

# The State Council of Ceylon.

No. 43.

August 13, 1942.



# DEBATES

## SESSION OF 1942.

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# STATE COUNCIL OF CEYLON.

Thursday, August 13, 1942.

The Council met at 10 a.m., MR. SPEAKER [THE HON. SIR WAITIALINGAM DURAISWAMY] in the Chair.

## PAPERS TABLED.

(Leader of the State Council): List of Amendments to the Draft Estimates, 1942-1943, to be moved during the Committee stage of the Appropriation Bill, 1942-43.

## NOTICES OF MOTIONS.

\*Mr. E. W. Abeygunasekera (Nuwara Eliya): I beg to give notice of the following motion:

That this Council is of opinion that immediate steps should be taken either by the Food Controller or by the Commissioner of Civil Defence to cause depots for sundries to be opened at Kandy to enable the Village Committees and others to purchase the necessary essential commodities for the consumption of the rural population.

I also give notice that I shall move the suspension of all relevant Standing Orders to enable me to move this motion at an early date.

## †EXCESS PROFITS DUTY. (AMENDMENT) BILL.

The debate on the following motion of the Hon. Mr. H. J. Huxham (Financial Secretary) was continued:

"That the Bill intituled 'An Ordinance further to amend certain provisions of the Excess Profits Duty Ordinance, No. 38 of 1941', be now read a second time."

Mr. G. A. H. Wille (Nominated Member): Sir, at the third reading of the main Bill on this subject, I moved—

The Hon. Mr. D. S. Senanayake (Minister of Agriculture & Lands): This is the second reading.

Mr. Wille: I am referring to what I did at the third reading last year when the main Bill was passed. I moved that the Bill be read the third time six months

—An asterisk (\*) against the name of \* indicates that his remarks have not been by him.]

† For the Observations of the Financial Secretary and the Report of the Board of Ministers see HANSARD of July 9, 1942.

hence—the usual dilatory motion—and there were thirteen Members of this House who supported me in that proposal. [A MEMBER: Unlucky number!]. One reason was that it was considered not worth while passing so unusual a Bill as an Excess Profits Duty Bill for the sake of Rs. 2,000,000 or Rs. 3,000,000, as was estimated at the time. Then there was the principle of discrimination which was much resented. The third reason was that by the passing of that Bill, which was brought up in the teeth of the opposition of the public as expressed in the Press, we should be showing that we were not representing the peoples' views at all.

Sir, the first objection has disappeared from this Bill, because we are going to get not Rs. 2,000,000 or Rs. 3,000,000 but a very substantial sum. But the invidious principle of discrimination still remains, and I think we should take it off. The third reason also remains.

The Hon. Mr. Senanayake: Why not oppose it?

Mr. Wille: I do not want to oppose it. I am taking a practical view as we must do our best for the country, and with a view to improving the Bill I say that we must remove these discriminatory Clauses. The third reason, as I said, still remains, namely that there is a good deal of opposition to the Bill as it is presented to us with the discriminatory Clauses and various concessions.

We are told that plumbago is to pay only 30 per cent. of the excess profits, whereas agriculture and other undertakings are to pay 50 per cent. Now, when we think of the abnormal profits that plumbago-mining is making at present, there seems to be no justification for this reduced rate of duty. The reasons given by the Hon. the Financial Secretary in moving the second reading—I do not know whether his heart is in those reasons although, as the sponsor of the Bill, he had to support it—

The Hon. Mr. G. E. de Silva (Minister of Health): If his heart is not there, the words will not be there.

Mr. Wille: The Financial Secretary said that plumbago was a wasting asset, and also that reserves have to be built up. As regards the argument of wasting asset and building up of reserves, there will be plenty of room for plumbago-mine owners to do that from the 50 per cent. excess profits that will

[Mr. Wille.]  
be exempted from duty. That is a very substantial allowance, and I do not see why they should not be satisfied with that. Apart from that, plumbago-mine owners have had a long respite as compared with other business people. They have been exempted from the last Excess Profits Duty Bill. What is more, Sir, in Clause 4, further concessions are granted. For instance it says:

In determining the profits arising in any accounting period or pre-war trade year from any business of mining plumbago, a deduction shall be made in respect of expenditure incurred during that accounting period or pre-war trade year, for the purpose of prospecting for plumbago or of sinking plumbago pits."

That is almost like an allowance as current expenditure for the cost of clearing an estate, whether it is for rubber or tea.

Then, there is a further concession granted, and that is that relief will be given in respect of intensive production of rubber. You can hardly believe that with 50 per cent. allowed as exemption from this estate duty owners will not have sufficient incentive to go in for intensive cultivation of rubber without an added artificial stimulus. It is really too much of a concession, and I think it ought to be removed.

