period of settlement.

In 1855, the Saharanpur Rules were applied to the Saugor-Narbada territories, which reduced the maximum from two-thirds to one-half. The *jama* of each estate was not, however, to be fixed at one-half of the net average assets, but in taking these assets with other data into consideration, the Collector was instructed to bear in mind that almost one-half, and not two-thirds, as heretofore, of the well-ascertained net assets, to be the Government demand.[2] For the proprietary settlement of the Nagpur province, the Government of India, sanctioned a margin of 40 per cent., and in some cases up to 50 per cent., of the true gross rental to the *malguzar*, to cover expenses of management and proprietary profits.

In 1863, the Government of India sanctioned the application of the 50 per cent. rule to the whole of the Central Provinces. These orders were not, however, printed in the Settlement Code of 1863, and the officers responsible for the second

[1] *Administration Report of the Central Provinces, 1921-22.*

[2] *Administration Report of the Central Provinces, 1921-22.*

round of settlements were misled into believing that the former rule stood unaltered. Before the settlements of 1863 and the following years were revised, important changes were made in the principles of assessment. The word 'asset' was given a much more definite meaning, a consideration of the actual income derived from the land, and not, as before, its assumed value, being now the guide to revenue assessment. The assessment was to be based on actual, and not, as under the old rules, on prospective assets. The amount of assets was to be ascertained by both deductive and inductive methods; of the assets, 60 per cent. was prescribed as the ordinary maximum percentage; but 65 per cent. or more might be taken in special cases. The settlements of the nineties were based on these principles.

The question was fully examined in connexion with a resolution of the Imperial Legislative Council in 1911. The principle of half assets was accepted for the districts comprised in the old Saugor-Narbada territories; for the old Nagpur province it was laid down that the percentage of assets should at successive settlements be gradually reduced until it reached 50, enhancements in the meantime being limited to half the increase of assets since the preceding settlement, and that assessments of more than 55 per cent. should only be sanctioned in special cases. A proposal

to insert a clause in the Land Revenue Bill of 1917 fixing the percentage at 50, except in specially notified areas, was defeated. In accordance with the recommendation of the Parliamentary Joint Commitee, a bill was prepared in 1921 to embody the principles of assessment in a legislative measure. This Bill was passed in 1923. A short amending Act has recently been passed.

It should be mentioned that in the Central Provinces, the rent, as well as the revenue, is fixed by the Government. The tenures are of various kinds. Within the limits of this province are, in fact, to be found almost every form of land tenure which exists in India, namely, feudatory chiefs, *zemindari* tenures, *taluqdari* tenures, and village communities. The prevailing tenure, however, is the *malguzari*.

Berar is, technically, not a part of British India. In 1853, it was assigned to the British Government as security for certain demands made upon the Nizam of Hyderabad. From the commencement of the assignment to 1861, the land revenue administration was carried on according to the discretion of each Deputy Commissioner, tempered by occasional instructions from superior authority. An annual *jamabandi* or settlement was made through the medium of the patel, the account of each man's holding being taken from the *patwari's* papers. This system gave rise to great inconvenience both to the Government and the people and to much

peculation and corrupt practice. The land revenue, however, increased with marvellous rapidity during these years. In 1861, the Government of India ordered the introduction of the *malguzari* system. But in the following years, these orders were cancelled, and sanction was given to the settlement of Berar on the Bombay *raiyatwari* system.

We come now to the Punjab. The earliest regular settlements were those which took place in the Delhi and Hissar Divisions made between 1836 and 1847, when this tract still formed part of the North-Western Provinces. The rest of the Punjab was summarily settled for short terms immediately after annexation. The assessments then made were based upon Sikh collections in grain, converted into money at ruling prices. The introduction of cash payments and a rigidity of collection was felt as a hardship by the cultivators. Besides, there was a rapid fall in prices. Large reductions had, therefore, to be made. A regular settlement was completed by 1855 in the territories annexed after the first Sikh War, and by 1859 in the districts acquired after the second Sikh War.[1] These settlements were based on the "general considerations" which had governed the assessment procedure of Mr. Bird and Mr. Thomason in the North-Western Provinces. The standard of assessment was reduced from two-

[1] The frontier districts on the Indus were regularly settled for the first time between 1868 and 1880.

thirds to a half of the 'net assets'. The first regular settlements were for various terms, from 10 to 30 years. The question of the principles on which the assessment of irrigated lands should be based received the special attention of Mr. Prinsep who was appointed Settlement Commissioner in 1862. A revised settlement was begun in 1863. During the whole of this period the "spirit" of the Regulations (e. g., VII of 1822, and IX of 1833) governed the land revenue procedure in the province. Gradually, however, it was felt that all the settlements had been made without legal sanction. To remedy this defect, a Land Revenue Act was passed in 1871. Rules were also made to supplement the provisions of the Act. The revised settlements continued till the eighties. It should be borne in mind in this connexion that, in the Punjab, the settlement is not a unique process, but one of the ordinary duties of administration performed by a special staff.[1]

The village communities existed in the Punjab, in a more perfect from than in any other province of India. The village was, therefore, taken as the unit of settlement. Each village undertook the payment of the revenue assessed upon it, and the payment was distributed among individual members of the community in their old traditional way. The Punjab settlement was thus based on the same

[1] Vide *Moral and Material Progress Report, 1882-83*, also H. K. Trevaskis, *The Land of the Five Rivers*.

system as that of the North-Western Provinces with the essential difference that in the Punjab the bulk of the proprietors were actual cultivators. Though the system adopted was *zemindari*, the *zemindari* tenure was not common; but the prevailing forms were *pattidari* and *bhaiyachara*.

The method of assessment in the Punjab differed considerably from that of the North-Western Provinces. The object kept in view was to ascertain revenue rates at first hand, and not by halving rent rates. The process usually adopted was that known as "from aggregate to detail"; that is to say, a general revenue rate was first obtained for the assessment circle or *pargana*, and then distributed among the component villages. In 1875, rules were issued for the guidance of settlement officers; but the process remained an empirical one, and left much to the discretion of the settlement officer.

The assessment, as has been already pointed out, was calculated on the "net assets", that is, of the average net yield of the crops after deduction of expenses of cultivation. Although the standard of assessment was one-half of the net assets, this was generally regarded as the outside maximum. Besides the land revenue, certain cesses were levied on the land. In 1887, the whole law of the province relating to the administration of the land revenue was codified and arranged. New provisions regarding village cesses, partition of shares in an estate or

occupancy holding, and State rights in mineral oil, and so on, were included, and certain practices were maintained or validated which had previously been based merely on custom. Re-settlement operations generally resulted in moderate additions to the revenue demand. But in the Canal Colonies increases of assessments in some cases amounted to over 200 per cent.

The history of land revenue procedure in the Punjab falls into three periods. The first period included both the pre-Prinsep and the Prinsep settlements.[1] The second period lasted from 1871 to 1887.[2] The third period may be said to have ended in 1928. A movement towards a reform of the system began with the advent of the Reforms. But a new chapter was actually opened in 1928. In that year, an act was passed by the Punjab Legislative Council amending the Land Revenue Act of 1887. The main provisions of this Act are as follows: First, 'net assets' are defined as the estimated average annual surplus produce of an estate or group of estates remaining after deduction of the ordinary expenses

[1] The question of a permanent settlement was considered in the Punjab at the same time as in the North-Western Provinces. Prinsep was in favour of the proposal, but the Lieutenant-Governor was opposed to the idea. The rapid development of means of communication and the opening of new markets for the produce of the province gave the promise of considerable increase in land revenue in future, and this was one of the causes which led to the rejection by the Secretary of State of the proposal of a permanent settlement.

[2] Vide *Report of the Administration of the Punjab, 1921-22.*

of cultivation.[1] Secondly, it is provided that land revenue is to be assessed in cash. Thirdly, the basis of assessment is prescribed as an estimate of the average money value of the net assets of the estate or group of estates in which the land concerned is situated. Fourthly, the maximum limit of assessment is fixed, so that the rate of revenue must not exceed one-fourth of the estimated money value of the net assets of an assessment circle. Fifthly, it is laid down that in future settlements the average rate of land revenue shall be so fixed that it shall not exceed the rate of incidence at the previous assessment by more than one-fourth, and that on no estate shall the new rate exceed the previous rate by more than two-thirds. Sixthly, forty years is fixed as the period of settlement, except in the case of lands in which canal irrigation is to be introduced.

The question of tenant-right is a subordinate one in the Punjab. The twelve years' rule has not been in force in the Punjab. The occupancy tenants are, for the most part, representatives of

[1] It is explained in the Act that ordinary expenses of cultivation include payments in respect of (1) water rates, (2) maintenance of means of irrigation, (3) maintenance of embankments, (4) supply of seed, (5) supply of manure, (6) improved implements of husbandry, (7) concessions with regard to fodder, (8) special abatements made for fallows or bad harvests, (9) cost of collection of rent, (10) interest charges payable in respect of advances made in cash, free of interest, to tenants for the purpose of cultivation, (12) wages or customary dues paid to artisans or menials. *Vide Section 2 of the Punjab Land Revenue (Amendment) Act, 1928.*

the early right-holders. A Tenancy Act was passed in 1868. But the tenancy law was completely revised in 1887. The steady alienation of land by the agricultural classes in the province necessitated the passing of the Land Alienation Act in 1900. This Act limited the free transfer of landed property belonging to agricultural tribes to members of the same tribe, while restrictions were placed on mortgates of lands to non-agriculturists. Some amendments were made in the Act in 1907. The Land Alienation Act has fulfilled the hopes with which it was passed. A Pre-emption Act was passed in 1905, the chief aim of which was to prevent a non-agriculturist who once gained a footing in a village from buying up other shares in the village. The pre-emption law is unsatisfactory in many respects and gives rise to various abuses. It is, therefore, felt that the system should be swept away.

The East India Company obtained the *Diwani* of the Northern Circars in the Madras Presidency at about the same time as the *Diwani* of Bengal, Behar and Orissa. The territories acquired by the Company in Madras in the earlier years were of two sorts, namely, *zemindari* lands and *haveli* lands. In the former, the old practice was continued of allowing the *zemindars* to collect and appropriate the revenue to their own use, subject to the payment of a certain sum to the Government, which was denominated the *jama*. The *havelis*, or household lands of the

Government were portions of the territory which were not in the hands of the *zemindars*. The *haveli* lands were let out to *dubashes*[1] or *sahucars*.[2] These professional farmers oppressed the people in many ways, and burdened them with various taxes.

It was decided at first to entrust the management of three of the Circars to experienced Indian administrators. This system was discontinued in 1769, and provincial chiefs and councils were appointed to undertake the civil, political and revenue administration of the country. In 1776, a Committee of Circuit was appointed; but as it did not accomplish much, it was abolished in 1778.

Till the year 1778, the settlements concluded with the *zemindars* were annual. In that year, Sir Thomas Rumbold formed a settlement for five years with the *zemindars* of Masulipatam on the basis of an addition of $12\frac{1}{2}$ per cent. to the previous *jama*. The payment of this addition, however, was not enforced. From 1783 to 1786, annual settlements were made on the terms of the expired leases. Many irregularities prevailed at this time both in the payments and in the accounts. In 1786, a Board of Revenue was established. In the same year, a settlement was concluded on a *jama* increas-

[1] Agents.
[2] Money-lenders.

ed by 12½ per cent.[1] The next settlement was concluded for three, and eventually for five, years with the zemindars on the basis of two-thirds of the gross collections.[2]

In the *havelis*, the settlements were made with the chief inhabitants for the whole of their respective villages, who arranged with each cultivator for the amount he was to pay. These settlements were based on the produce. But they were of a very imperfect kind, there being no survey of the lands nor any fixed principle of assessment.

The revenues of the *jaigir* lands of the Nawab of Arcot had been assigned to the Company before the grant of the *Diwani* of the Circars by the Nizam of Hyderabad. For some years these were leased to the Nawab himself. But in 1780, the management was assumed by the Company. From 1783 to 1789, leases were granted to farmers, who opposed the cultivators in a variety of ways. In 1796, the system of village settlements was adopted. The revenue derived from the *jaigir* in the three following years was far greater than had ever before been obtained from it.

Meanwhile, fresh acquisitions of territory had been made on a large scale by the Company. In some of these territories the lands were at first

[1] It was also during this year that the Court of Directors requested the Government of Madras to express their views on the subject of a permanent settlement for the province.

[2] *Fifth Report, 1812.*

farmed out. But this system having proved unsatisfactory, engagements were entered into with the principal inhabitants of each village for the realisation of the revenue. But this method was found to abound in abuses. For the settlement of these newly-acquired districts, the services of military officers were requisitioned. Captain Alexander Read was sent to the Baramahal districts, with Thomas Munro as one of his assistants. A great deal of discretion was now left in the hands of the settlement officers in regard to the method of settlement. The general idea was that settlements should be permanent, but with whom they should be concluded was not determined. Alexander Read and Thomas Munro introduced the *raiyatwari* system in the Baramahal districts whence it was extended to some other parts of the Presidency.

The question of a permanent *zemindari* settlement continued to engage the attention of the authorities in England as well as of the Government of Madras. In 1795, and again in 1798, the Directors expressed their desire to see the Bengal system introduced in Madras. In 1801, they sanctioned a permanent settlement for the Presidency. This was carried out in several districts[1] between 1801

[1] The permanent settlement was established in the following years: The Jaigir, 1801-2; Northern Circars, between 1802-3 and 1804-5; Salem, Western Pollams, Chittoor Pollams, and Southern Pollams, 1802-3; Ramnad, Krishnagiri, and Dindigul, 1803-4 and 1804-5; Trevandapuram and Jaigir villages, 1806-7.

and 1807. As for the effects of the permanent settlement on the realisation of the revenue, they were favourable in most of the districts; but in some parts the system did not work satisfactorily, which was perhaps due to the fact that the amount of revenue had been fixed on too high a scale.

The territories in which the Permanent Settlement was established comprised a comparatively small proportion of the Company's possessions in Madras. In 1808, the Government of Madras decided to revert to the system of village settlements in the districts in which the Permanent Settlement had not been established. Under this system, the settlement was to be made with the village headman or with the general body of villagers. The revenue was to be assessed on the average of the amount collected from the village in previous years. The leases were to be for triennal periods, but were afterwards to be made decennial. The experiment did not prove a success on the whole, the most general cause of failure being over-assessment. Lessees could not be found for many villages, and in these the *raiyatwari* system was continued. In the meantime, the opinion of the authorities in England had begun to turn against the Bengal system of Permanent Settlement. In 1817, the Court of Directors issued instructions for the abolition of the *raiyatwari* system wherever practicable. But the situation

changed in 1920, when Munro became Governor of Madras. In his opinion, the chief merit of the *raiyatwari* system lay in the strength and security it gave to the Government by bringing it into direct contact with the great body of cultivators.[1] Under Munro's direction the *raiyatwari* system was finally established in the Madras Presidency.

The early *raiyatwari* settlements had many defects. The practical operation of the system depended very largely upon the certainty and moderation of the Government demand. For many years, both these conditions were very insufficiently realised. In most cases, the assessments were too high. The money rents which were substituted for rents in kind became in most cases burdensome exactions.[2] Thus the original *raiyatwari* system did not operate beneficially on the prosperity of the people. Various devices were resorted to from time to time to mitigate the hardship on the community. But the Government moved very slowly. It was not until 1837 that any substantial reform was attempted. In that year, several measures were taken, two of which were quite important. In the first place, it was adopted as a universal rule that no land should be more

[1] *Moral and Material Progress Report of India, 1873-74.*

[2] *Memorandum on the Improvements in the Administration of India, 1858.*

heavily taxed in consequence of its being applied to the cultivation of a more valuable description of crops. Secondly, it was decided that no *raiyat* should be required to pay an additional tax for his land in consideration of the increased value derived from improvements made by himself. Substantial reductions of the assessment were also made in the heavily-taxed districts.

In spite of these reductions, however, the land revenue demand continued to be heavy in the Madras Presidency. This was admitted by Sir Charles Wood, then President of the Board of Control, in the House of Commons in 1854. Considerable reductions were made in the demand on land in the same year. In 1855, the Government of Madras submitted to the Governor-General in Council a plan for a regular survey and a classification of soils which should form the basis of a general revision of land revenue assessments. This plan was approved by the Government of India and sanctioned by the Court of Directors in 1856, with some modifications.