I shall refer only to one more concession, and that is the relief in respect of additional export duty. Now I find that the additional export duty is to be deducted from the excess profits duty that will be payable under this Ordinance. That is really going too far. It ought to be deducted from the total excess profits that are made and on which the duty is paid. I can illustrate the point in this way. For instance, if excess profits total Rs. 1,000 and the increased export duty was Rs. 400, you take Rs. 400 from Rs. 1,000 and you arrive at Rs. 600; so that half of that would be Rs. 300, and that would go into our exchequer. But now what is proposed is that the total of Rs. 1,000 be taken as a basis and that half of that be regarded as the duty payable, that is Rs. 500, and from the Rs. 500 the Rs. 400 paid as additional export duty be deducted, leaving only Rs. 100 for the exchequer. So there is room for improvement in the

Bill in respect of even that item. I do not know why at this time when we want additional revenue to meet national needs there should be so much concern shown for those who are making excess profits.

In speaking on the second reading of the Appropriation Bill, I compared this Bill to the famous Reform Bill of 1867 in which certain (what were called) fancy franchises were introduced. You will remember that Disraeli, in introducing the Bill, a Bill which was called by his chief, the Earl of Derby, "a leap in the dark", tried to make out that there should be all sorts of provisions to defeat the object of the Bill. So he wanted to give the vote to ministers of religion, to graduates, to those who had £50 in the funds or those who paid a very small sum in direct taxes, and anyone who was entitled to a fancy franchise should get a double vote. All these fancy franchises were removed from the Bill by opposition on the part of the House of Commons, and I hope the similar fancy concessions in this Bill too will share the same fate.

**Mr. Susanta de Fonseka (Panadure):**

I rise to oppose this Bill. It is not due, Sir, to the natural reluctance of every one of us who has to pay anything by way of taxes, but I feel that the circumstances under which this House has been called upon to approve excess profits duty are such that do not meet with my approval.

We cannot go behind the fact that this duty is being levied primarily on account of the war. There is no gainsaying that fact, Sir. I, for one, feel very humiliated that in a war in which we were never consulted we should be led like dumb cattle to the slaughter. It is bad enough that this country should be converted into a battle field without the consent of the people; it is bad enough that our Constitution should be left to the tender mercies of a dictator, most improperly appointed, but, when we are called upon after all those wrongs also to vote a sum of money for a purpose like this, ignoring the other circumstances, I think it time that we should cry a halt.

Apart from that, has the Board of Ministers taken into account this fact? To-day the price of rubber is controlled,

I believe, it is 72 or 71 cents a lb. To-day Ceylon is the only country worth speaking of where rubber is produced. Under normal circumstances, when the other rubber-producing countries came to be occupied by the enemy, the price of rubber in this country would certainly have gone up to Rs. 10 a lb. No one can deny that. Rubber is an essential war commodity, and whether England liked it or not, she would have had to provide shipping to fetch our rubber. You cannot go behind that fact.

But, Sir, let us put the value of rubber, if the price was not controlled, at the very conservative figure of, say, Rs. 2.75, if the ordinary laws of supply and demand were in operation; let us put the value of rubber at Rs. 2.75, and the potential output of this country at 105,000 tons. Prices are then controlled without our consent, purely for the benefit of England and of America. That did not operate in the last war. In the last war America gave a loan to England, and England found it to her benefit to put up the price of rubber to repay that loan. In this war the circumstances are different. It is a Lease and Lend Act between the United Nations and, Sir, we are called upon to pay the piper.

Well, I understand, that our potential output is 120,000 tons of rubber and not 105,000 tons. At the rate of Rs. 2 a lb. to-day, we are contributing on rubber alone to the English and American exchequers a sum of no less than Rs. 600,000,000. Then, take tea. Tea may not be such a very essential commodity for the war effort as rubber is, but there again we are asked to sell our tea, whether we like it or not, through the Tea Commissioner to the Ministry of Food, and there again the price is controlled. We have the same thing in respect of plumbago and in respect of coconut. I believe, on a very fair and conservative estimate, our contribution to-day, without our consent, to England's war effort, is no less than Rs. 1,000,000,000.

**Mr. Wille:** If there was no war?

**Mr. Susanta de Fonseka:** If there was no war, well, the prices will be governed by the ordinary rules of supply and demand.

That was one of the reasons why I opposed the "Nature of Service" on a previous Supplementary Estimate for the war effort, but unfortunately the Council did not see eye to eye with me. But on this occasion, I feel that we should, not only protest against the manner in which we have been dragged into the war, but we should also protest against the manner in which we are now being called upon to pay for that war. Surely, with Rs. 1,000,000,000—approximately 10 times our annual revenue—we can do much more for the defence of our own country against aggression.

If this is wanted for the war effort, the first thing we should do is to arm our own people. Will the Hon. the Chief Secretary and the Imperial authorities ever agree to have every man and woman of this country armed for the defence of its shores? Will they agree to train our men in guerilla warfare? No, Sir; they will not do it. So long as Defence is in the hands of the Chief Secretary, so long as war has not been declared by us, we are not prepared to help conscription in this country.

For that very good reason we are opposed to this Bill. In the circumstances, I am opposed to the principle of this Bill and the purposes for which this tax is to be levied, and I hope the House will agree with me in rejecting this tax.

**\*Mr. S. Samarakkody (Narammala):**

On the last occasion, when the Excess Profits Duty Bill was moved in this House, I was one of those who cried out against the discrimination that was being made, and I suggested that if a Bill was brought forward it should cover not only industrial ventures but also plumbago mining, as well as agriculture.

Shortly after that, you will remember, as a special case I pleaded that some relief should be given to certain nascent insurance companies, as otherwise there would be unfair competition by foreign companies, resulting in the local companies being placed at a disadvantage. Although this House accepted that suggestion, in Committee, however, it was turned down. Nevertheless, I would like to point out that even on that occasion I suggested that, if an Excess Profits Duty Bill was necessary, in order to find extra money to

[Mr. Samarakkody.]  
supplement the war expenditure, an excess profits duty not exceeding 10 per cent. should be levied on all agricultural enterprises.

On this occasion, I would like to point out that the discrimination made in favour of plumbago was not unjustified in view of the special circumstances involved. But I would like to submit that there is an industry which demands very special consideration, even more consideration than the plumbago industry; I refer to the coconut industry. It will be remembered that there are about 7,100,000 acres under coconut, and that is an industry which is practically in the hands of the indigenous people and which has suffered for very many years as a result of the low prices that obtained.

Coconut oil and coconut produce have very many competitors. There are very many kinds of oil, soya bean and various other agricultural produce that compete in the world market and bring down the price of coconut oil and coconut produce. Strangely enough, as European planters are not interested in this industry as such, no effort has been made, either in England or elsewhere, to obtain a fair price for coconut oil and coconut produce within the last so many years, with the result that practically all the large coconut estate owners had to raise money from the State Mortgage Bank and various other credit institutions.

The position to-day has been very well appreciated by the Minister of Agriculture and Lands, who has brought up a Bill to give relief to those who lost their properties during the time of the depression. I think that Bill has already been gazetted, but the purpose of that Bill is, to go into the question of the sales that took place during the specific period of the depression and to try and effect some sort of compromise with the creditors, with a view to giving those estates back to the original owners if possible.

That step is to be taken in view of the fact that a large number of coconut estates have gone into the hands of Chettians and non-Ceylonese, and the plight of the coconut planter is really pitiable. Apart from that, there is the other aspect of the matter—the small cultiva-

tor. Small-holdings, as far as coconut is concerned, are very much more than in the case of rubber and tea. In Ceylon, every garden is a coconut garden.

My constituency is practically a coconut-growing district, and, to give you an instance, I may state that I went about 2 or 3 months ago into a certain village to inspect a tank; on my way, I had to pass a number of village holdings, and I inquired from those villagers what price they obtained for their coconuts and what quantity they were able to pluck from their gardens. I was told the sad tale that for the last so many years they had not been able to pluck any coconuts from their trees because either "A. R. A." or "A. R. M." Chettiar had labelled those trees as belonging to him. Most of these people had borrowed between Rs. 100 and Rs. 200, and to repay that amount they have had to lease their trees for 10 cents a year for 10 years.

Apart from the big coconut owners, you will find that the poor man has not received any benefit as a result of the increase in the price of coconuts. This is no exaggeration. I can prove the facts to the Hon. the Financial Secretary or to any Member of the Board of Ministers if they would care to take the trouble to visit these villages.

We will just consider, for the purpose of comparison, the tea industry. It is true that the tea industry suffered a similar fate at a certain time, but you will remember the period during which that state of affairs obtained was brief; by some method of international control, and by applying various kinds of "artificial respiration", this industry was sustained, with the result that during the last 10 years fair prices have been obtained for the different grades of tea.

Apart from that, as far as food value is concerned, the coconut tree is a hundred times more useful than the tea plant, which introduces a slow poison into the human system. [A MEMBER: Question]. It is true that we are asked to drink more tea, better tea and large quantities of tea for our health, but the moment you feel nervous or have a nervous breakdown, the Doctor will ask you, "How many cups of tea do you take?" and if you say that you take 5 cups of tea a day, he will tell you to cut it down to two cups.

Just because this industry is an industry in which British capital has been invested, and in which British planters are interested, somehow or other you will find that the full output of this industry is purchased by England and America. Relief was first given to a section of the people who do not make common cause with the people of this country. Immediately after the commencement of the war, the existing arrangement was made, with the result that these planters are really experiencing a boom in the tea industry.

While this has been going on for at least 2 years or more, most of the loans which the planters had raised, if they ever raised any loans, have been paid. There was no control over the profits that they made; and in consequence they can even forgo 100 per cent. of their profits. If you look into the dividends they have declared, you will realize that they have been in a position to make charitable gifts and even to make contributions for various purposes.