Almost throughout the period of the administration of the East India Company, the limitation in perpetuity of the State demand on the land was regarded as one of the main principles of the *raiyatwari* system in Madras. This had been made clear by Colonel Read in 1796, by Thomas Munro in 1801, by the Madras Board of Revenue

in 1818,[1] and by the declarations of Government on other occasions. The assessments were in some cases, as in South Arcot, Bellary, Cuddapah, etc., reduced, but in no instance were they ever increased. The advantages of a permanent settlement were thus secured to the raiyats without its disadvantages.

Things, however, began to assume a somewhat different shape towards the end of the Company's rule. In 1855, a survey and settlement was commenced. The object of these operations was to revise the assessments which were generally too high. In order to give the raiyat in all cases a valuable proprietary interest in the soil, and to induce extended cultivation, 30 per cent. of the gross produce was proposed to be taken as the

[1] When Colonel Read first settled the Salem district in 1796, he issued a proclamation to the raiyats, in which the following rule appeared: "The *putkht* (or holding) being measured and valued, the assessment of every individual field in it, when at the full rate, is fixed for ever."—Quoted in the *Letter of the Government of Madras to the Government of India, dated the 8th February, 1862.*

Similarly in 1801, Sir Thomas Munro when explaining the manner in which a *raiyatwari* settlement was conducted, said: "When a district has been surveyed, and the rent of every field permanently fixed, the kulwar (individual) settlement becomes extremely simple; for all that is required is to ascertain what fields are occupied by each raiyat, and to enter them with the fixed rents attached to them in his patta; their aggregate contributes his rent for the year. *He cannot be called upon for more*; but he may obtain an abatement in case of poverty or extraordinary losses."

In a Revenue Despatch to Bengal, dated the 29th February, 1813, the Court of Directors observed: "The survey rents in the Ceded Districts, and in most of the other Collectorships in the Peninsula, where the *raiyatwari* system had been carried into effect, constituted the *maximum* of the annual rent to which the cultivator was liable. The Madras Government, in their Revenue Letter to the Court of Directors, dated the 12th August, 1814, when replying to the Court's orders to

maximum of the Government demand, and it was thought that 25 per cent. would be the average. The Government was of opinion that the assessment should be fixed in grain for a term of 50 years, and that the commuted value of the latter should be periodically adjusted every seven or ten years, according to its average money value in those periods. The Government in England objected to this arrangement, and gave preference to an assessment in money, unalterable for 30 years. The subject was further discussed by the Government which decided that the assessment should be revised after 50 years, if then deemed expedient.

Before this decision was intimated to the people, the Government of Madras was requested to express an opinion on the advantages of a perma-

carry out a *permanent* raiyatwari settlement, stated as follows: "To that paper (Col. Munro's, dated the 15th August, 1807) your Honourable Court's Despatch makes a marked reference, and we accordingly feel ourselves at liberty to regard the project which it contains as the *Permanent Settlement* which your Honourable Court would wish us to introduce."

When, in 1818, the Board of Revenue issued detailed instructions for the general introduction of the *raiyatwari* system under the orders of the Home Government, they made it clear that one of its distinguishing characteristics was that the assessment was a *permanent maximum* fixed on each field. Later on, the permanency of the *raiyatwari* settlement was, on several occasions, acknowledged in unmistakable terms.

The Revenue Board in 1857, in a report to the Government on the new survey and settlement, wrote as follows:—"A Madras *raiyat* is able to retain his land in perpetuity, without any increase of assessment, as long as he continues to fulfil his engagements."

In the same year, the Government, in a review of Mr. Rickett's report, expressed itself strongly in these terms: "The proprietary right of a raiyat is perfect, and as long as he pays the *fixed assessment on his land*, he can be ousted by no one; for there is no principle of *raiyatwari* management more fixed or better known than this, and the Government deny that any right can be more strong."

nent settlement in connexion with Sir Charles Wood's despatch of 1861. The Government, after tracing the history of the land tenure in the Presidency, expressed the view that, while it was wholly opposed to any extension of the system of the permanent *zemindari* settlement, it was also opposed to settlements for terms of years. There was, however, some difference of opinion between the Governor and the Members of his Council. The former was favourable to the imposition of a permanent grain-rent, but wanted to reserve to the Government the power of periodically determining the money-value of that rent, if at any future time a material alteration in the value of money should render such a measure expedient. The Members of Council, on the other hand, supported the old *raiyatwari* principle of a permanent money assessment—"that is to say, an assessment based on a certain portion of the crop and converted into a money payment at a fair commutation rate, fixed once and for ever."[1] Mr. Maltby, a member of the Governor's Council in Madras, wrote an elaborate Minute in which he pointed out the advantages of a permanent money assessment.[2]

The Governor-General in Council agreed with

[1] *Letter from the Government of Madras to the Government of India, dated the 8th February, 1862.*

[2] *Minute dated the 24th December, 1861.*

the view of the majority of the Council at Madras.[1] No practical steps were, however, taken in this matter, and in 1868, the idea was abandoned. In 1869, the Duke of Argyll directed that the assessments should be revised after a period of thirty years. In 1883, the Government of India addressed the Government of Madras on the proposal made in the despatch of the 17th October, 1882, to eliminate from future settlements the elements of uncertainty, and to give to the raiyat thereby an assurance of permanence and security, while not depriving the State "of the power of enhancement of the revenue on defined conditions." The Government of Madras accepted the proposal that, "in districts in which the revenue had been adequately assessed, the element of price should alone be considered in subsequent revisions, such districts being those duly surveyed and settled."[2] In 1883, however, not only was the idea of a permanent settlement formally abandoned, but the modified policy of Lord Ripon limiting an increase of assessments to a rise in prices was given the go-by.

The discussion of the question of a permanent settlement was revived in 1900 by Mr. R. C. Dutt

[1] Mr. Samuel Laing, Finance Member, laid down two conditions as essential in a permanent settlement, namely, (1) that culturable but uncultivated lands should not be thrown away, and (2) that provision should be made for the land bearing its fair share of local burdens.—*Minute dated the 7th April, 1862.*

[2] *Resolution by the Board of Revenue, Madras, dated the 6th December, 1900.*

in his Open Letters to Lord Curzon. Mr. Dutt affirmed that by the early *raiyatwari* settlement the Madras raiyat had a declared and indefeasible right to an unalterable and perpetual assessment, and that this right had been confiscated by the Government during the second half of the nineteenth century. The Board of Revenue in Madras controverted this view.[1]

Thirty years' settlements have been the practice in the Madras Presidency for over half a century. During the period intervening between two settlements the rates of assessment are not altered. But as under the raiyatwari system each cultivator is free to hold or relinquish whatever fields of his holding he likes, or to take up other available fields, and as deductions are sometimes made from his assessment in special circumstances an annual settling up is needed to show the amount he has

[1] The Board of Revenue tried to establish the following points, namely, (a) that the words "fixity" and "permanency" as applied to the assessment did not, when used regarding the raiyatwari system, convey the idea of perpetual immutability; (b) that the right claimed was never made a "right either by formal authoritative declaration or by enactment"; (c) that in the intentions of the founders of the system the idea of permanency was absolutely reciprocal, so that if the Government could not demand more, neither was it ever to receive less; (d) that if permanency had been established, it would have proved a hardship on the raiyat owing to the weight and inequality of the assessment; and (e) that, partly owing to the weight of the assessment at the then prices and conditions, partly to the absence of a proper survey, permanency was never established as a fact, but remained a mere intention or guiding purpose which was not binding in perpetuity but was alterable according to circumstances. The Government of Madras said that "save for an unauthorised proclamation" issued by the settlement officer of the Salem district, no declaration had been made to the people "binding" the Government to a permanent settlement. The Government of India concurred in this view.

actually to pay for the year. This process is called the annual settlement or *jamabandi*.

The old rates of assessment were generally based on 50 per cent. of the year's produce for wet lands and 33 per cent. for dry lands. When the revision began, the maximum was reduced to 30 per cent., the average assessment being about 25 per cent. But in the course of time the Government came to entertain the view that a gross produce percentage was not sufficiently accurate. In 1864, the revenue was fixed at half the net produce, which was to be ascertained by deducting the cost of cultivation from the grain out-turns commuted into money.

Mr. R. C. Dutt expressed the view in 1900 that the demand on the land in the Presidency was very heavy and that the revenue had been enhanced at each recurring settlement, which had resulted not only in reducing the raiyats to a pitiable state of poverty and indebtedness, but in leaving three millions of acres of land uncultivated. The Madras Board of Revenue referred to statistics to show that Mr. Dutt was in error. They sought to prove that the land assessment proper had not increased during the previous fifty years even in proportion to the additional area brought under holding, that the tax per acre had decreased, and that the actual weight or proportion of produce had immensely diminished owing to the rise in

prices.[1] This view was endorsed by the Government of Madras.

Calculations recently made by the Government show that the *raiyatwari* revenue actually collected at the present time is less than 10 per cent. of the gross produce.[2] In fixing the final money rate on each field, allowances are made for seasonal failure and various other agricultural risks. Remissions are granted, as a matter of grace, under executive instructions in cases of loss of crop.

Much the greater part of the territories in the Bombay Presidency came under British rule in 1818. For some years, no definite plan of revenue management was adopted. In some parts of the Presidency, arrangements were made with the headmen and other persons of influence for leasing certain tracts; in others, the old *Mahratta* village assessments were followed. This system of management proved an utter failure. After 1822, the Government of Bombay began seriously to consider the merits and defects of the different land revenue systems which had come into operation in the other provinces. It was ultimately decided to adopt the *raiyatwari* system. The experiment did not succeed. The assessments were so excessive that heavy arrears accumulated. The situation

[1] *Resolution of the Board of Revenue, Madras, dated the 6th December, 1900.*

[2] *Madras Administration Report, 1921-22.*

was described in an official Report in these words: "Every effort, lawful and unlawful, was made to get the utmost out of the wretched peasantry, who were subjected to torture, in some instances cruel and revolting beyond description, if they would not or could not yield what was demanded. Numbers abandoned their houses, and fled into the neighbouring Native States. Large tracts of land were thrown out of cultivation, and in some districts no more than a third of the cultivable area remained in occupation."[1]

The principal features of the system which was evolved in the course of time were the following: Where any ancient proprietors, either middlemen or village communities, were found in existence, their rights were respected. But, in general, the settlement was made with the raiyats. In 1835, a revision of the settlement of the Indapur Taluka was taken in hand. This work was entrusted to Mr. Goldsmid and Lieutenant Wingate. A new method of classification was adopted, which was founded on the capability of the land and the general circumtances of the areas. The experience gained at Indapur was then applied to other parts of the country. In 1847, certain changes were made, and the reformed *raiyatwari* system was introduced. It was a field system. Its main features may be described thus: Each raiyat was permitted each year

[1] *Administration Report of the Bombay Presidency for 1872-73.*

to cultivate what field he pleased and give up what he liked. All joint tenures and common responsibilities were entirely abolished. The unit or basis of the Bombay survey was an artificial field, or area, the size of which was fixed at what one pair of bullocks could plough up to double that size. This varied from 4 to 8 acres for rice cultivation and from 20 to 40 acres for dry crops. The survey was followed by a classing. Numerous considerations were brought into account, which were classed under three heads, namely, distance from the village site, natural productive capability, and nature of the water supply. When the classing was completed, the amount of assessment was fixed, which was calculated with a view to leaving such a surplus to the cultivator as would render him capable of improving his circumstances, and extending his cultivation. The settlement was generally for 30 years.[1] When revision settlements became due, no fresh classification or measurement operations were undertaken.

In 1865, the Bombay Survey and Settlement Act was passed. This Act remained in force till its provisions were re-enacted in the Bombay Land Revenue Code of 1879. This Act contained a new provision whereby a right was reserved to the Government to take into consideration, in fixing revised rates, improvements effected by owners or occupiers.

[1] *Moral and Material Progress Report, 1873-74.*

In 1884, an executive order was issued by the Government giving a general assurance that all improvements effected by occupiers would be exempted from taxation. In 1886, the objectionable provision of the Act of 1879 was amended, and the following principles were laid down for the guidance of settlement officers in fixing rates at the time of a settlement :—(1) that assessments would be revised in consideration of the value of land and the profits of agriculture, and (2) that assessments would not be increased on account of increase in such value and profits due to improvements effected on any land during the currency of any previous settlement by or at the cost of the holder thereof.[1]

Large enhancements in the revenue demand were made at the revision of settlements which commenced in 1866. The assessments were generally heavy. Another cause of complaint was that the assessments were placed beyond the jurisdiction of the law-courts by the Revenue Jurisdiction Act of 1876. By this means the discretion of the settlement officers was made absolute. Sir William Hunter observed in the Governor-General's Council in 1879: "The fundamental difficulty of bringing relief to the Deccan peasantry is that the Government does not leave enough food to the cultivator to support himself and his family throughout the

[1] *Bombay Administration Report, 1911-12.*

year." In the closing years of the nineteenth century, many parts of the Bombay Presidency suffered severely from famine; and the Famine Commission of 1900 found that the Government revenue in Gujrat represented one-fifth of the gross produce of the soil. In 1902 and 1903, therefore, the assessments were lowered in Gujrat.[1]

Meanwhile, Mr. R. C. Dutt's letters had attracted the attention of the Government.[2] The Government did not deny that large enhancements had taken place, but it held that these were justified. In this connexion, the Government laid down four criteria of moderation in assessments, namely, (1) the effect of the assessment on cultivation, (2) the ease with which it was collected, (3) its relation to the net produce and to the value of land, and (4) its relation to the gross produce. Having discussed these criteria the Government came to the conclusion that the enhancements had "not resulted in excessive assessment." It further observed that the resisting power of the Deccan raiyat had considerably increased.[3]

[1] *R. C. Dutt, India in the Victorian Age.*

[2] The Resolution which was issued by the Government of India in reply to Mr. Dutt was drafted by Sir Bampfylde Fuller. But it was thoroughly revised by Lord Curzon. Lord Ronaldshay says, "It was recognised as a notable State document, bearing the impress of a master hand—as, indeed, the most important pronouncement on land revenue policy since Lord Canning's famous scheme of forty years before for conferring a freehold thoughout the country."—*Life of Lord Curzon, Vol. II.*

[3] *Letter from the Government of Bombay to the Government of India, dated the 30th March, 1901.*

In the revisions of settlement which have taken place in recent years, complaints have again been made of unduly heavy assessments. In pursuance of the advice of the Parliamentary Joint Committee, a resolution was passed by the Bombay Legislative Council urging that a committee be appointed to consider the question of regulating revision of assessment by legislation, and that "no revision be proceeded with and new rates under any revised settlement be not introduced till the said legislation is brought into effect." A Land Revenue Assessment Committee was appointed; but the second part of the resolution was ignored, and revisions of settlement were proceeded with in many talukas. The Committee published its report in 1927. The Legislative Council passed another resolution recommending the enactment of legislation after consideration of this report, and urging that, pending such legislation, orders be issued to the revenue authorities "not to collect the assessments enhanced in revision after the 15th March, 1924." Unfortunately, no heed was paid to this resolution, and the revision settlements were continued.[1]

A difficult situation arose at Bardoli in 1928, where it had been decided to assess the land revenue demand at an enhanced rate of 22 per cent.[2] Objection was taken by the residents of the taluka to this

[1] *Young India, dated the 14th June, 1928.*

[2] *Ibid.*

rate on the ground that it was arbitrary and based on no accurate data. All efforts to convince the Government of the injustice of the new assessment having failed, a *satyagraha* movement was started, and the raiyats pledged themselves to pay no assessment until either (1) the enhancement was cancelled, or (2) an independent and impartial tribunal was appointed to examine the whole case.[1] No attempt was made to redress the grievance. But the Government relied on coercive measures for the recovery of arrears of revenue. A non-official Committee, consisting of seven members of the Bombay Legislative Council was formed to enquire into the grievances of the Bardoli cultivators. This Committee reported that the Government had adopted indefensible methods in resorting to criminal law and that the attachments and distraints had in many cases been illegal. To prevent the recurrence of unfortunate situations like that of Bardoli the Committee recommended, *inter alia*, that the land revenue policy of the Government should be revised, that the principle of assessment should be brought into line with the civilised notions of land tax prevailing in the West, and that an appeal to civil courts should be allowed where the assessment was considered to be unsatisfactory.