As far as rubber is concerned, although about 40 per cent. or a little more of the acreage under rubber belong to Ceylonese, I do not ask for any special concession for that industry. It is true, as the hon. Member for Panadure (Mr. Susanta de Fonseka) has stated, that if the normal laws of supply and demand were allowed to operate in regard to this industry, to-day the price of rubber would be in the neighbourhood of Rs. 2 or Rs. 3 per lb. It does not require a prophet to know that. But as far as the rubber industry is concerned, for the last two or three years we have realized a reasonable price, and rubber-estate owners have made certain sums of money and have been even able to pay off their debts within the past 2 years.

But, Sir, why is the coconut industry completely ignored? Until the other day, in spite of the fact that Ceylon was a British Possession, the Ministry of Food preferred to buy coconut produce from the Philippines, the Dutch East Indies and various other non-British countries. It is only when they have no other sources from which they can buy coconut produce that they come to us.

Take the plumbago industry. It was down in the dumps. Madagascar plum-

bago was preferred, because British capitalists had gone there and exploited that country. In spite of the fact that our plumbago was far superior,—and I venture to say that our plumbago is considered the best in the world—the British preferred Madagascar plumbago. The result was that during the years of peace all our plumbago was shipped to Japan. Japan was the only country that came to the rescue of our plumbago industry. To-day the folly of having adopted such a policy is apparent. Japan does not require any plumbago for the next 10 years, because almost all our output of plumbago was purchased by Japan and Italy during the past ten or fifteen years.

In these circumstances, is it too much to say that neither the local Government nor British interests have taken any interest in the coconut industry? Of course, persons like Mr. Whitby and other commercial magnates have shown some interest, not in the growing of coconuts, but in making the highest possible profits from shipping coconut oil. There are no large Ceylonese exporters. The export trade to-day is in the hands of British capitalists.

To-day the coconut planters are the worst exploited agriculturists in this country. As far as the coconut industry is concerned, I do not want a total exemption for it, but at least some discrimination must be made in its favour as in the case of plumbago. To-day, what is the price of an acre of coconut land? It is suggested that Rs. 400 would be a fair price.

**The Hon. Mr. H. J. Huxham (Financial Secretary):** No. Rs. 400 an acre was the minimum value, pre-war, of a coconut estate.

**\*Mr. Samarakkody:** I do not know what the Financial Secretary is talking about. Before the war you could have bought coconut estates at Rs. 100 an acre. I know of an estate that was bought at that price about two or three years ago.

**\*Mr. B. H. Aluwihare (Matale):** But that does help the coconut owners.

**\*Mr. Samarakkody:** Does not the House remember that an acre of coconut land was worth Rs. 2,000 shortly

[Mr. Samarakkody.]  
before the depression? These are not statements which are not supported by evidence.

Although to-day, technically speaking, copra is Rs. 59 per candy, what is the cost of transport? Nobody is interested in making arrangements for the transport of copra. Hundreds and thousands of candies of copra are lying on estates, and the owners are unable to arrange any means of transport for the copra. There is no road or rail transport available for copra, with the result that people are compelled to sell it merely to enable them to make ends meet.

The other day, when I mentioned that as far as the Railway is concerned, tea and rubber have preference, the Hon. Minister of Communications and Works said, "No." But recently the Hon. Minister of Labour, Industry and Commerce visited Kurunegala, and a conference was held there; and at that conference the Deputy Director of Industries stated that, as far as the Railway was concerned, tea and rubber were given preference. Now, preferential treatment is given to those industries, simply because the British capitalists are interested in them.

I repeat that, as far as the coconut industry is concerned, some relief should be given, and I suggest that at least the tax should be reduced from 50 to 25 per cent. I think that is not an unreasonable request to make, and I hope, when the time comes, to move an amendment to that effect.

As far as the big principle which was raised by the hon. Member for Panadura (Mr. Susanta de Fonseka) is concerned, we are not totally ignorant of the indirect contributions that this country makes towards the British war effort. Whether it is done with or without our knowledge, there are some of us who can realize that the enormous increase in expenditure is a direct result of this war, in regard to which we were not consulted and for which we are called upon to make very many more sacrifices than we are actually willing to make.

I do hope that my remarks will be taken seriously by this House and that it will support my amendment at the proper time.

**\*Mr. H. F. Parfitt (Nominated Member):** Sir, the hon. Member for Narammala (Mr. Samarakkody), as representing a coconut district, must of course place before this House arguments for the reduction in the basis of coconut assessments. I have no quarrel with him for doing that. But I feel that his arguments were, to say the least, unfair to the British Government and to the European community who run tea and rubber estates.

He stated that coconuts have been unfairly dealt with by the British Government. What is the position? Before the war, we were very pleased if we could get Rs. 35 per candy for our copra. What are we getting to-day? Rs. 59—nearly twice as much as we ever hoped to get before the war. The complaint of the hon. Member was that the British Government had dealt unfairly with the coconut industry; I say that Rs. 35 was a very fortunate price to get for copra before the war, and to-day we get Rs. 59.

**\*Mr. Samarakkody:** Rs. 35 was paid by the Indians.

**\*Mr. Parfitt:** Well, Sir, I speak to the House, and it realizes the implications of what I am saying even if the hon. Member does not.

What is the position of tea? What are we getting for tea? We are getting a price based on what we were getting before the war, plus the actual cost of production, actual increased cost of production. Can anybody in this House say that copra as compared with tea has been unfairly treated?

Then, the hon. Member went on to say that through some peculiar machinations of the British European planters, tea was restricted but coconuts were not. But what is the position? The tea industry is just fortunate in that a few countries produce it, and we were able to come to a restriction agreement. The position is unfortunate in respect of coconuts. So many countries produced coconuts that it was found impossible to have a restriction scheme.

**\*Mr. Samarakkody:** If the hon. Member will give way, may I point out that I never made the suggestion that there should be some control scheme in the case of the coconut industry? I pointed



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out that there are various other produce that compete with coconut oil. What I stated was that the British Government or the local representatives of the British Government did not make any attempt to see that Britain purchased our produce in preference to the produce of non-British countries.

**\*Mr. Parfitt:** The implications of the hon. Member's speech, Sir, were that the British Government were so disinterested in the coconut industry that they did not pay a higher price for coconut produce. That is not so. The tea industry was able to introduce a restriction scheme, whereas the coconut industry was not able to do so; that is why the tea industry was able to secure a better price for tea than the coconut industry was able to secure for coconut produce. It was not due to any organization in Britain that they were paying more for tea than coconuts.

But I would ask the hon. Member, "What about the Coconut Board?" Surely, when the proposal for establishing the Coconut Board was brought before this House, we were told that we were going to solve all the difficulties of the coconut industry. The present Minister of Labour, Industry and Commerce, as a back-bencher, said that, with the Coconut Board functioning, the coconut industry would be set on its feet.

Then, the hon. Member for Panadure (Mr. Susanta de Fonseka) mentioned that if the tea and rubber purchasing schemes—particularly rubber—had not been introduced, the rubber industry might be securing Rs. 10 a lb. for its rubber as against about 75 cents, which it is able to secure to-day.

There are two main buyers of rubber in the world to-day—the U.S.A. and Britain—and I can see no obstacle in the way of those two countries deciding on a fair price for tea and rubber and saying that they would pay that price and no more. What would be the position of Ceylon then? It still has to produce its rubber; it has still to sell it and, provided it gets a fair price, I do not see what cause there is for complaint. The buying countries are not of necessity going to pay Rs. 10 per lb. of rubber and, moreover, when it is costing us about 40 cents to produce a lb. of rubber, would

we want to exploit those two countries by demanding Rs. 10 a lb.

**The Hon. Mr. G. E. de Silva:** Are they not exploiting us?

**\*Mr. Parfitt:** The Minister of Health asks: "Are they not exploiting us?" The cost of production of rubber to-day is somewhere in the neighbourhood of 35 cents per lb., and we are getting nearly twice as much from the British Government; and yet the Minister of Health asks, "Are the British Government not exploiting us?"! If I can always sell what I produce at nearly twice the cost of production, I shall never complain—

**The Hon. Mr. G. E. de Silva:** What do you pay for a rubber tyre?

**\*Mr. Parfitt:** I am now dealing with rubber, not with tyres.

Having dealt with those two hon. Members, I shall now come to the excess profits duty as proposed by the Financial Secretary. In introducing the Bill, he referred to the debate that took place on the previous Excess Profits Duty Bill, at which debate I am very sorry that I was not present. It must have been an interesting debate. At that time, there were arguments very ably expressed in this House against the imposition of the duty on agricultural produce.

But, Sir, whatever the arguments were then, the position to-day is that Japan has declared war on us, and our war expenditure has gone up to such a huge sum that some method of extra taxation must be devised, and however much I dislike the excess profits duty—it has been proved in England to be a hamper on initiative, and in every way it has the effect of increasing cost of production all round—yet, in view of the position in which we find ourselves to-day, I am prepared to support this Bill. There are two minor amendments I propose to move in the Committee stage, which it would be fair to the House that I should expound shortly to-day.

In the first place, as regards rubber, the basis of the Bill is that the average of the two best pre-war years should be taken as the basis of profits. I shall ask that in regard to rubber the basis should be the best year of those three, and not the average of the best two, for this reason: the basis of the restriction scheme was that Ceylon was given about

[Mr. Parfitt.]

80,000 tons a year as its standard production. Throughout the whole of that first period we agitated, and the Minister of Agriculture and Lands particularly agitated very strongly and with justice, for an increase in that figure of standard production. It was proved that we were correct, because in the second period we were given a standard production of 106,000 tons, against the 80,000 tons of the first period.