[1] The Settlement Officer proposed an increase of 30.59 per cent.; the Settlement Commissioner reduced this to 29.03 per cent., while the Government of Bombay contented itself with 21.97 per cent.

The Government afterwards appointed a Committee consisting of two of its officers to consider the question. This Committee reported that the new assessments had been pitched too high and that the Government had made a mistake in proceeding with the re-settlement in the way it did. The Governor of the Presidency declared in the Legislative Council in July, 1929 that the events leading up to the Bardoli enquiry opened up many grave and important issues effecting not only the practice but also the policy hitherto followed with regard to revenue settlements, and he announced that a sound and progressive measure of legislation would be placed before the Council at an early date. He further informed the Council that the Government had no intention of proceeding further with the settlements then pending until these could be reconsidered in the light of any fresh decisions which might be arrived at. A meeting was held soon afterwards at Poona at which resolutions were passed demanding the cancellation of all revision settlements which had taken place since 1920 and the announcement of a definite policy. A Land League was formed with the object of educating public opinion on the question of the land revenue policy of the Government. Mr. V. B. Patel, in the course of the presidential address delivered on this occasion, insisted that profits of agriculture, and not

rentals, should be the basis of assessing the land revenue.[1]

Besides the *raiyatwari* tenure, there are in the Bombay Presidency several special tenures, such as *taluqdari*, *mehwasi*, *udhad jamavandi*, *khoti*, *izafat*, and *inam*. The *taluqdari* tenure exists in Gujrat. A *taluqdar* is the absolute proprietor of his estate, subject to the payment of the Government revenue, which may be either fixed or subject to periodical revision. The *mehwasi* is also found in Gujrat. It is a system of paying revenue in a lump sum for the village, the amount being fixed at the discretion of the Collector. The payments are made by joint owners of the villages. *Udhad jamabandi* is a fixed assessment, not liable to revision, on villages or groups of villages. The *khoti* tenure is the holding of villages by *khots* or managers, who make annual agreements with the Government. *Izafat* tenures are held by persons who or whose ancestors formerly served under the Government; and who pay revenue at concession rates. *Inams*, *jaigirs*, etc. are tenures, wholly or partly free from assessment, of land allotted for services to the State or for the support of temples, etc.[2]

Sind came into British possession in 1843. It

[1] The best method, according to Mr. Bhulabhai Desai, of arriving at agricultural profits is by ascertaining the actual produce multiplied by its price and deducting the expenses of agriculture. He is further of opinion that no conclusions should be based on sales and leases; these may be utilised as a mere check, but not as a standard.

[2] *Bombay, 1921-22.*

was administered by a special commission under the Bombay Government. The revenue system of Sind is somewhat different from that of the rest of the Bombay Presidency. The prevailing tenure is *zemindari*. The smaller *zemindars* cultivate the lands themselves, but the larger zeminders receive shares of crops from the actual cultivators according to immemorial custom prevailing in the different districts.

No regular settlement operations were commenced until 1855, and none were actually introduced on the right bank of the Indus until 1862, and on the left until 1863. Until these dates the settlements were for short periods, without regular measuring and classing. The assessments were in some cases very heavy. In the regular settlements the assessments were reduced. Money payments were substituted for payments in kind which had been in vogue in former times. The rates were fixed by the method of irrigational settlement, that is to say, according as the land was watered by the inundation wheel, or the perennial wheel, or by the rains. As the agriculture of Sind was dependent on the irrigation derived from the Indus, the classing of the land had reference mainly to the facilities for obtaining water.[1] The period of settlement is normally for 20 years.

[1] *Vide Moral and Material Progress Report, 1873-74,* and *Bombay, 1921-22.*

The province of Assam is composed of parts which present great divergences in history and in other circumstances. The two districts of Sylhet and Goalpara formed part of Bengal as acquired by the *diwani* grant of 1765, and large portions of these were included in the Permanent Settlement of 1793. Some lands in Sylhet were excluded from the Permanent Settlement, and these were known as *ilam*. The *ilam* lands were first surveyed in 1835, and the cultivated portions were settled with their occupants on a 10 years' lease, which was renewed from time to time. In 1869, a systematic re-settlement of the *ilam* lands was undertaken, resulting in a considerable increase in revenue. The assessment was based on the rates of rent paid by cultivators of similar lands in the neighbourhood, subject to a deduction of 15 per cent. The term of settlement was 20 years; the holders had a permanent and heritable right of occupancy, but the proprietary right remained vested in the Government.[1] The *ilam* leases were extended till 1902, when these lands were resettled for a further period of 20 years.[2]

The district of Cachar has a peculiar tenure of its own, known as *mirasdari*. The characteristic feature of this tenure is that the estates are held in common by a voluntary body of cultivators,

[1] *Moral and Material Progress Report, 1882-83.*

[2] *Report on the Administration of Assam, 1921-22.*

often of different castes, tribes, and religions, who are jointly liable for the revenue. The first settlement was made in 1838-39 for a term of five years, after a rough survey. A fresh survey was made in 1841-42, upon which was based a 15 years' settlement, renewed for an additional term of 20 years. In 1875, a more elaborate survey was begun and a fresh settlement based upon this survey was concluded in 1883-84. The term was for 15 years. The tenure conferred was permanent, heritable, and transferable.

The land system of Assam proper, that is, the Brahmaputra valley, is *raiyatwari*, modified only by the circumstance that a contractor, styled *mauzadar* intervenes between the Government and the actual cultivators of the soil. The entire area, including waste land, is divided into convenient blocks or revenue circles, known as *mauzas*. Each *mauza* forms the charge of a *mauzadar*, and subordinate to him are *mandals* who are in charge of villages. The *mauzadar* is responsible for the due payment of the revenue, and is paid a commission on the revenue collected by him. Besides the ordinary *mauzadari*, there are two other tenures, namely, (1) *chamua* or *khirajkhat*, which only differ from the ordinary tenure in that the holder has the privilege of paying the revenue direct to the Government without the intervention of a *mauzadar*; and (2) the *nisf-khiraj*, a sort of resumed *lakhiraj*, which is

assessed at half rates. The *lakhiraj* lands are entirely revenue-free.

Prior to 1870, all *raiyatwari* lands were held on annual leases, but in that year a set of rules for the encouragement of ten-year leases was sanctioned by the Bengal Government, expressly declaring that holdings so settled should be heritable and transferable. These rules were, however, practically inoperative till 1883 when they were recast. It was then ordered that the settlement should henceforth be decennial, wherever cultivation was of a permanent character. At the same time, a trial was made of substituting *tahsildars* or Government revenue-collectors for *mauzadars*. The principle of these rules of 1870 was embodied in the Land and Revenue Regulation of 1886.

A re-settlement of a large part of the Brahmaputra valley was effected in 1893-94. This was followed by some disturbances due to the too abrupt imposition of higher rates. It gradually became apparent that the revenue demand was most unevenly distributed.[1] On account of the havoc caused by the earthquake of 1897, it was found necessary to grant some remissions from the revenue demand. Re-settlement operations were inaugurated in 1902 on a new system, known as the "soil-unit" system, by which the assessment of the land revenue was, as far as posible, fixed by the people themselves, with

[1] *Report on the Administration of Assam, 1912-13.*

reference to the popular estimate of the relative values of the different classes of soils and of the relative natural advantages of the different areas. In none of the districts was the revenue demand greatly enhanced; in the Kamrup district, an actual abatement had to be made.

The assessment was originally based on a simple classification of soils, which was adapted to the uniformly fertile nature of the valley. The ordinary system does not prevail in the hill-tracts, but in some parts of them, a house-tax is taken in lieu of assessment on the land. In 1893, however, a more detailed system of classification was introduced.

Waste land tenures for tea cultivation form an important feature of the land system of Assam. In this matter the policy of the Government has undergone several changes.[1] The total area of land in Assam held under special terms for tea cultivation is large. In addition, a considerable area of land is held by tea planters under ordinary *raiyatwari* tenure in Assam proper and under *mirasdari* tenure in Cachar.

[1] *Moral and Material Progress Report, 1882-83.*

The first rules, drawn up in 1838, sanctioned the grant of leases of not less than 100 nor more than 10,000 acres. One-fourth of the whole was revenue free for ever, the remainder was liable to varying rates of assessment, subject to revision every 21 years. In 1854, a fresh set of rules was introduced. One-fourth of the area was still revenue free for ever; the remainder was free for 15 years, to be assessed thereafter at 4½d. an acre for 10 years, and at 9d. an acre for 74 years more. In 1854, an option was given of redeeming the future assessment at 20 years' purchase. The policy of selling waste lands in fee simple was introduced by Lord Canning in 1861, and modified in 1862, and again

The revenue history of Burma presents many features which are entirely different from those of the other provinces. During the rule of Burmese kings, the taxes varied from place to place and from person to person. In most places, however, cultivators paid a tax the amount of which was dependent on the number of ploughs they used. The rates differed according as they cultivated gardens, rice land, or dry land. The assessment was supposed to represent one-tenth of the value of the gross produce.[1]

The plough-tax was continued after the annexation of Arakan and Tenasserim by the British Government. Gradually, the area per plough was standardised, so that the tax became a tax on land rather than on the culivation, and the tax on a standard area of land passed naturally into a tax at acre rates. In Tenasserim, the earliest acre rates were supposed to represent one-fifth or one-fourth of the value of the gross produce. It should be noted that one distinctive principle of the revenue

in 1874. The price might either be paid down at once, or in instalments spread over 10 years, with interest at 10 per cent. In 1876, the policy of leases was reverted to. The term was for 30 years, of which two years were revenue free, the rent thereafter rising progressively to Rs. 25 an acre. On the termination of the lease, the land might be assessed at rates not higher than those prevailing for ordinary cultivation. These rules were revised and re-issued under the Land and Revenue Regulation of 1887. It was decided on a subsequent occasion that all leases of this class which expired in 1912 or would expire later would be renewed up till 1932, on the same conditions as before, together with a few additional provisions; the rates of assessment would be about 6 annas per bigha.

[1] *Report of the Committee on the Land Revenue System of Burma, 1922.*

system of Burma from the commencement of Britsh rule was that no fixed contract was made between the Government and the cultivator regarding the assessment of any given area of land, but acre rates were fixed at which each cultivator paid revenue according to the area of his cultivation. This system has survived to the present day.

The earliest rates in Lower Burma were uniform throughout the whole of a revenue circle extending possibly over hundreds of square miles. In 1847, Capt. (afterwards Sir Arthur) Phayre adopted as the area of uniform assessment the *kwin*, or a sub-division of the village tract. A series of experiments was next made with the object of substituting fixed for fluctuating assessments. Two systems were tried for some years, namely, the village lease and the individual lease. But with the opening of the Suez Canal and the revolution of agriculture in Lower Burma, both varieties of fixed assessment became unworkable. In 1879-80, therefore, fluctuating assessments were reverted to. These years marked the commencement of the modern period of settlement in Burma. In one matter of fundamental importance a marked departure was made from the previous system. It was decided that the basis of assessment should be the net, not the gross, produce of cultivation. The term 'net produce', however, was at this time used in the sense of net profits, which were regarded "as the

only legitimate fund from which the revenue should be drawn." The standard proportion of the net profits which should be taken by the State was fixed at one-half a few years later.

When Upper Burma was annexed it was found that in these territories some lands recognised as royal lands, paid rent, but on others nothing in the shape of rent, revenue, or taxes was levied, the only general tax being *thathameda*. The rent on royal lands was ordinarily taken as a share of the gross produce. After a great deal of correspondence between the Government of India and the provincial Government, the net produce was adopted as the basis of assessment, excluding home labour from the cost of cultivation. One-half of the net produce was fixed as the share of the Government.

Thus, for some time, two distinct standards of assessment were in force in the province, namely, half the net produce in Upper Burma, and half the net profits in Lower Burma. In the latter part of the province, however, it was found that the nominal standard had never been attained. The Government of India suggested that an approximation to the nominal standard was desirable as a safeguard against evils "so rife in India—the middleman, the rent-receiving landlord, the land grabbing and rack-renting money-lender." Shortly afterwards, the Government of India expressed

the view that net profits were unsuitable as a basis of assessment because the definition rested on quantities which were practically indeterminable and had been discarded elsewhere, and urged the adoption of the net produce as the basis. It was understood at that time, however, that the cost of cultivation should be calculated on the assumption that each holding was cultivated entirely by outside labour, hired cattle, purchased implements and seed, etc. But later on it was decided to exclude the value of home labour from the cost of cultivation. The basis of assessment thus became the value of the gross produce less out-of-pocket expenditure on cultivation. This, since 1900, has been the basis both in Upper and Lower Burma. The standard share of the revenue has, however, remained unchanged. The share was still one-half, but as even with a much more restricted basis the assessment had not yet approached the theoretical rate, a provincial standard of one-fourth was now prescribed for Lower Burma.

In Burma, it has always been the tradition that the assessment should fluctuate with the annual produce of agriculture. The advantages and disadvantages of the system have been considered again and again. The earliest experiments in the direction of substituting fixed for fluctuating assessments were made in 1858-59, and for many years the issue remained in doubt. In 1880, however, it was

decided to revert to fluctuating assessments; and in the directions issued to the settlement officers in that year it was laid down that, in calculating rates, an allowance should be made for fallow areas. Several modifications in detail were introduced later, but the system of fluctuating assessments on cultivated areas continues till the present day in Lower Burma.

In Upper Burma, the people were habituated to a system of assessment more elastic than that in Lower Burma. After its annexation, the question of fixed assessments was discussed and several experiments made. But the insecurity of harvests indicated that even an assessment fluctuating with the cultivated area would be insufficiently elastic. The choice seemed to lie between extensive remissions and a system of assessment on matured areas. In 1898, the Government of India sanctioned the latter method for adoption in the dry zone of Upper Burma. In practice, the system of assessment on matured areas[1] was extended to the whole of Upper Burma.

Proposals were put forward to vary the revenue with the crop sown in Upper Burma, but they were negatived by the Government of India. It is now the general practice that a subsidiary crop shall only be separately assessed on rice land when the

[1] *Report of the Committee on the Land Revenue System of Burma, 1922.*

main crop fails, and that crop rates shall only be imposed on permanent soil or where specially valuable crops occupy a limited but considerable area.

Land revenue in Burma is not only the assessment on culturable land but includes also *taungya-tax*, capitation tax and land rate in lieu therefor, the *thathameda* tax, water rate, and local cesses. The *taungya-tax* is a charge per head or per household imposed in areas of shifting cultivation, usually in the hills, in lieu of land revenue.

A Committee, consisting entirely of officers of the Government, was appointed a few years ago to examine the land revenue system of Burma. This Committee submitted its Report in 1922. It discussed the whole question with great thoroughness and made a number of recommendations. The most important features of the Report regarding the assessment of revenue may be described in these words: The Committee considered the net produce basis as defined in Burma as dangerous and misleading. It held the view that the principles on which the cost of cultivation was calculated were unsound, and that the manner in which they were applied was unsuitable. It, therefore, recommended that the basis of assessment should be the rental produce, that is, the value of the gross produce *less* the true and full cost of cultivation, which would include an adequate allowance for all labour expended by the cultivator and his family on the land.

As for the Government demand, the Committee recommended that half the rental produce should be recognised as the maximum and not the standard as at present, while the existing demand should ordinarily represent the maximum, it being the duty of the settlement officer to find some point between these limits at which the demand might suitably be fixed.[1]

The land revenue amounted in 1792-93, the year preceding the Permanent Settlement of Bengal, to less than 4 crores. In 1857-58, the closing year of the Company's administration, it had risen to nearly 16 crores of rupees. On the eve of the Montagu-Chelmsford Reforms (1920-21), it stood at 31·97 crores. In 1926-27, the amount of land revenue reached the figure of 34·88 crores.

This increase has been due to addition of territories, extension of cultivation, and increased demand on the part of the Government. For a long time land revenue constituted the most important of all the resources of the State in India; but it now occupies the second place among the sources of revenue. In 1857-58, two-thirds of the State income was derived from the land, but at present land revenue represents less than one-fifth of the total resources of the country.