The Financial Secretary may say—and probably will—that not only Ceylon, but the other countries were given an increase, but the increase the other countries were given was not in proportion to what Ceylon was given. The actual percentages are as follows: Malaya received an increase of 4.9 per cent., the Dutch East Indies received an increase of 16.9 per cent., but Ceylon was given an increase of 28.4 per cent., thereby admitting that Ceylon had been under-assessed in the first period.

I do not think anybody in this House will say that Ceylon was not under-assessed during those three years, and if that is admitted, Sir, then what would be the position? The best year means the year with an export of 70,000 tons, taking the standard production of 106,000 tons. Taking the basis of 106,000 tons in the pre-war years, that would give us, for the average of two best years, 76,000 tons.

I am asking for a basis of a pre-war best year, when the exports would have amounted to 70,000 tons as against 76,000 tons which would have been our exportable quota had our standard production before the war been what it should have been—in the neighbourhood of 100,000 tons. But, as I have said before, our assessment was 80,000 tons, which was unfair and unjust, and if the Minister of Agriculture and Lands was here, he would have to admit that in the document forwarded by him to the British Government those words were used—that it was unfair and unjust that the rubber industry should have been saddled with a standard production of only 80,000 tons.

It is for that reason that I shall, in the Committee stage, propose an amendment—that as far as the rubber industry is concerned, the best year should be taken and not the average of the best two pre-war years.

The standard production of an estate is to be taken on the total cultivated acreage, but the rubber producers were urged by the Government to replant and to bud their rubber so as to protect their capital for the coming years, and it was in the interests of the Government that they should do that. So the planters cut out large acreages of their rubber, and I contend that that portion of the cut-out area should be left out in calculating the standard production of the estate.

My objective in asking for that is that if the standard production is lowered in relation to the actual rubber in bearing, it will mean that producers who can produce more rubber over that standard will get relief under the Clauses of the Bill, and it seems to me that that relief is justified in view of the fact that the rubber planters, in cutting out the rubber to the extent they did, thereby lowering the basis of their profits and thereby affecting the basis as outlined in the Bill—

**\*Mr. Aluwihare:** That was an ordinary investment.

**\*Mr. Parfitt:** I was going to add that they did it at the request of the Ceylon Government. The Government asked that they should cut out the rubber; that they should replant and bud the new areas. Having done that for the good of the country as well as for their own good, I do think that it is only fair that that particular portion of the cut-out rubber should be left out in calculating the standard production of the estate.

Those are the only two amendments that I propose to move in the Committee stage, and I thought it fair that I should mention them at the second reading.

It may also be advisable to fix a basis for the smaller, subsidiary products, such as cacao and cardamoms, but that can be considered at the Committee stage.

Apart from that, in the present conditions in which Ceylon finds itself, I am prepared to support this Bill.

**The Hon. Colonel J. L. Kotalawala (Minister of Communications & Works):** I usually do not intervene in debates on subjects that do not come particularly within the purview of my Ministry, but in this particular instance I feel that I must say a few words. Practically

every Member in this House, when he speaks of plumbago, turns towards me, and even the hon. Member for Panadure (Mr. Susanta de Fonseka) referred to me when he touched on plumbago in the course of his speech on this Bill.

The hon. Member opposed this Bill on the ground that these taxes are for war expenditure, and he said that this form of taxation should not be imposed because we were not consulted before war was declared.

**\*Mr. Aluwihare:** Before the Munich pact!

**The Hon. Colonel Kotalawala:** I wonder whether there are many Members in this House who are under the impression that we are an independent nation and that in everything the British Government do, they should first consult us. Do these Members forget that we are a subject-race, after all? I think the sooner we get out of our minds the impression that we are an independent nation the better for us, because then we shall do something to gain our independence; but if we labour under the mistaken impression that we are already an independent nation, and that therefore the British Government must consult us in everything they do, we shall stagnate in our present position. We are now in the position of beggars, and beggars, we know, cannot be choosers.

We are trying to fight this war to save ourselves. We have already had one dose of it—on 5th April last—and we know what might come later. All this money is required to save ourselves, not to become an Imperialist nation. We must not think that we are already an independent nation, or that we can remain quiet without defending ourselves.

Hon. Members must not forget that, whether by conquest, or, according to the hon. Member for Matale (Mr. Aluwihare), by treaty, we have been handed over bodily to somebody else, and that they are our “proprietors”. We are trying to establish our claims in the most peaceful manner. Small nations have no place in the world today—

**The Hon. Mr. G. E. de Silva:** The others can exploit us!

**The Hon. Colonel Kotalawala:** That is what has happened.

We must try to save ourselves; but I do not think it is the correct thing to get up and say in this House that because we were not consulted by Britain before war was declared, we must allow ourselves to be killed by some marauder.

The hon. Member who spoke last referred to the price of rubber, and said that we were getting twice the amount it costs us to produce the rubber, and therefore we ought to be satisfied. When he was asked, “What is the price of a tyre to-day?”, he said, “I am not speaking of tyres: I am speaking of rubber. The tyres are not made by but by firms which make money out of us.