Of the provincial resources the land revenue now

[1] *Report of the Committee on the Land Revenue System of Burma, 1922.*

forms the largest item in most of the provinces. The shares of the different provinces in the land revenue collections of 1926-27 were as follows: Madras, Rs. 6·22 crores; Bombay, Rs. 4·66 crores; Bengal, Rs. 3·11 crores; United Provinces, Rs. 6·87 crores; Punjab, Rs. 3·21 crores; Burma, Rs. 5·22 crores; Behar and Orissa, Rs. 1·69 crores; Assam, Rs. 1·66 crores; Coorg, Rs. ·18 crores; Territories under the Government of India, Rs. ·41 crores.

The proceeds of the land revenue were divided between the Government of India and the Provincial Governments till 1920-21. But, with the introduction of the Montagu-Chelmsford Reforms, land revenue has been transferred entirely to the provinces. It has, however, so far been a reserved subject and administered by a member of the Executive Council in each province. In the new administrative arrangements which are likely to be effected in the near future, the subject will be under the absolute control of the elected representatives of the people. It is to be hoped that the undesirable features of the system will then be removed and the whole system placed on a satisfactory footing.

CHAPTER VIII

EXCISE

SPIRITUOUS liquors and intoxicating drugs were not absolutely unknown in Ancient India. But their use was severely condemned by sages and law-givers. During the Mahomedan period of Indian history, a tax on intoxicants was levied. Under British rule, the excise systems have differed in the different provinces. A short history of these systems from the early days of the Company to the last quarter of the nineteenth century is given below.

In Bengal, during the period immediately preceding the commencement of British rule, the excise duty was collected through the agency of the zemindars. This system was continued for some time under the Company's administration. In 1790, the Bengal Government determined, on moral grounds, to resume from the zemindars the right of collecting duties on spirits and drugs. The reason assigned for this step was that the immoderate use of spirituous liquors and drugs "had become prevalent among many of the lower orders of people owing to the inconsiderable price at which they were manufactured and sold."

The Regulations issued between 1790 and 1800 prohibited the manufacture or sale of liquors without a license from the Collector. A daily tax was levied on each still, and the officers were instructed to reduce as much as possible the number of licenses, and to fix on stills the highest rates which could be levied without operating as a prohibition. In 1813, an attempt was made to introduce central distilleries in large towns, but after a few years' experience they were closed in all districts except five, because they had not been productive of the advantages expected from them. After 1824, the farming system was tried. This, in its turn, was found to be open to objection, as it led to an encouragement of consumption and involved a sacrifice of revenue. From 1840, changes were introduced which resulted in the general re-introduction of the out-still system except in a few places where central distilleries were continued.

In 1856, the excise law of Bengal and the North-Western Provinces was consolidated and amended. The manufacture of spirit after the English method was confined to duly licensed distilleries, and the rate of duty on such spirit was fixed at one rupee per gallon. Collectors were to issue licenses to any person for the manufacture of country spirit. They were also authorised to establish distilleries for the manufacture of country spirit and to fix

the limits within which no liquor, except that manufactured at such distillery, should be sold, and no stills established or worked. The levy of a tax or duty on licenses for retail sale was prescribed, and generally wide powers were given for the restriction and taxation of the trade in spirits and drugs.

In 1859 and the following few years, at the suggestion of the Government of India, the central distillery system was introduced almost throughout the province. But before the end of the decade numerous objections to this measure were forced on the attention of the Government. In 1871, it was decided to re-introduce out-stills in certain places, and after 1877 out-stills again became the general rule, central distilleries being exceptions. In 1879, the revenue authorities suspended the rule which had previously been in force limiting the capacity of each out-still, and thus preventing the owner from manufacturing more than a certain quantity of spirit. Complaints followed that the change had cheapened the price of liquor and led to an increase of drinking. From the year 1880, the number of out-stills was reduced. In 1883, a Commission was appointed, whose Report is regarded as a landmark in the history of excise administration in India. The Commission recommended the re-introduction of the central distillery system into several large towns, the more effective regulation of the working

of the out-still system and the restriction of the capacities of stills and fermenting vats to sizes sufficient to meet the local demand. In pursuance of the recommendation of the Commission, the central distillery system began again to be re-introduced wherever there was a prospect of its being worked with satisfactory results.[1]

When the territories in the Madras Presidency came under British administration, the excise system found there in force was the farming system. This was continued by the early British administrators. In the first decade of the nineteenth century, considerable discussion took place regarding excise regulations. In 1808, a regulation was enacted, which provided that the exclusive privilege of manufacturing and selling *arrack* should be farmed in each district. The out-still system was tried in a few districts, but was soon discontinued. By a regulation of 1820 the law was amended so as to authorise the treatment of *toddy* and other fermented liquors in the same way as spirits by allowing Collectors to retain the manufacture and sale under direct management if deemed preferable to farming. This law remained in force for over forty years, and under it the farming system was universal, with the exception of the city of Madras.

[1] The rates of duty varied in the different districts of the province. Broadly speaking, it may be said that the duties were doubled between 1870 and 1889.—*Despatch from the Government of India to the Secretary of State, dated the 4th February, 1890, Appendix H.*

In 1864, Act III of that year was substituted as the excise law of Madras. The two main alterations were the grant of power to levy an excise duty on the quantity of liquor manufactured instead of an annual payment for the farm, and the reservation of the right to suppress the home manufacture of fermented *toddy* where that privilege was likely to be used as a cloak for illicit sales or distillation. The power granted by this Act was gradually extended. In 1884, a Committee was appointed to investigate the excise system, and its recommendations were adopted before the end of the year. Under the new system the monopoly of manufacture was let separately from that of sale, the former being granted on condition of payment of a fixed duty per gallon and that liquor should be supplied to the shops at a fixed maximum rate, and the right of sale being given on payment of a fee per shop, or a number of shops, or on payment of a fee determined by auction. After a short trial, this gave way to the system under which no monopoly of manufacture was established. The law was amended by Act 1 of 1866.[1]

The rates of duty in Madras varied in different districts. Before 1884, no separate licensee's fees were levied in addition to the still-head duty. In that year, a committee was appointed by the Govern-

[1] *Despatch from the Government of India to the Secretary of State, dated the 4th February, 1890, Appendix H.*

ment of Madras to enquire into the excise system of the province. The object of the enquiry was to raise the taxation on country spirit, which was then considerably below the import rate, up to that level. The Madras Abkari Committee agreed with the policy already announced by the Government of endeavouring to realise a "maximum revenue from a minimum consumption." They further observed: "Every right-feeling Government will do all that it can to increase the taxation on intoxicating liquors up to that point (which may be called the limit of taxation) when the people, rather than pay the high price of liquor which can be had in licensed shops, will take to illicit distillation and smuggling in each locality."

In the Bombay Presidency, no revenue was derived by the State from intoxicants during the earlier period of the Peishwa's rule; but in later years taxes seem to have been imposed on them. There was total prohibition in the cities of Poona and Nagar, drunkenness being regarded as a criminal offence. After the commencement of British rule, the tree-tax on date and brab trees was continued, as was also the farm of the monopoly for the manufacture and sale of *mowra* spirit. In 1808, a new system was introduced in Surat and Salsette, under which a tax was levied on each still, the distiller having the right both to manufacture and sell liquor. In 1816, the central distillery system was

introduced in Salsette and the city of Surat. In 1827, the excise arrangements were consolidated. The main features of these arrangements were as follows: Central distilleries were maintained in a few cities such as Ahmedabed, Broach and Surat, a fixed duty per gallon being levied. In districts where cocoanut, brab and date trees did not grow the right to manufacture and sell spirits was farmed. In most of the other districts where these trees grew, the monopoly of the retail sale of spirits and of the right to purchase spirits from Bhandarees was farmed.

In 1837, a Committee was appointed to advise the Government on the steps to be taken to improve the excise administration of Bombay. This Committee recommended the continuance of the farming system with modifications, such as reducing the number of shops and stills, and freeing raw *toddy* from any tax except the ground-rent on the trees. A Regulation was enacted in 1851, which was found to be defective; and in the following year an Act was passed to remove these defects. In 1857, the Government declared its future policy to be the letting by auction of each shop, with its still, separately. In 1859, the duty at all the central distilleries was raised to one rupee per gallon. In 1864, an officer was placed on special duty to collect information regarding the increase of intemperance and other cognate matters. The farming system continued

till 1878. In that year, an Act was passed which completely changed the excise system. The farming system was abolished, and the central distillery system, with high rates of duty, was introduced. As in Bengal, the rates of duty varied in the different districts of the Bombay Presidency. From 1877 the rates of duty were steadily raised so as to approximate to those fixed for imported spirits.

The early history of excise in the North-Western Provinces was the same as that in Bengal. The "Directions to Revenue officers" issued in 1838, after the separation of the province of Bengal, mentioned the central distillery system as an alternative to the farming system. Act XXI of 1856 authorised the establishment of that system. But it was not introduced anywhere. In 1859, the Provincial Government, in reply to the reference from the Government of India, opposed the introduction of the central distillery system. The methods then in force in the North-Western Provinces were the licensing of single stills, and also of shops on payment of fees fixed by the Collector; and the farming of manufacture and sale usually for one year for subdivisions on payment of rents fixed by public tender. The Collectors had discretion to resort to auction instead of tenders, but this discretion was seldom used.

The view of the Provincial Government changed in regard to the central distillery system, and that

system began to be introduced in nearly the whole of the province from 1863.[1] The licenses for retail sale were at first sold by auction. In 1867-68, in one district an experiment was tried in which the still-head duty was relied on as the main part of the tax on liquor, but licenses were granted to open shops on payment of a low fixed license fee at any place for which application was made. The experiment proved a financial success, and in the following year the Excise Commissioner proposed that this plan should be tried everywhere. The proposal was approved by the Government with a modification. In 1870-71, a change was made, and the following rule was laid down: "The Collector will fix the number and locality of the different shops, and determine their letting value according to the advantages possessed by each. It is not intended that they should, as a rule, be put up to public competition; but competition may be resorted to by the Collector and taken into account in determining the sum at which each shall be leased." This rule remained in force for many years, but the difficulties in the way of obtaining accurate information necessary to work the rule effectively led afterwards to the reversion generally to the practice of putting the shops up to auction.

The experience of the working of the central

[1] The rates of duty were fixed at 12 annas a gallon for spirit of lower strength than 25 under proof and one rupee for spirits of higher strength.

distillery system from 1863 to 1870 proved that it had been much too extensively introduced. In 1871, the Government of the province expressed its conviction that smuggling for the sale of illicit liquor was going on to a very large extent in several districts.[1] A Committee was appointed in 1877 to report on excise matters and, in accordance with its recommendations, numerous measures were adopted for the improvement of the administration. The "modified distillery system" was tried in some districts; but as it was found to be a failure, it was abandoned. In Oudh, the central distillery system was uniformly adopted from the year 1861.[2]

In the Punjab, there was no regular excise system during the Sikh administration. But in several places a duty was levied in the shape of license fees. For some years after the annexation of the province, the farming system was in force. In 1862-64, the central distillery system was introduced in every district, and it continued, with a few minor exceptions.[3] The rates fixed in 1862 were raised in the following year. In 1877, the rates were increased still further. The levy of

[1] The rates fixed in May 1873 were Re. 1 for strengths higher than 25 and 8 as. for strengths lower than 25. In October of the same year these rates were raised to Rs. 2 and Re. 1.

[2] The still-head duty was fixed at Re. 1 for spirit of higher strength than 25 under proof and 12 annas on lower strengths,

[3] The rates in 1862 were Rs. 2 per gallon for spirit of the strength of London proof and Re. 1-8 as. for spirit of the strength of 25 under proof.

license fees for sale, in addition to the still-head duty, raised the total taxation of country liquor per gallon to a very high figure in the Punjab.

In Burma, the traffic in liquor was altogether forbidden during the Burmese rule. On the annexation of Upper Burma, the strong temperance principles of the people were recognised by the Government of India in a despatch sent to the Secretary of State in 1886. But the wishes of the Burmese people were not long respected, and it was decided to grant licenses for the opening of shops for the sale of liquors "to Europeans, Indians and Chinese." The Burmese were prohibited from purchasing liquor, and it was made penal for the holder of a license to sell liquors to them. The law, however, was easily evaded. It was observed in a Government Report issued in 1893: "There can be no doubt that the prohibition is in practice inoperative."[1]

This brief historical review of excise administration in the different provinces shows that in no province was a consistent and continuous policy pursued. But, generally speaking, it may be said that the line of advance was from the farming system towards the central distillery system. The Government, however, thought that there were various reasons which rendered the central distil-

[1] *Report of the Bombay Excise Committee, 1922-23.*

lery system unsuitable in many parts of the country. The complaint was frequently made that the excise policy of the Government had resulted in encouraging the drink evil in India and had thus been productive of immense harm to the people.

In 1886, the British and Colonial Temperance Congress of London submitted memorials to the Secretary of State and to the Government of India to the effect that habits of intemperance fostered by the fiscal system adopted by the Government were greatly on the increase in India, that this was due to the extension of spirit licenses granted for the purpose of excise revenue, which on spirit had more than doubled in the previous ten years. The Government of India admitted that there had been an increase of revenue, but pointed out that this mainly had been due to the prevention of smuggling, increase of population, improved means of communication, and agricultural prosperity.

In 1888, the Secretary of State observed in a despatch to the Government of India that, in controlling and directing the Indian excise administration, the Supreme and Provincial Governments were following and had followed the principle that as high a tax as possible should be placed on spirits without giving rise to illicit distillation. In the interest of the Indian people, he added, as well as in the interest of the Indian treasury the excise

systems of India must always be based upon two considerations, namely, "(1) that an extension of the habit of drinking among Indian populations is to be discouraged, and (2) that the tax on spirits and liquors should be as high as may be possible without giving rise to illicit methods of making and selling liquor." Subject to these considerations, the Secretary of State urged that, "as large a revenue as possible should be raised from a small consumption of intoxicating liquors."

In 1889, Mr. Samuel Smith moved in the House of Commons a Resolution[1] condemning the excise administration of the Government of India. In the course of the speech delivered by him on the occasion, Mr. Samuel Smith observed that there had been a deplorable increase of drinking in India. Mr. W. S. Caine, in seconding the Resolution, said: "The worst and rottenest excise system in the civilised world is that of India; the worst and rottenest of the various systems of India is that of Bengal." A long and interesting debate followed. Sir John Gorst, then Under-Secretary of State, met the Resolution by a direct

[1] The Resolution ran thus: "That, in the opinion of this House, the fiscal system of the Government of India leads to the establishment of spirit distilleries, liquor and opium shops in large numbers of places where till recently they never existed, in defiance of native opinion and the protests of the inhabitants, and that such increased facilities for drinking produce a steadily increasing consumption, and spread misery and ruin among the industrial classes of India, calling for immediate action on the part of the Government of India, with a view to their abatement."

negative. But the Resolution was carried by a majority.

The Government of India sent a despatch[1] in 1890 to the Secretary of State in which it admitted that an error had been committed in extending the out-still system after 1877 in Bengal, and especially in removing the limitation on the capacity of out-stills. But it asserted that there had been no increase in drinking in that province since 1884;[2] on the other hand, there was evidence which tended to show that there had been a decrease. It also refuted the charge that the British excise administration gave greater facilities for drinking than an administration based on principles approved by Indians would do. It then pointed out the reasons for the existence of the different systems in the provinces. Lastly, the Government of India discussed the objects and principles of excise administration. The Government of India observed in this connexion that, from an historical point of view, the primary objects of an excise system were the raising of revenue and the regulation of the trade for police purposes. No special difficulty was experienced in achieving the

[1] *Despatch dated the 4th February, 1890.*

[2] "One of the earlier effects," observed the Government of India, "of the spread of education and enlightenment in such countries as India may sometimes be an increase in intemperance: old checks based on imaginary sanctions lose their power of restraint, and the result is excess. But this result is, we believe, only temporary: education in time establishes more solid and enduring restraints against intemperance than those which it destroys."

second object. In respect of the realisation of revenue, the principle to which the Government had given its adherence was to impose as high a tax as might be possible without giving rise to illicit practices. But, in the opinion of the Government, there was no general agreement regarding the extent to which the Government should go in the direction of restricting the consumption of stimulants and narcotics.