**\*Mr. Parfitt:** I was speaking of the raw product; the Hon. Minister is speaking of the manufactured article.

**The Hon. Colonel Kotalawala:** If I own a tea estate without a factory, the hon. Member, I suppose, will consider himself entitled to say, “Well, the manufacturer can make profits, not the poor man who planted the tea.”

**The Hon. Mr. G. E. de Silva:** That is what is happening.

**The Hon. Colonel Kotalawala:** That is our “advantage”—always to get nothing more than double the cost of production, while the others are entitled to take our raw produce, manufacture into some article or other and bring it here and sell it at 500 per cent. profit! But if we are making more than double the cost of production, we are making an excessive profit! That is not the sort of argument we should use. We should try to get as much as possible for our products.

The hon. Member for Panadure (Mr. Susanta de Fonseka) said that under present conditions we should be able to obtain for our rubber Rs. 2 or Rs. 5 a lb., but he must not forget that if England wanted it, she could buy our rubber to-day at 25 cents a lb., and that she could buy our copra at Rs. 25 a candy, or even for less. To-day, although the Government price for copra is Rs. 59 a candy, people are compelled to sell their nuts and copra at Rs. 25 a candy.

**The Hon. Mr. Senanayake:** It is Rs. 16 per candy at Rambukkana.

**The Hon. Colonel Kotalawala:** If the controlling power is removed, and there are no ships to carry our produce away; I would not be surprised if we were forced to sell our rubber at 5 cents a lb! Therefore, as long as the authorities above us feel that we are making sufficient profits, we cannot do anything. It is only by representation that we can do anything; it is not by opposing taxation for the purpose of benefiting ourselves that we can do anything.

Take this excess profits tax. It is required because of the war. The cost of living has gone up, which means that Rs. 15,000,000 is involved. Then, money is wanted for A. R. P. measures, and this House itself has sanctioned expenditure which comes to another Rs. 5,000,000. Defence expenditure has been put down at Rs. 27,000,000. We are now part and parcel of the war effort and this House has endorsed it. Therefore this House must find the money.

Then, supposing a bombing raid takes place. We have to find ways and means of evacuating people; we have to buy foodstuffs and so on. And what is the best way of getting all the money required? Personally I feel that the money must be found. This may be the worst possible way of finding the money, but the money must be found. If the hon. Member for Panadura (Mr. Susanta de Fonseka) or anyone else can find another way of getting the money required, we will certainly take away all other taxes.

The reason why I got up to speak was this: speaker after speaker said, when it came to the question of plumbago, that an excess profits duty of 30 per cent. on this commodity was a sort of discrimination. That is the word that was used. Nobody said that the plumbago business would be hampered, and that an excess profits duty of 50 per cent. should be levied instead of a duty of 30 per cent. Plumbago is prepared to pay 50 per cent. excess profits duty to-day if you can find ways and means of giving this industry the relief that other industries enjoy.

Sir, the hon. Nominated Member (Mr. Parfitt) said, "Do not take the average of the best two years before the war;

take one year, in the case of rubber." Why did he say so? It is because in that year the largest quantity of rubber was produced and the best price obtained. It is because there is a profit basis. Everybody knows how the excess profits duty is levied. You take the standard profit, and then you have the capital value. It is 10 per cent. of the capital value of your business, less the profit you make—half goes to you and the other half goes to Government. That is the normal way in which all other agricultural products are assessed for the tax.

Now, take the case of plumbago. This industry will be only too pleased to pay an excess profits duty of 50 per cent. if all the advantages and relief which the other industries enjoy are extended to plumbago too. That is the first thing that you must consider. Therefore, this discrimination of 30 per cent. is made because they find it impossible to give plumbago the same relief as is given to other industries.

In the first place, the case of a tea or a rubber or a coconut estate, it is given a capital value; that is, suppose I bought an estate for Rs. 10,000, I keep accounts, and I find, that my profit is, say, 10 per cent. or Rs. 1,000 a year. That sum will be free from duty. Therefore, I must obtain more than Rs. 1,000 from my estate by way of profit, before I can be called upon to pay an excess profits duty. On the other hand, if I did not buy the estate and if I had received it as a gift, or if I had inherited it, I am supposed to calculate the capital value at Rs. 400 per acre in the case of coconuts, at Rs. 600 per acre in the case of rubber and Rs. 800 per acre in the case of tea. On that basis, I am entitled to 10 per cent. profit, free of duty, and it is only on profits above that figure that I am liable for excess profits duty.