After pointing out the difficulties likely to be encountered in the adoption of a policy of restriction, the Government of India expressed the view that prohibition, even if desirable, "was impossible" in India; and that local option was "impracticable," as it would tend to "throw the whole administration into confusion." It said further that the difficulty of ascertaining public opinion on the question of drink was very serious. The Government of India, after considering all the conditions of the very difficult problem, arrived at the conclusion that the only general principles which it was expedient or even safe to adopt were the following:—

(1) "That the taxation of spirituous and intoxicating liquors and drugs should be high, and in some cases as high as it is possible to enforce;

(2) that the traffic in liquor and drugs should be conducted under suitable regulations for police purposes;

(3) that the number of places at which liquor or drugs can be purchased should be strictly limited with regard to the circumstances of each locality ; and

(4) that efforts should be made to ascertain the existence of local public sentiment, and that a reasonable amount of deference should be paid to such opinion when ascertained."

The Government of India did not anticipate that the carrying out of this policy in a rational manner and with reasonable regard to the circumstances of the country would "lead to any loss of revenue."[1]

Soon afterwards, a special Commission was appointed to investigate matters relating to the hemp drugs. The Hemp Drugs Commission expressed the view, that total prohibition of cultivation and sale was "neither necessary nor expedient." They recommended that a policy of control and restriction should be adopted, the means to be taken towards this end being (1) taxation by a combination of direct duty and vend fees ; (2) prohibition of hemp cultivation except under license ; (3) limitation of the number of retail shops ; and (4) limitation of the extent of legal possession of the drugs. The Commission advised that the methods adopted for carrying out these objects

[1] *Despatch dated the 4th Feburary, 1890.*

should be systematic, and, as far as possible, uniform; and further, that a Government monopoly was undesirable for practical reasons. With a view to the adoption of the measures recommended, the Government of India took the necessary powers by an Act passed in 1896, and laid down principles for the guidance of Provincial Governments. These may briefly be summarised thus: In regard to *ganja* and *charas*, the cultivation of the plant should be restricted as much as possible, and a direct quantitative duty should be levied on the drugs on issue from the warehouse in the province of consumption. In regard to *bhang*, the cultivation of hemp for its production should be prohibited or taxed, and the collection of the drug from wild plants permitted only under license, a moderate quantitative duty being levied in addition to vend fees. These principles were adopted with local variations in all provinces.

In 1898, Mr. G. K. Gokhale, speaking at a temperance meeting held in England, said: "They (the Government) do not want to spread drinking, but they are interested in the revenue that arises from it, and that constitutes a serious difficulty in dealing with the question. Therefore, the revenue authorities should not be the licensing authority. My second point is that the system of putting licenses up to auction must be abolished. These are two important steps without which no

real improvement in the whole situation can be effected." It is needless to say that Mr. Gokhale's suggestions were quite sound.

In 1904, Mr. (afterwards Sir) Frederick Lely wrote a memorandum in which he suggested that the ultimate aim of excise administration should be to put down drinking altogether ; that, in the meantime, the Government should pay close attention to the locality of existing shops ; that, except in special cases, the grant of licenses to open temporary shops at fairs and religious gatherings should be forbidden ; that provision in liquor shops of accommodation for private drinking should be prohibited ; and that the practice of opening European liquor shops too frequently should be stopped. The Government reiterated its opinion that a total prohibition of intoxicants was impracticable, even if desirable, but impressed upon its officers that the growth of excise revenue was to be regarded as satisfactory only when it resulted from the substitution of licit for illicit manufacture and sale, and not from a general increase of consumption.

The Government of India appointed an Excise Committee in 1905. At this time, the policy followed by the Government was described in these words :

"The Government of India have no desire to interfere with the habits of those who use alcohol

in moderation ; this is regarded by them as outside the duty of the Government, and it is necessary in their opinion to make due provision for the needs of such persons. Their settled policy, however, is to minimise temptation to those who do not drink, and to discourage excess among those who do ; and to the furtherence of this policy all considerations of revenue must be absolutely subordinated. The most effective method of furthering this policy is to make the tax upon liquor as high as it is possible to raise it without stimulating illicit production to a degree which would increase instead of diminishing the total consumption, and without driving people to substitute deleterious drugs for alcohol or a more for a less harmful form of liquor. Subject to the same considerations, the number of liquor shops should be restricted as far as possible, and their location should be periodically subject to strict examination with a view to minimise the temptation to drink and to comform as far as reasonable to public opinion. It is also important to secure that the liquor which is offered for sale is of good quality and not necessarily injurious to health."

Among the most important of the measures recommended by the Committee and approved by the Government of India were advances of taxation in many cases, the further concentration of distillation, the extended adoption of the contract distillery

system, and improvements in the preventive establishments and in the staff for controlling distilleries and warehouses. The Committee suggested, among other things, the replacement of the then existing excise law by fresh legislation on the lines of the Madras Abkari Act. Legislation, following generally on the lines of the Committee's recommendations, was soon afterwards undertaken in the various provinces.

An investigation was carried out by Major (afterwards Sir Charles) Bedford, into the quality, manufacture, and excise control of alcoholic liquors in India. His report tended to show generally that such injury to health as might arise in India from alcoholic indulgence was due purely to excessive consumption, and not to any specially toxic properties of any particular kind of liquor, and sought to prove that the commonly prevailing idea that cheap imported spirit was specially pernicious was unfounded. So, too, the idea was wrong that out-still spirit, and spirit produced by the crude processes in force in simple central distilleries, were materially worse in quality than even the better classes of imported spirit, or than spirits made in India by European methods.

An advance in the direction of consulting public opinion more systematically regarding the number and location of shops was marked by the orders passed by the Government of India in 1907

as to the administration of excise in the larger towns. The licensing authority in India, outside the Presidency towns, was the district officer ; the orders in question provided for the formation in the Presidency and other large towns of small committees, including revenue or police officers and municipal representatives, to advise the licensing authority. The extension of the system outside the larger among local towns, as to the possibility of which the Government of India was doubtful, was left to the discretion of Provincial Governments. A return laid before Parliament in 1911 showed that nearly 200 committees had been appointed up to that date, many of them with non-official majorities. The formation of such committees was undoubtedly a move in the right direction. But complaints were not infrequent that these committees were unsatisfactory in respect of personnel and that their powers were extremely limited.

The whole subject of excise was reviewed at length by the Government of India and Local Governments in 1913-14. The principal points in this review were as follows: The excise revenue on opium was chiefly derived from duty and vend fees. Hemp cultivation was restricted and controlled, and a duty and vend fees were levied. *Charas* was now prohibited in some districts, and elsewhere was subject to a high duty. The habit of *cocaine* taking had for some years past become common among

certain classes in the larger towns of Burma, Bengal, Bombay, the Punjab, and the United Provinces. Any person found in possession of the smallest quantity without a license was made liable to punishment, but large quantities were smuggled. A conference to consider measures for the suppression of cocaine smuggling was held at Delhi in November 1914.[1]

In 1917, the Government of India, in a despatch to the Secretary of State, reaffirmed the policy laid down in 1889. It pointed out that since 1905-6 country liquor shops had been reduced by 7,788, opium shops by 2,380, and shops for the retail sale of hemp drugs by 1,516. Toddy shops had also been reduced to the extent of 11,150. The Government of India protested against the unfairness of charging Government officers with greater consideration for public revenue than for the well-being of

[1] The following table shows the excise revenue in 1915-16 under the different heads:

License and distillery Fees and Duties for the sale of Drugs and liquors derived from

	£
Foreign Liquors	337,740
Country Spirits	4,441,682
Toddy and Pachwai	1,523,103
Opium and its preparations	424,763
Other drugs	577,135
Other Duties, etc. on Indian Consumption of Opium, etc.	950,656
Ganja	369,653
Fines, Confiscations, Miscellaneous	37,190
Total Revenue	8,632,209
Charges	470,740
Net Revenue	8,161,469

the people. In a subsequent letter to the Provincial Governments the Government of India reiterated the policy laid down in 1905 and indicated the general measures by which effect was to be given to it.

A fresh chapter was opened in the history of the excise duties with the introduction of the Reforms. The non-cooperation campaign led to a shrinkage in excise revenue and gave an impetus to the temperance movement. But, unfortunately, the impetus did not last long. In most of the legislative councils, resolutions were passed urging the adoption of a policy of restriction in the matter of excise. In some provinces, prohibition was adopted as the ultimate goal of excise policy. In Bombay, an Excise Committee was appointed in 1922. The Committee submitted their Report in 1923. They urged that the Government should declare the total extinction of excise revenue as the goal of its excise policy.

The other main recommendations made by the Committee were: (1) local option should be adopted as the first step towards the attainment of the goal; (2) the policy of rationing the quantity of liquor supplied to shops, with a gradual reduction in the quantity issued to each, should be adopted; (3) no new license should be granted in any locality for the sale of country or foreign liquor; (4) all "on" licenses should be abolished at the first opportunity

as soon as the old licenses would expire ; (5) the policy of reducing the number of shops should be more vigorously pursued ; (6) the constitution of the excise advisory committees should be improved and their functions should be clearly defined and enlarged ;[1] (7) the excise advisory committees should be granted the power of determining the location of shops ; (8) in all industrial areas, the liquor and toddy shops in the immediate vicinity of mills and factories should be closed ; (9) shops selling liquor in all taluka towns should be closed on market and fair days ; (10) the policy of reducing the consumption of opium by increasing its price should be continued ; (11) *ganja* and *bhang* should be prohibited within a period of 10 years ; (12) instruction in temperance should be given in schools.

On the question of finance, the Committee calculated that there would be an eventual deficit of 3 crores in the revenues of the province if the consumption of liquor and toddy was finally abolished. To make up this deficit, the Committee recommended the levy of the following taxes which might be expected to yield the amounts shown against them : Succession duty, Rs. 50 lakhs ;

[1] Mr. Dhanjibhai Dorabji Gilder, Secretary, Bombay Temperance Council, observed : "The advisory committees constituted at present are nothing if not farcical, as so aptly described by Sir Dinshaw Wacha in his blunt outspoken language : It is high time that their usefulness be increased by the granting of additional powers especially in the direction of opening of new shops, transfer and closing of old ones and inspecting the existing ones."

totalizator, Rs. 20 lakhs; taxation of "futures", Rs. 50 lakhs; increase of local fund cess, Rs. 30 lakhs; tobacco tax, Rs. 5 lakhs; employee tax, Rs. 40 lakhs; transit tax, Rs. 20 lakhs; terminal tax, Rs. 50 lakhs.

The steps taken by the different Provincial Governments were satisfactory so far as they went. But there was a darker side to the picture. The Excise Commissioner in Bombay in his Report on the Administration of the department remarked in 1924: "The increase in crime, however, shows that more illicit liquor was consumed, but to what extent the one is replacing the other, it is not easy to say. It cannot, however, be controverted that illicit liquor is making headway against licit liquor, and the fact that, in spite of reduced consumption, the licensee can make a present of Rs. 19 lakhs over last year's license and vend fees, leads to more than a suspicion that he is becoming the ally of the illicit distiller". The Excise Commissioner concluded by saying that the growth of illicit distillation, illicit importation and the transition to hemp drugs and denatured spirits were very alarming aspects of the situation.[1]

In the last year of the East India Company's administration, the excise revenue amounted to considerably less than a crore of rupees. But after that date the income derived from this

[1] *India in 1924-25.*

source substantially increased decade by decade. The revenue in each of the decennial years was as follows: 1861-62, Rs. 1,78,61,570; 1870-71, Rs. 2,37,44,654; 1880-81, Rs. 3,13,52,260; 1890-91 Rs. 90,58,030; 1900-01, Rs. 5,90,58,030; 1910-11, Rs. 10,54,54,715; 1920-21, Rs. 20,43,65,359. In 1926-27, the last year for which complete figures are available, the total revenue derived from thie source was Rs. 19,82,68,363. This was distributed among the different provinces as follows: Madras, Rs. 5·10 crores; Bombay, Rs. 4·09 crores; Bengal, Rs. 2·25 crores: United Provinces, Rs. 1·30 crores; Punjab, Rs. 1·24 crores; Burma, Rs. 1.33 crores; Behar and Orissa, Rs. 1·97 crores; Central Provinces and Berar, Rs. 1·35 crores; Assam, Rs. ·71 crores; Coorg, Rs. ·3 crores; territories directly under the Government of India, Rs. ·41 crores.

The details of excise revenue for the year 1926-27 were the following: License and distillery fees and duties for the sale of liquors and drugs, Rs. 15,65, 11,347; acreage on land cultivated with poppy, Rs. 10,743; transit duty on excise opium, Rs. 1,05, 761; gain on sale proceeds of excise opium and other drugs, Rs. 2,60,72,950; duty on *ganja*, Rs. 1,17,18,468; fines, confiscations and miscellaneous, Rs. 30,58,787; recoveries of investments, Rs. 19,275; profits from Government commercial undertakings, Rs. 19,52,767; recoveries of indirect charges, Rs. 75,736.

The incidence of excise taxation per head of the population in 1926-27 was as follows: India, general, 3 as. 5 p.; Baluchistan, Re. 1-6 as. 5 p.; North-Western Provinces, 3 as. 6 p.; Madras, Re. 1-3 as. 4 p.; Bombay, Rs. 2-1 a. 10 p.; Bengal, 7 as. 9p.; United Provinces, 4 as. 7 p.; Punjab, 9 as. 7 p.; Burma, Re. 1-0 a. 1 p.; Behar and Orissa, 9 as. 3 p.; Central Provinces and Berar, 15 as. 7 p. Assam, 15 as. 2 p.; Delhi, Re. 1.0 a. 1 p.; Coorg, Rs. 2-0 a. 2 p.

The Taxation Enquiry Committee make certain recommendations for regulating the excise system. The most important of these are as follows: (1) In the case of country spirit, a system of supply through a managed monopoly, such as that of contract supply, should be extended wherever possible, and the rate of duty should be raised in Behar and Assam; (2) in the case of foreign liquors, in lieu of vend fees being imposed in the shape of additions to the tariff rate, a definite increase should be made in the tariff itself; (3) in the case of country-made foreign liquors, the tariff rate of duty should be levied; (4) in the case of fermented liquors, the tree-tax system should be extended wherever possible, but only under rigid and systematic control; (5) a system of contract supply or managed monopoly should be introduced in the case of hemp drugs; (6) opium cultivation should be restricted, the stock of the article reduc-

ed, the duty made uniform, and the auction system abandoned; (7) a special enquiry should be instituted into the results of prohibition of *ganja* and partial prohibition of opium.

These recommendations are of a very halting and hesitating character. But the reason is not far to seek. As the Taxation Enquiry Committee point out, the excise revenue, together with the customs receipts on imported spirits, represents a total sum of about 22 crores of rupees, while in one province, namely, Behar and Orissa, it represents no less than 40 per cent. of the tax revenue of the province. The Committee emphasise that a policy of prohibition involves not only the extinction of excise revenue, but the effective abolition of drink and drugs, both licit and illicit. In order to achieve this object, to the direct loss of revenue amounting to 22 crores of rupees will have to be added the cost of the preventive force and a large increase in the expenses of the administration of the courts and gaols. Thus the pursuit of a consistent policy of prohibition will involve the exploitation of every alternative source of possible revenue.[1]

India is a country where the people are abstainers by habit, temperament, and tradition. Naturally, the excise policy pursued by the Government till 1920 was the subject of severe criticism by the enlightened public. With the transfer of

[1] *Report, Chapter VIII.*

excise to ministerial control, however, considerable departures have taken place. But a proper handling of the question is not so easy as seems at first sight. While there is a sincere desire on the part of the popular representatives to prohibit the use of intoxicants, there is not the same eagerness to levy fresh taxes in substitution of the excise revenue. A re-distribution of financial resources may help to ease the situation to some extent. But a large degree of courage and foresight will be needed for a real solution of the problem.

CHAPTER IX

MINOR TAXES

OF THE minor sources of revenue, the best known and most widely levied tax in the days of the East India Company was *sair*. The term, however, was one of somewhat variable import. In the accounts of certain parts of Bengal for the year 1771, for instance, we find taxes on cotton, betel-nut and tobacco, duties levied on the manufacture and sale of cloths, dues collected from boats plying on rivers, bazar collections, fines, and licenses for the sale of intoxicating drugs and liquors included in the list of *sair* taxes.[1] The Bengal Revenue Commissioners of 1776-78 described *sair* as rents and taxes which were "uncertain in their amount, and annually liable to considerable variations."[2] According to Thomas Law, *sair* implied all duties levied by the *ijaradar*[3], exclusive of land revenue. The author of *British India Analysed* thought that the term included every kind of impost except the land revenue "levied chiefly on personal property, fluc-

[1] *Fort William Consultations, 30th May, 1771. Ms. Records of Bengal.*

[2] *Extract from the Report of Anderson, Croftes and Bogle in Harington's Analysis of the Bengal Regulations, Vol. III.*

[3] Farmer of land revenue.

tuating and uncertain in its amount", "of an unsettled, precarious nature, ascertainable only at the close of the year", and embracing "almost the whole system of taxation in Europe."[1] He further expressed the view that the total amount of these imposts never exceeded one-tenth of the public income in any part of India.[2]

On the 11th June, 1790, the *sair* duties were resumed by the Government of Bengal, and it was laid down that no landholder, or other person of whatever description, should be allowed in future to collect any tax or duty of any denomination, but that all taxes should be levied on the part of the Government and collected by officers appointed for the purpose. As, however, these imposts were of a very vexatious nature, it was decided on the 29th July, 1790, to abolish all duties, taxes, and other collections coming under the denomination of *sair*, with the exception of the Government and Calcutta customs, pilgrim taxes, the *abkari* tax,

[1] *British India Analysed*, published in 1793. Part I, Ch. III.

[2] The author adds: "They were thought of such little account to the State, so oppressive in their nature for the most part to the poor, consequently so repugnant to the principles of the established as well as every other system of religion, that the wife of the politic Alamghir, the last great Emperor of the Hindusthani race af Timur, abolished by edict *seventy* of these several articles of taxation; though the selfish levity of the prince, and a degree of refractoriness of Faujdars and Jaigirdars, whose fiefs continued to be valued without abatement, according to *jama kavil*, or old standard assessment, which included recently prohibited *abwabs*, combining with the subsequent disorders of the Empire, virtually prevented then, and even since, the carrying into effect the royal mandate, which remains an historical record of what ought to be done in policy and humanity, but could not be realised by the equivocal benevolence of an eastern despot." Pt. I, Ch. III.

collections made in the *ganjes*, bazars and *hats*, and rents paid to landholders under the denominations of *phalkar*, *bankar*, and *jalkar*. Compensations were granted on a calculation of the average net produce of past years.[1]

Even after the abolition of the tax in Bengal, the term was retained in the Finance Department. The revenue derived from saltpetre in Tirhut was regarded as a *sair* collection. The pilgrim taxes were often placed under this head in the accounts. In Madras, the transit duties were often designated *sair* duties. So also was a small amount of revenue derived from cardamum. In fact, all inconsiderable collections from miscellaneous sources were lumped together under this head. In the Bombay Presidency, originally, a great variety of *sair* was collected. The income consisted of all items of demand not forming any portion of the land revenue or the revenue derived from customs or salt. The *sair* duties were abolished in most of the provinces in 1844. The abolition gave great relief to the people. The revenue collected under this head in the last year of the Company's rule was a mere trifle, namely, £268,360.

Another well-known tax was *moturfa*. It was inherited from the Mahomedan system of administration. This tax seems to have been levied generally on artificers and manufacturers. In the Madras

[1] Harington's *Analysis of the Bengal Regulations*, Vol. III.

Presidency, it was imposed on all weavers, carpenters, metal workers, and salesmen.[1] Originally, it was confined to only certain parts of this Presidency; but it was made general in 1832. The rate of the impost varied from place to place. The tax fell more heavily upon the poor than upon the wealthy. It operated everywhere as a discouragement to industry, while the discretionary power under which it was collected afforded a wide field for inquisitorial visits and extortion.[2] The revenue derived from this source sometimes formed part of the item "Small Farms and Licenses", and was sometimes shown under the head 'Customs'. Another tax of the same nature as *moturfa* was *visavadi*. Its incidence was also similar. It was levied in the Ceded Districts of Madras. Not very dissimilar was *bullooteh*, a tax levied on the fees received in kind by the village artisans from the cultivators.

Moturfa and *bullooteh* were abolished in the Bombay Presidency in 1844. Taxes akin to these had been abolished in Bengal as early as 1793. But the question of abolishing these taxes in the Madras Presidency gave rise to much correspondence between the authorities in India and those in England. At first it was thought that the evils of the system might be minimised by a modification of

[1] Vide *Appendix D to the Report of the Lords' Committee, 1853.*
[2] *Ibid.*

the rates and a change in the mode of collection. Subsequently, however, it was found that the abuses were inseperable from the taxes themselves. In 1853, the Madras Government urged the abolition of these taxes, the Governor dissenting from the resolution. In 1855, Lord Dalhousie recorded a Minute in which he condemned these taxes and expressed the view that they should be abolished "wholly and unreservedly". But, at the same time, he suggested that the abolition might be deferred till there was a substantial improvement in the financial position of the country. Three members of the Governor-General's Council, however, urged the immediate abolition of the taxes. The Court of Directors considered the arguments in favour of abolition to be irresistible, and in 1856 they conveyed to the Government of India their authority to abolish these taxes at such time and in such manner as might seem expedient to them.[1] The Mutiny delayed the abolition. In 1857-58, the *moturfa* taxes yielded a revenue of £107,826. In 1859, Sir Charles Trevelyan again condemned the continuance of these taxes. They were abolished in 1861.

During the early years of the Company's administration, various small taxes were levied.

[1] For a fuller account of the views of the Governor-General and of the Court of Directors, see the author's *Indian Finance in the Days of the Company, pp. 252-53.*

One of these was *rahadari*, or an inland toll collected at different *chaukis*,[1] on account of merchandise carried to the market. As this impost was exacted at an indefinite rate, according to the discretion of the zemindars or the officers of the Government, it was intolerably burdensome to the poorer classes of the people. This tax was abolished early along with the other transit duties levied by the zemindars. Akin to *rahadari* was *gali mangan*, a boat tax. This was abolished in 1771. There was a wheel tax levied in Bombay which was oppressive but yielded little revenue to the State. There were ferry funds for the repair of roads and maintenance of ferries across rivers. These funds, though really local in character, were sometimes applied to the general purposes of administration. *Pulbandi* and *pushtabandi* collections were made for the construction and repair of bridges and embankments.

Various taxes were imposed for purely local purposes. In Calcutta, there was a tax on houses. At Benares, the attempt to levy a house tax led to passive resistance, and the tax was withdrawn. It was, however, successfully introduced in a modified form in several towns of the North-Western Provinces. A resistance offered at Bareilly was quelled.[2]

[1] Stations on the roads for collecting duties.

[2] For an account of the two movements at Benares and Bareilly, see Wilson, *History of India*, *Vols. I and II.*

Taxes were, on some occasions, levied for special purposes by the Company. In Bengal, a police tax was imposed in 1793. It was collected from Indian merchants, shopkeepers and traders throughout Bengal, Behar, and Orissa. The assessment and collection of the tax were, however, found to give rise to much fraud and exaction. It was, therefore, decided in 1797 to abolish the tax.

Pilgrim taxes were collected at some of the great temples of India as well as at the large religious gatherings which were held from time to time at holy places. As early as 1809, a strong Minute was recorded by a high officer of the Government condemning the pilgrim taxes generally and urging their abolition. In 1814, the Commissioner of Cuttack urged the abolition of the pilgrim tax levied at Puri. The Government, however, declined to accept these suggestions. The subject was again considered in 1827. But on this occasion also, it was decided to continue the taxes. Meantime, the principle of these taxes had excited much reprobation in England, under the belief that these taxes had tended to identify the British Government with the idolatrous practices of the Hindus.

In 1829, the Governor-General consulted the officers in charge of the districts in which these taxes were levied. Their opinions differed, and Lord William Bentinck, while considering the

principle of the taxes objectionable, thought it inexpedient to repeal it. In 1831, he wrote a Minute in which he expressed the view that it was the bounden duty of a Government ruling over Hindu and Mahomedan communities to protect and aid them in the exercise of their harmless religious rites. He, therefore, considered a tax on pilgrims just and expedient, and thought it proper that the income derived from this source should be applied in the first place to the repair of temples, and that the surplus should be applied to the construction of roads and rest-houses. In 1832, the Court of Directors sent a Despatch to the Governor-General in Council, in which they expressed their desire that the pilgrim taxes should everywhere be abolished. But they observed that much caution would be needed in giving effect to the decision and that the desired end should be reached by several stages. In 1839, the Governor-General in Council intimated to the Directors his decision to carry out their wishes in the Presidency of Bengal at once. A law was enacted in 1840, by which all taxes and fees payable by pilgrims resorting to Allahabad, Gaya, and Jagannath were abolished.[1]

Another obsolete tax was the *pandhri* of the Central Provinces. It was a special impost handed

[1] The taxes imposed at present in many places of pilgrimage are of a different character. They are purely local.

down from Maharatta times. The *pandhri* was orginally supposed to be a house tax, but it really resembled a license-tax. When, therefore, license-taxes were levied in 1877-78 in many of the provinces in order to create a famine insurance fund, it was decided to devote the collections from *pandhri* to this object. Originally, the *pandhri* was levied in only seven districts, but it was subsequently extended to the other districts of the Central Provinces. The *pandhri* was abolished in 1902.

A considerable amount of revenue was at one time raised under the head 'Provincial Rates.' This head was first introduced in 1877-78, under which were entered the receipts from the special taxation imposed on the land in 1877. In 1878-79, local funds previously accounted for separately were brought into the general account under the head 'Provincial Rates.' The taxes included in this category differed in the different provinces, and were assessed for various purposes. They were collected with the land revenue, but were separate and distinct from it. In the temporarily settled provinces the rates took the form of a percentage on the land revenue. In Bengal, they were levied by a rate upon the rental and were payable partly by the landlord and partly by the tenant. The purposes to which they were devoted were, among others, roads, schools, hospitals, district post, village

services, village police, canals, and local railways. The largest item under the head was the general cess for local purposes. Then came the cesses for village purposes, such as those for village accountants, etc., in the North-Western Provinces and the Punjab, and for corresponding functions in Madras and the Central Provinces.[1]

In Bengal, there were the Road Cess levied under Bengal Act X of 1871 and the Public Works Cess levied under Bengal Act II of 1877. The former was a local tax, but the latter was a tax originally levied for general purposes. The Road Cess and the Public Works Cess were to be assessed on the annual value of lands and on the annual net profits from mines, quarries, tramways, railways, and other immovable property. The rate at which each of these taxes was to be levied for any one year was not to exceed half an anna on each rupee

[1] In the Resolution issued by the Government of India on the 16th January, 1902, it observed: "The support of this village staff has been a charge on the community from time immemorial. In the Central Provinces and Bombay watchmen are still remunerated, according to the ancient custom, by grants of land and by fees collected by them directly from the people. Elsewhere they are supported by the proceeds of a cess to which, in some provinces, non-agriculturists not unreasonably subscribe. The headman is a functionary of more importance in ryotwari than in zamindari villages; and except in Madras, Sind, and Coorg, his remuneration in ryotwari Provinces has been accepted in whole or in part as a charge upon the land revenue which he collects. In the zamindari Provinces (the United Provinces, Central Provinces, and the Punjab) the proprietor of a village is also its headman; but where there are several sharers in the proprietorship of a village, one or more of their number represent the remainder, and have a right to a commission on the revenue payable through them, the rate being generally 5 per cent. This represents a communal arrangement of very long standing."

of the annual value or the annual net profits. The proceeds of the Road Cess in each district was to be paid into the District Road Fund. But the proceeds of the Public Works Cess was to be paid into the public treasury, and was to be applied (1) to the payment of contributions to the District Road Fund at the discretion of the Lieutenant-Governor, and (2) to the construction charges and maintenance of provincial public works, and to the payment of interest on capital expended on such works. There was also a cess for the district postal service, known as the *zemindari dak* cess, yielding a small amount of revenue.[1]

The *patwari* cess levied in the North-Western Provinces was abolished in 1882-83 but, owing to financial exigency, was re-imposed in 1889-90. In this year, the total receipts under the head 'Provincial Rates' amounted to Rs. 3,40,34,330. In 1904-06, many of the cesses levied under the head were abolished, including the village service cesses in all the provinces. The district post cess in Bengal and Eastern Bengal and Assam was abolished in 1906. Besides, some of the petty appropriations formerly made from the local funds were discontinued. The income shown under the head thus gradually diminished. In 1910-11, it amounted to £554,373. In 1913-14, owing to the surrender

[1] The increase to both sides of the Account caused by this alteration was about £2,830,000.

of the Public Works Cess to the District Boards in Bengal and Behar and Orissa, a further decrease took place. The appropriation by the Government from local rates for the payment of the rural police in the Agra province was discontinued in 1914-15. In 1920-21 the revenue under "Provincial Rates" amounted to Rs. 6,33,025 only. From the following year, this head disappeared altogether.

Of the taxes which have now ceased to be levied, the so-called "famine cesses" deserve attention. In order to provide means for defraying expenditure incurred in connexion with the relief and prevention of famine, the Government of India thought it necessary in 1877 to effect a permanent increase of the revenue. In its opinion, there were two classes of the community on which the duty of contributing towards the prevention of famine more specially fell. License taxes, as we saw in a previous chapter, were imposed on persons engaged in trades and professions. But it was also thought desirable to impose additional taxes on the community deriving its sustenance from the land. "The mere fact," said Sir John Strachey, "that the agricultural classes constitute by far the greater portion of the population, and when famine occurs, form the great majority of those who require relief, is alone sufficient to show that these classes ought to pay their quota of the sum required for their own protection."

The North-Western Provinces Local Rates Bill

was introduced in the Governor-General's Council on the 27th December, 1877. This Bill provided that every estate, in which the settlement was liable to revision, should be liable, in addition to the then existing rate, to an additional rate not exceeding 1 per cent. An estate of which the land revenue was not liable to periodical revision was made subject to the payment, in addition to the rate of two annas for each acre under cultivation, of a further rate not exceeding half an anna.[1]

In Oudh, the Chief Commissioner was given the power to impose on every estate a rate not exceeding 2¼ per cent. on its annual value. In the Punjab, all land was made liable to the payment of a rate not exceeding eight pies for every rupee of its annual value. In the Central Provinces, every estate was made liable to a maximum rate of 1 per cent. on the annual value. In the course of the speech made by him on this occasion, Sir John Strachey observed that he was aware of the objections which had been, and would be, urged against the imposition of fresh taxation on the class interested in the land. Claims had, for many years past, been made to the effect that the settlement of the land revenue had debarred the State from imposing additional burdens on the land; but such

[1] These famine rates were to be paid by the landlord independently of, and in addition to, the land revenue assessed on the estate and the rates and cesses already in force.

claims had, in his opinion, been argued out. The decision had been declared to the effect that the State had an undoubted right to impose on persons in possession of income derived from land, taxation separate and distinct from the ordinary land revenue, in order to meet the natural growth of the public requirements, local or otherwise. He reminded the Council that the Secretary of State had said: "The levying of such rates upon the holders of land irrespective of the amount of their land assessment, involves no breach of faith upon the part of the Government, whether as regards holders of permanent or temporary tenures."

Two objections were urged against these famine rates, namely, first, that the land was unable to bear the additional burden which was sought to be thrown upon it, and secondly, that the proposed rates were merely an addition to the land revenue demand and thus constituted a breach of the engagements made at the time of settlement. In regard to the first objection, it was said on behalf of the Government that, although the cultivators were poor, the landholders were in a flourishing condition and that the burden of the land revenue which fell upon them had become progressively lighter. One of the official apologists for these measures, Mr. A. Colvin, who afterwards rose to the position of the Lieutenant-Governor of the

North-Western Provinces observed: "I agree with the honourable member in charge of the Financial Department in demurring to the next step in the argument, which is, that imposing 1 per cent. upon the landlords will make the cultivators poorer. The class which is taxed is that of landed proprietors, of men who live, not by cultivating the soil, but by enjoying the rent which is paid for its occupation by the actual cultivator." It would have been a good thing if this statement had been a correct one. But under the provisions of the Bill, the landholders were permitted to shift a large part of the burden to the tenants. Sec. 5 of the North-Western Provinces Local Rates Act, 1878 ran thus: "The landlord may recover, from every tenant of land on which such rate or such further rate has been assessed, and for the payment of which the landlord is liable, an amount equal to one-half of the rate or further rate assessed on the land held by such tenant."

The legislative measures proposed for Oudh, the Punjab, and the Central Provinces were also of a similar character. These Bills were taken into consideration and passed in February, 1878. Doubts were expressed in the Council as to the necessity for imposing fresh taxation, but little opposition was offered to the provisions of these Bills. Outside the Council chamber, however, great dissatisfaction was expressed in regard to

these measures. In Oudh, as in the North-Western Provinces, a portion of the burden fell on the tenants. Every landholder was given power to realise from an under-proprietor, or a permanent lessee, or a tenant with a right of occupancy, a share of the rate bearing the same proportion to the whole rate that the share of such under-proprietor, or lessee, or tenant bore to half the annual value of such land. In the Punjab also, the landholder was entitled to recover a share of the rate from the tenant. In the Central Provinces, where the *malguzari* system prevailed, the additional rate fell upon the tenants.

These additional rates on land were not levied in Bengal, because in that province there had been imposed, in the course of the previous few years, a charge of £600,000 in the shape of local rates, of which £300,000 had been assigned to the Government of India as a permanent contribution. It was also decided not to levy these rates in the Presidencies of Bombay and Madras. In the case of these provinces, the reason for the decision was twofold. In the first place, after two years of severe famine, the agricultural classes of Southern India were scarcely in a condition to bear any increase in their direct contributions to the State. But the second reason was, perhaps the more important one, and it was that, quite independently of the requirements of the Government on account

of famine, it had become necessary to increase the salt duties in those Presidencies.

All sums due on account of the rates imposed under these Acts were made recoverable as if they were arrears of land revenue. The proceeds of all these rates were credited to the Provincial Governments, which were authorised to appropriate such amounts as the Governor-General in Council might direct, for the purpose of increasing the revenues available for defraying the expenditure incurred for the relief and prevention of famine in their respective territories or in any other part of British India. In some provinces, the additional rates were consolidated with the previous rates, and in such cases, the Provincial Governments were given the power to make allotments out of the proceeds of the rates for local improvements.

The financial condition of the Government of India having become prosperous in the early years of the twentieth century, the famine cesses levied in the United Provinces, the Punjab, and the Central Provinces were abolished in 1905. These cesses at the time of their abolition produced about £150,000 a year.

In the list of existing sources of revenue stamps occupy an important place. The revenue from stamps is a complex item in the Indian accounts. It consists of several kinds of small fees levied by

the Government, in the form of impressed or adhesive stamps, upon litigation[1] and commercial documents. As a matter of fact, as has been rightly pointed out, "stamp duties do not themselves constitute a separate tax, but are a method of collecting taxes of various kinds."

A stamp duty was first levied in Bengal in 1797. The main object was to make good the deficiency in the public revenue caused by the withdrawal of the police tax. Discouragement of litigation was also one of the subsidiary objects kept in view in enacting Regulation VI of 1797. The rates fixed were, in the main, as follows: Land papers, varying from two annas to one rupee; pleadings, from four annas to two rupees; copies of judicial and revenue papers, from four annas to one rupee, according to size; obligations for money, from four annas to one rupee; customs-house *rawannas*, from four annas to ten rupees, *sanads* to *kazis*, twenty-five rupees. The revenue derived from stamps in the first year of the imposition of the tax was only £1,975. The amount of revenue having proved inadequate, new rates were fixed in 1800, and the use of stamped paper was further extended. Various modifications were made in the stamp law between 1806 and 1813. In 1814, the old rules

[1] There are also other fees on litigation; when levied in cash, instead of by stamps, they come under the head 'law and justice'; where they are levied on documents of title, they come under 'registration'.

were rescinded; and a new and uniform set of stamps, as well as a revised rate of *ad valorem* stamp duties, was established.[1] Further modifications took place in the course of the following decade. In 1824, the duties were altered and extended. In 1826, the stamp duties were for the first time made leviable in the town of Calcutta.[2]

In Madras, stamp duties were first imposed in 1808. The object of Regulation IV of that year was "to discourage the preferring of litigious complaints." Another Regulation was enacted in the course of the year, which was based on Bengal Regulation VII of 1800. It levied stamp duties on copies of judicial and revenue papers, *rawannas* issued from the customs department, licenses for the manufacture or sale of intoxicants, instruments for the transfer of property and for payment or receipt of money. In 1816, stamp duties were extended to papers relating to commercial dealings, such as bonds and bills of exchange, as also to deeds, leases and mortgages. Various other amendments were made in the law in subsequent years.

A stamp tax was introduced into the Bombay Presidency in 1815. The main purposes for which Regulation XIV of that year was enacted were the improvement of Government revenue and the

[1] Harington's *Analysis of the Bengal Regulations.*

[2] This gave rise to a strong agitation on the part of the European merchants of the city.

facilitation of the despatch of business in the law-courts. This Regulation was modelled on Bengal Regulation I of 1814. The law relating to stamps was amended for the Bombay Presidency in 1827, 1831, and 1849.

The revenue derived from stamps increased slowly but steadily. The increase was particularly marked in Bengal and the North-Western Provinces; in Bombay, it was substantial, while in Madras it was stationary.

The law relating to stamps in force in India was consolidated in 1860. Act XXXVI of that year repealed all the Regulations of the different Presidencies. This Act gave place two years later to Act X of 1862. Various other Acts were passed during the next sixteen years. A revision of stamp law took place in 1869. This Act was repealed by Act I of 1879, which, in its turn, was superseded by Act II of 1899.

Several amendments of the Act of 1899 have since taken place. In 1910, the Government found it necessary to impose additional taxation, and one of the measures adopted for the purpose was an increase in the stamp duties on the issue of debentures, share warrants to bearer, transfers of shares and debentures, agreements for the sale of shares and debentures and securities, bills of exchange and probate. The increases in the rates of duty were not very large. Bengal Act V of

1911 enhanced the duty on certain classes of instruments by 2 per cent. for the improvement of the city of Calcutta. In 1922 and 1923, the legislative councils of the various provinces passed provincial Acts by which they substantially enhanced the stamp duties for the purpose of augmenting provincial resources. By the Indian Finance Act of 1927, the stamp duty on cheques and on bills of exchange payable on demand was abolished.

The stamp revenue is derived from two main classes of stamps, namely, non-judicial and judicial. In the early years of the Company's administration, no tax was levied on litigation in India. But in the last decade of the nineteenth century, it was considered desirable to levy fees in order to meet the expenses of the judicial establishment.

A Regulation was enacted in Bengal in 1795 for imposing institution fees in civil suits.[1] This fee was amalgamated with the stamp duties levied by Bengal Regulation VI of 1797. Duties on criminal suits were imposed by Regulation X of 1797. Duties were levied on applications for review by a Regulation enacted in 1798. These Regulations

[1] Regulation XXXVII provided that, at the time of institution of every original suit or appeal, a fee should be paid at the following rates: In the court of a *Munsif*, 1 anna per rupee, and in the courts of European judges, on the first fifty rupees, 6¼ per cent., the rate gradually diminishing as the value increased.

were repealed or amended in subsequent years. In Madras, the first Regulation levying judicial fees was passed in 1782. This was amended by various Regulations enacted in the course of the next half-century. In Bombay, the earliest Regulation was that enacted in 1802, which was subsequently amended by various other Regulations.[1]

Court-fees continued to be regulated along with other stamp duties till 1870. In that year, a separate piece of legislation was undertaken to deal with judicial stamps. The Court Fees Act of of 1870 is still in force, though several amendments have been made subsequently. Fees are levied *ad valorem* in some cases, while in others fixed fees are charged. They are collected by stamps. These are impressed or adhesive, or partly impressed and partly adhesive. The fees are different in the High Courts and the Courts of Small Causes at the Presidency towns. Besides, fees are levied on probate, and letters and certificates of administration.

On the eve of the introduction of the Montagu-Chelmsford Reforms, the question arose as to the allotment of stamps as a source of revenue. The authors of the Joint Report suggested that judicial stamps should be made over to the provinces, but commercial stamps should be retained by the Central Government. The Meston Committee recommended that both sorts of stamps should

[1] Vide Basu, *Court-fees and Suits Valuation Acts.*

constitute sources of provincial revenue. The Parliamentary Joint Committee agreed with this recommendation; and under the Devolution Rules, non-judicial stamps became provincial, in addition to judicial stamps, subject to legislation by the Central Legislature in the former case.[1]

The Devolution Act of 1920 empowers the Provincial Governments to fix the rates of court-fees within their respective jurisdictions. Since then, some of the provinces have found it necessary to revise the rates of court-fees in order to provide larger resources to their Governments. The financial difficulties which followed the introduction of the Reforms also compelled several Provincial Governments to apply to the Governor-General for sanction to the proposed legislation for enhancing the stamp duties. The Governor-General reserved certain items for central legislation and allowed the Provincial Legislatures to deal with the rest. Thereupon, duties on many of the items were increased.

The Taxation Enquiry Committee devote considerable attention to the question of stamp duties. They point out that an important limit to their imposition lies in the fact that, beyond a certain stage, their productiveness begins to diminish. Excessive rates not only retard business, but defeat their object by tempting persons to resort to

[1] *Schedule, Part II.*

evasion. In their opinion, the principal guides to the rates of stamp duty are : (1) the point at which the value of the convenience or utility attaching to the use of a particular kind of transaction approches the amount of the stamp duty involved ; (2) the point of diminishing returns, or, in other words, what the traffic will bear ; and (3) the point at which hardship on any class of the community is involved. On the whole, however, the Committee consider that the Indian Stamp law fulfils its purpose satisfactorily. They do not, therefore, recommend any drastic changes, but merely suggest some alterations in the details of the system. *Inter alia*, they urge that the issue of a contract note be made compulsory in stock and produce transactions, and that the duty on contract notes be raised to 4 annas for every Rs. 10,000, subject to a maximum of Rs. 40. In the case of produce exchanges, they express the view that the taxation of "futures" is not only practically impossible, but that it would be undesirable to recognise these gambling transactions and to attempt to secure a revenue from them.

The Taxation Enquiry Committee point out the difficulties which arise in connexion with adjustments between provinces when the duty is paid in one province on account of another. They also refer to the difficulty which has arisen in the matter of the unified postage and revenue stamps

between the Government of India and the provinces. They, therefore, come to the conclusion that uniform legislation and uniform rates are desirable, and suggest that commercial stamps should be made over to the Central Government. To this proposal there are, however, various objections, the most serious of which is that it will cripple the resources of the Provincial Governments.

The Taxation Enquiry Committee point out that, in several instances, the court-fees are inadequate, while in others these are excessive. They, therefore, consider it necessary to undertake a thorough revision of the Act of 1870 and its schedules. With regard to probate duties, the Committee point out that duties on inheritance are levied in most countries, and that, as a form of taxation which falls pre-eminently upon accumulated wealth, they have found special favour with democratic thinkers. In their opinion, the objections which have been urged against inheritance taxes in the past are not valid to any great extent. They, however, express the view that a succession duty is impracticable in India, but a duty on the lines of the English Estate Duty, which may initially take the form of a transfer or mutation duty on death, is more practicable. This involves representation of the deceased. The existing law provides for representation in certain cases, but is limited to particular communities. The taxation which the

existing law involves is, in the opinion of the Committee, very inequitable in its incidence. The Committee, therefore, recommend its modification and extension to all communities. They do not find the law of the joint Hindu family an insuperable further obstacle. The Taxation Enquiry Committee further recommend that legislation dealing with this question should be undertaken by the Central Legislature.

The revenue derived from stamps for the whole of India was less than half a crore of rupees in the last year of the Company's rule. But the changes made in the law relating to this subject in the following decade led to a large enhancement of the revenue. After that period, the income from this source steadily increased until in 1920-21 it stood at 10·95 crores. The additions to the rates of stamp duties which were made in Bengal, Bombay and some of the other provinces during the early years of the reformed system of administration, caused a further substantial expansion in the yield of this resource. In 1925-26, the revenue from stamps amounted to Rs. 13·65 crores. Subsequently, however, the additional rates were taken off in those provinces which showed surplus budgets. In 1926-27, therefore, there was a slight shrinkage in the income derived from this source. In the following year, however, there was a recovery, and stamp revenue stood at Rs. 13·57 crores.

The income derived from judicial stamps amounted in 1927-28 to Rs. 8·65 crores, while that obtained from non-judicial stamps was Rs. 4·92 crores. The shares of the different provinces in stamp revenue in 1927-28 were: Madras, Rs. 2·50 crores; Bombay, Rs. 1·75 crores; Bengal, Rs. 3·46 crores; United Provinces, Rs. 1·71 crores; Punjab, Rs. 1·18 crores; Burma, Rs. ·70 crores; Behar and Orissa, Rs. 1·09 crores; Central Provinces and Berar, Rs. ·65 crores; Assam, Rs. ·23 crores; Territories under the Central Government, Rs. ·27 crores. Thus at the present moment stamps constitute one of the most important resources of every Provincial Government, while in one province, namely Bengal, this item forms the largest of all the sources of revenue.[1]

Registration fees form a considerable source of revenue for all the provinces. The system of registering titles and other deeds of importance in India dates from the closing years of the eighteenth century. A Regulation on the subject was passed in 1799 by the Government of Bombay, and between that year and 1827, when the law was consolidated, no less than ten enactments found their way on to the local statute-book. It was found that it was conducive to the preservation of titles to immovable property, and would greatly facilitate the transfer of

[1] Of the total amount of stamp revenue, Rs. 2·21 crores is contributed by judicial stamps, and Rs. 1·25 crores by non-judicial stamps. This fact led Sir John Simon, Chairman of the Statutory Commission on Indian Reforms, to remark that Bengal lived on the proceeds of litigation.

such property by sale, mortgage, gift, or otherwise, if a register were kept in every district, and if deeds entered therein were to be allowed preference to an extent that would give the holder an interest in presenting them for registration. At the same time, a general register, relating to the same territorial unit, was prescribed for all other deeds, obligations and writings, in order to provide for the record of copies of such documents, and thus afford facilities for proving them in case the original happened to be lost or destroyed, a contingency by no means unlikely in the ordinary conditions of Indian life.

The question was not taken up, except in the Western Presidency, until 1864, when a general Act was passed by the Governor-General in Council relating to registration. This was followed by several amending Acts. In 1877, the law on the subject was consolidated. The registration law was affected by the Transfer of Property Act of 1882. The provisions of the law relating to registration were consolidated by the Indian Registration Act of 1908 which, however, did not make any substantial change. The administration of this important department is conducted through a provincial Inspector-General and a staff of local inspectors. The actual work of registration is performed by a large establishment of sub-registrars a few of whom are attached to each sub-

division. The District Officer is usually the registrar for his territorial charge.

Registration is compulsory in some cases and optional in others. Registered documents thus fall into two classes. The first class consists of (i) deeds of gift and other non-testamentary documents (including receipts) affecting immovable property of a certain minimum value; and (ii) leases of immovable property for fairly long terms. Registration is optional in the case of (1) deeds of gift of immovable property and other non-testamentary documents (including receipts) affecting immovable property of a certain maximum value; (2) leases of immovable property for a term not exceeding one year; (3) documents affecting movable property; (4) wills or deeds of adoption; (5) deeds, bonds, contracts, or other obligations. The most important categories of documents registered are sales and mortgages of immovable property. Under the Reforms, registration has become a provincial subject.

'Registration' first appears as a separate revenue head in 1879.[1] The mode of payment is by *ad valorem* fees and copying fees. The fees charged for registration vary in the different provinces. In 1925, the registration fees were substantially increased in Bengal by executive order. The net income derived from registration fees from the

[1] 'Till the year 1879 registration' formed part of the head 'law and justice.'

whole of India amounted to Rs. 36·43 lakhs in 1914, Rs. 56·78 lakhs in 1920, and Rs. 75·80 lakhs in 1926.[1]

Coming to what are known as the 'Scheduled Taxes' we find that a tax on amusements was first levied in Bengal and Bombay in the years 1922 and 1923. This tax consists of a simple levy on tickets of admission to places of entertainment. Objection has been taken to the tax on the ground that it falls on the proprietors of places of amusement. But the argument does not seem to be convincing, and the tax, falling as it does into the category of a luxury tax, appears to be an eminently desirable one. Its productiveness, however, is not large, for it can be levied only in the larger towns where organised entertainments are common. The Taxation Enquiry Committee suggest that the imposition and administration of the tax should be retained in the hands of the Provincial Governments, but a share of the proceeds should be made over to the local bodies concerned. The amusements tax yielded a total sum of Rs. 11·69 lakhs in the year 1927-28, of which Rs. 7·32 lakhs was derived from Bombay and Rs. 4·37 lakhs from Bengal.

[1] The total receipts in the different provinces in 1926 were: Madras, Rs. 39·25 lakhs; Bombay, Rs. 12·37 lakhs; Bengal, Rs. 39·19 lakhs; United Provinces, Rs. 13·64 lakhs; Punjab, Rs. 9·31 lakhs; Burma, Rs. 6·51 lakhs; Behar and Orissa, Rs. 15·18 lakhs; Central Provinces and Berar, Rs. 6·13 lakhs; Assam, Rs. 2·16 lakhs. The total expenditures in these provinces respectively were: Rs. 27·82 lakhs; Rs. 6·39 lakhs; Rs. 17·95 lakhs; Rs. 4·57 lakhs; Rs. 2·25 lakhs; Rs. 1·67 lakhs; Rs. 5·82 lakhs; Rs. 1·78 lakhs; and Rs. 1·14 lakhs.

A tax on betting has been in force in Bengal since 1922. A betting tax was also levied in Bombay in 1925 and in Burma in 1928. This is a proper tax, as it has a restrictive as well as a revenue aspect. The betting tax produced a total sum of Rs. 27·03 lakhs in 1927-28, of which Rs. 13·94 lakhs was obtained from Bombay and Rs. 13·09 from Bengal. No tax on advertisements has yet been levied in India, for it is not expected to bring in much revenue.

The capitation tax is the most profitable source of revenue in Burma next to land revenue. It is a peculiar form of tax adopted from the Burmese Government by the British when the latter came into the possession of Burma. Up to the end of 1860 the rate of the capitation tax was for a married man, Rs. 4, and for a widower or a bachelor of 18 years and over, Rs. 2. When under great financial pressure the Government of India had to seek fresh sources of income and the income-tax was introduced in India, this rate was increased to Rs. 5 for married men and Rs. 2-8 for bachelors and widowers. In the frontier districts slightly decreased rates were levied. The increase of rate was suggested by Sir A. P. Phayre, then Chief Commissioner, on the ground that, with the exception of the larger towns, the income-tax could not, with any prospect of success, be introduced into British Burma. The Government of India, however, while not accepting Sir

A. Phayre's view in regard to the inexpediency of introducing the income-tax, accepted the suggestion relating to an increase of the capitation tax.

An enquiry was made in 1872 as to the nature and incidence of the various taxes levied in different parts of India. On this occasion, considerable difference of opinion was expressed with regard to the capitation tax. The general feeling among officials seemed to be that this tax was not oppressive or distasteful to the people. It was said that it was a form of taxation to which the people had always been accustomed from days long antecedent to Burma coming under British rule, that little oppression was exercised in its collection, and that it was very slightly evaded. The Chief Commissioner of Burma, however, expressed the view that, while the tax was not irksome to the people at large, being one to which they had been reconciled by long usage, it was too much to believe that there was not some oppression and some waste in its collection. He was willing, however, to concede that, if the unquestionable evil of a system of direct taxation was to be resorted to, it was less objectionable in Burma in this form than in any other. The tax was in accordance with the notions of the people and long established custom; every man knew exactly what he had to pay, and knew where to obtain redress if more than his due was demanded. It had, too, the advantage that it was a tax

levied across the frontier, as well as in British territory, and the amount of the tax, the certainty of the demand, and the mode of collection on the British side of the frontier, bore very favourable comparison with the system on the other side.

"At the same time," observed the Government of Burma, "it does not follow that because a tax is not obnoxious, or because the people can afford to pay it, it is therefore right and proper that it should be levied. The margin of discontent or inability to pay is not, as is too often apparently held to be, the proper limit of taxation. There is no reason why the people of Burma should be taxed at a higher rate than the rest of Her Majesty's Indian subjects because they pay willingly. The subject of their claim to decreased taxation will be alluded to further on, and all the Chief Commissioner desires to say now on this head is that, if it should be determined to decrease taxation in British Burma, it should, in his opinion, take the form of a decrease of direct taxation. He considers it of paramount importance, if we desire, as we must do, to attract a large population from the surrounding States and countries, to keep our machinery for raising revenue as much out of sight as possible; to decrease our visible taxes, and if necessary, maintain or increase our invisible taxes. The form which this modification of the capitation tax should take, in Mr. Eden's opinion,

is that which is favoured by several of the officers consulted and which was formerly in force in Tenasserim, and that is, the exemption from capitation tax of every man who has *bona fide* under cultivation, excluding fallow, 10 acres of land."[1] Independently of these reasons, however, it did not seem to the Government of Burma that the people of the province had a claim to the reduction of the capitation tax.[2]

The *thathameda* is an impost levied only in Upper Burma. It is a tax on income derived from sources other than agriculture. Under the Burmese regime, the *thathameda* was a tax on property. Villages were ordinarily assessed at the rate of ten rupees a household, and this was distributed according to the opinion of the local officers (*thamadis*) selected by the village as to what each household should pay. The poorer villages

[1] "There is no doubt", added the Government of Burma, "that the agriculturist who now pays land revenue, capitation tax, and a duty of 14 per cent. *ad valorem* on his rice crops, pays more than his proportionate quota to the revenue, when compared with the people of other parts of India, and when compared with the non-agricultural classes of Burma, has a claim to relief; and if the relief took the form of an incentive to hold a larger farm, its effect would be to increase the land under cultivation and to give back in land revenue and rice-duty, what was lost in capitation tax. This change seems specially called for in Akyab, where it is very generally believed (though this is not admitted by the officials) that the pressure of capitation tax prevents the people of the neighbouring districts of Bengal, with their characteristic distaste for direct taxation, from settling in the province."

[2] *Letter from the Secretary to the Chief Commissioner of Burma to the Secretary to the Government of India, dated the 16th November, 1872.*

The Deputy Commissioner, Shwe Gwyn district wrote: "With regard to the reduction of the capitation tax, I consider that, from the same cause, the people being all very much on a level in regard to

sometimes paid less than Rs. 10 a household. The main objection to it was that the poorer classes were assessed too highly. The original intention was that the *thathameda* tax should be known as the capitation tax without any change in the customary rate and method of assessment; the Government of India in their earliest communication on the subject of the resources of Upper Burma even contemplated the abolition of the *thathameda* and the substitution of a tax on the lines of the capitation tax of Lower Burma. This course was frequently advocated in later times. But the problem of assessing wealthy non-agriculturists presented difficulties and the *thathameda* tax has been retained.

One great objection to *thathameda* has been diminished by the introduction of the land revenue.

wealth, which is felt in the income-tax to be oppressive, makes this tax the most fair. I am in favour of equalising the tax upon bachelors and married men, but *not* by reducing the tax. I think bachelors should pay the full amount. This was the case in Tenasserim before the amalgamation of the provinces in 1861.

"The half rate for bachelors is an importation from Arakan. In that province, after trying every form of taxation, commencing with a lump sum from each Thoogyre, and embracing successively trades and professions, cattle, ploughs, boats, etc., the taxes settled down to two, viz., the capitation and land tax, the same as in Tenasserim, with this difference that bachelors only paid half the capitation tax. Capt. Phayre, on being appointed to the newly acquired province of Pegu, imported the Arakan taxes there, and those were again extended to Tenasserim on amalgamation.

"I considered at the time that the reduction was unwise and uncalled for; the tax caused no complaint, nor was it felt as a hardship; and I consider the unnecessary reduction of permanent taxes as almost as injurious as the imposition of new ones; one indeed almost invariably must follow the other; it unsettles people's minds and causes them anxiety as to what is coming."

It has become possible to enhance revenue without at the same time enhancing the rates on the poorer classes, as the assessment of all land to land revenue has in theory converted the *thathameda* into a tax on income from all sources other than the ownership or occupation of land, and agricultural and non-agricultural income can now be assessed separately. But this changes the nature of the tax; it becomes, in theory, no longer a tax on property, but a tax on income. Whether a man has property or not is usually self-evident; his income can only be ascertained by enquiry. In practice, *thathameda* often remains a tax on property; the lowest rate is the highest which the poorest can pay, and in the assessment of the wealthier people the assessors take into consideration the fact that they pay land revenue. In many cases, however, it is assessed at a flat rate, and all classes down to the agricultural labourers pay the same rate per household.[1]

After the introduction of the Reforms, the levy of the capitation tax led to a great deal of agitation which in some places took the form of passive resistance. In 1925, the Burma Legislative Council adopted a resolution recommending the appointment of a Committee to consider the possibility of substituting some other form of taxation for the capita-

[1] *Report of the Committee on the Land System of Burma, 1922.*

tion tax levied in Lower Burma. In the following year, another resolution was passed by the Council urging the inclusion, in the terms of reference to the proposed Committee, of the *thathameda* tax levied in Upper Burma. In May, 1926, a Committee, consisting mostly of non-official members, was appointed by the Government of Burma.

The problem before the Committee was the provision of 102½ lakhs of rupees by methods more suitable than the *thathameda* and capitation taxes and the land-rate levied in lieu of the capitation tax. The evidence of a majority of the witnesses who appeared before the Committee may be summarised as follows: "We do not wish to pay 100 lakhs in taxation; but if it is necessary for Government to have this amount to carry on as at present, then we would rather raise the sum required by capitation and *thathameda* taxes than in any other way; at all costs we pray to be saved from the multiplicity of new fangled substitutes which have been suggested."[1]

The Committee agreed, in the main, with the view expressed above. If, however, the taxes were to be retained, the Committee considered that they should cease to be sources of provincial revenue and be applied to local purposes, such as, education, sanitation, public health, and communications. This, in substance, was scarcely different from

[1] *Report, paragraph 7.*

the view taken by the Taxation Enquiry Committee.

The *Thathameda* and Capitation Taxes Committee recommended unanimously that the capitation tax be abolished. The Chairman and one of the members desired to introduce a *circumstances* tax in Lower Burma and to retain a modified *thathameda* in Upper Burma. The rest of the members wished to abolish the *thathameda* also. The Committee thought it necessary to discuss the argument which had been advanced to the effect that Burma was already so overburdened with taxation that it was essential that the capitation and *thathameda* taxes should go and no substitutes whatever be provided. They observed that, if the *thathameda* and capitation taxes were abolished and no substitutes provided, material welfare would be seriously hampered. With reference to the objection that capitation and *thathameda* taxes were peculiar to Burma, the Committee pointed out that similar taxes were levied in other parts of India with other names, and that capitation taxes actually existed in many countries of the world.

After discussing the various suggestions offered by witnesses, the Committee made the following recommendations regarding the replacement of the capitation and *thathameda* taxes by other sources of revenue: (1) a share, amounting to one-fourth,

of the customs duties including the rice export cess, and of the income-tax; (2) the excise duties on petrol and kerosene collected from Burman consumers; (3) a cess of 3 annas per maund to be levied on rice exported to India; (4) a cess on the export of teak; (5) a tax, varying from Rs. 2 to Rs. 10 according to the circumstances of the assessees, to be levied on non-permanent residents; (6) a tax on betting; (7) a duty on the sale of *ganja*; (8) an additional amount of opium excise revenue by the re-opening of opium registers to Burman addicts; (9) an increase in fees for fire-arm licenses; (10) a tax on emigrants to be levied at the rate of one rupee per head. The proposals were expected to yield a sum of Rs. 2·61 crores and thus provide a large margin to meet the expanding needs of the Government.

While recognising the earnestness of the Committee in the matter of abolishing the capitation and *thathameda* taxes, it must be remarked that some of their recommendations are of a reactionary character. When one finds that the sale of *ganja* and the re-opening of opium registers to Burmans are among the suggested substitutes, one feels tempted to observe that the remedy proposed is worse than the disease itself.

A discussion took place in the Burma Legislative Council on the subject in 1928 on the occasion of voting the demands for grants. A token cut

was moved by a Burmese member. Mr. S. A. Smyth, on behalf of the Government, opposed the motion. He said that there had been no agitation against the capitation and *thathameda* taxes before the introduction of the Reforms, and that the feeling recently expressed against them was due to the teaching of the political agitators. He further asserted that the taxes were not oppressive; nor did he consider them to be a badge of servitude. The motion was lost.

The capitation tax is open to all the objections which may be urged against a poll-tax. It falls on the rich and the poor alike; it is particularly unfair in its incidence on the labourers. It is also expensive to collect, and opens a wide door to corruption. Most of these objections apply also to the *thathameda*. The only justification for the continuance of the taxes is that they are familiar to the people and that new taxes may cause greater discontent. These taxes ought to be abolished as soon as proper substitutes are found for them.[1]

Another inequitable tax, but one of recent imposition, is the sea passengers tax of Burma. The object of the Burma Sea Passengers Tax Bill was stated in the Preamble to be "to prevent the loss to the public revenues of Burma from the non-

[1] Another tax levied in Burma is the *taungya*. It is a charge per head or per household imposed in areas of shifting cultivation, usually in the hills, in lieu of land revenue.—Vide *Report on the Land Revenue System of Burma, 1922*.

payment of capitation tax in Lower Burma and *thathameda* tax in Upper Burma by immigrants." In moving for leave to introduce the Bill in the Burma Legislative Council in March, 1925, the Finance Member emphasised that the object of the measure was to prevent the evasion of the payment of the capitation and *thathameda* taxes by non-Burmans.[1] The Bill proposed to tax everyone who entered Burma by sea at the rate of Rs. 5. It provided for the refund of any capitation tax which the person assessed to the sea passengers tax had already paid and of five rupees of any amount already paid as *thathameda* tax.

Sir Adam Ritchie, a representative of the European commercial community, opposed the Bill on economic as well as other grounds. He said: "The Bill appears to me to be protection in one of its most pernicious forms, that is, protecting the province against its own best interests. It is idle to argue that there is a sufficiency of

[1] The Finance Member said; "There is a very large annual influx into Burma from India, mainly of labourers who are employed both in the districts and in the towns. These labourers, except when they settle down in a town, move from place to place, and as a rule, they escape all taxation. They usually arrive after the annual capitation tax assessment rolls in Lower Burma have been completed. Headmen are required to submit supplementary rolls. In many cases they collect nothing at all. The names of these migratory labourers are always a difficulty to Burman headmen, and identification by name is rarely possible. In the next place, although the great majority of these labourers are married men and therefore liable to pay capitation tax at the married rate, they are always assessed at the unmarried rate." *Proceedings of the Burma Legislative Council, dated the 10th March, 1925.*

labour in this province. Everybody knows that it is not so. There is not a single industry in the province which is not dependent upon foreign supplies of labour, and the present supply of unskilled indigenous labour is far below the requirements of both the agricultural and industrial interests. To place any impediment whatsoever on the free flow of labour into this country must prejudice not only the existing interests but the future development of this province." The Bill was also opposed by Mr. F. H. Wroughton, representative of the Burma Chamber of Commerce, who said that the measure was not acceptable to the commercial community. He described the Bill as "a definitely obstructionist measure to check the inflow of labour." Some of the members described it as an anti-Indian measure. The Select Committee made one minor amendment in the Bill, which was accepted by the Government. Various other amendments were moved by European and Indian members, but all of them were rejected by the Council. The Bill was passed by a large majority.

The sea passengers tax of Burma is, for all practical purposes, a poll-tax. It is crude in its nature, and unfair in its incidence. It takes no account of a person's ability to pay, and is thus opposed to one of the chief canons of taxation. Besides, the tax has to be paid before any income has been

earned. This is contrary to the principles on which a sound system of taxation ought to be based. Lastly, the tax is open to the objection that it seeks to place inter-provincial barriers between parts of the same administrative unit. The sea passengers tax thus possesses many serious defects, and it is to be hoped that it will be removed from the statute-book at the earliest possible moment.