What is the position in the case of plumbago? What is the capital value? If, for instance, I begin to sink a well and come across plumbago, I cannot say, "Look here, the cost of this plumbago is the capital value," for the simple reason that there are many people who have mined for plumbago and failed. There is the hon. Member for Morawaka (Mr. R. C. Kamangara), who has mined for plumbago. He is not here at the moment. He came to me one day and

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wanted my advice about plumbago-mining. I said, "If you have not mined for plumbago, do not do it." But he insisted on mining for plumbago and asked me for the services of a man. I gave him a man; I gave him dynamite and everything else necessary. It was only the other day that he told me, "If I had taken your advice, I would have been up by Rs. 10,000. I have not obtained an ounce of plumbago yet." So there is nobody who would say that plumbago land has a capital value. I know certain people bought plumbago land at a cost of Rs. 10,000 an acre. Members of Council have bought land. Plumbago-mining is like fishing for pearl oysters. You cannot assess the capital value of plumbago land.

Sir, it is no use saying, "I paid Rs. 100,000 for the land and therefore I am entitled to receive Rs. 10,000 as profit". There is no machinery installed on the land. I may buy a diamond drill, which may cost Rs. 100,000. I may buy machinery. But I cannot go to the Financial Secretary and say, "I worked a mine, but I did not get any income from it. Therefore, will the Government pay me something?" If I do that, the Financial Secretary will ask me to go to blazes. It is just like putting your money on a horse.

In the case of a commodity such as plumbago, where is its capital value? Then comes the question of the price. Plumbago is an article that has a demand only during war-time. If I am a beginner, I will not embark upon plumbago-mining. The fact is, there is a demand for plumbago because it is used in the manufacture of crucibles, lubricants, paints and so on. Before the war there was no demand for plumbago, except for ordinary purposes, and those countries that were taking plumbago, such as Japan and Germany, were trying to hoard the article without putting up the price and without saying a word that they were preparing for a war.

Normally, the price of plumbago was about Rs. 150 a ton and the cost of production was about Rs. 140; the difference of Rs. 10 was all the profit earned for all the risk undertaken. It was just like catching hold of a tiger's tail. These plumbago-mine owners were leading a hand-to-mouth existence. There were

only four mine owners in the whole Island. They were placed in such a position that they did not know what to do. They were cutting down expenses, and merely keeping things going. In the case of big plumbago business, when once you abandon work, the mine fills up with water and is damaged.

There are two kinds of mine owners. There are those who continue work during war-time, making profits, and who carry on probably until the next war breaks out. There is the other kind of mine owner like the hon. Member for Morawaka (Mr. R. C. Kannagara), who fails in his attempts and who says, "I will dig a hole and try and get some money." Now, that type of mine owner produced, during last year, 30,000 tons, whilst the actual big mine owner—prior to the war the plumbago exported amounted to 10,000 tons—produced much less. Those four mines that I referred to did not produce 20,000 tons. This is the position with regard to the plumbago industry.

When this matter was discussed by the Board of Ministers, it was pointed out to the Financial Secretary that plumbago should be taxed without discrimination, like agriculture, but under the conditions and difficulties of this industry it was thought necessary to find ways and means of giving the industry the relief that you were giving other industries. The Board of Ministers asked the Financial Secretary and myself to go into this matter and submit our proposals. Fortunately for me, I was able to unearth this document, which is a memorandum submitted by me. I will read some extracts from it which will make matters clear. I think it is desirable in the first place to give the reasons which, I believe, led the Board to refer this matter to the Hon. the Financial Secretary and myself for examination.

These are the reasons:

"As plumbago mining is very largely a war industry, the pre-war market for plumbago having been negligible, because there was only 10,000 tons obtained during the year and to-day it is 50,000 tons, it would be difficult to make a fair estimate of the excess profits made on plumbago."

To find out what the excess profits would be to-day is difficult, because unlike in the case of rubber and tea or some other product, you do not know the actual figures.

[The Hon. Colonel Kotalawala.]

The next statement I have in my memorandum is as follows:

"Plumbago mining is of a speculative nature and the plumbago miners are liable to meet with heavy losses."

It is like alluvial gold mining which, I understand, is generally exempt from excess profits duty.

**The Hon. Mr. Huxham:** No, Sir; it is not so.

**The Hon. Colonel Kotalawala:** Alluvial gold mining is like mining for diamonds in the Ratnapura District. You take a basket and go to a mud hole. You wash the earth, and sometimes you find a ruby.

**The Hon. Mr. Huxham:** I wish the Hon. Minister would produce some evidence on that point. I can assure him that during the last war alluvial gold mining was not exempt from excess profits duty.

**The Hon. Colonel Kotalawala:** This is, of course, my statement. The Hon. the Financial Secretary never produced any evidence to show that his statement is correct.

"A plumbago mine may be regarded as a wasting asset. Plumbago is not a commodity that grows, and the value of a mine decreases with every ton of plumbago removed from it."

**\*Mr. Aluwihare:** What about boots?

**The Hon. Colonel Kotalawala:** There is no excess profit on the wearing of boots; it is charged only on the selling price of the boots. The hon. Member will not have to pay excess profits if he wears boots, but if anybody made boots and sold them at a profit, he would have to pay the excess profits tax.

The argument is that it is an industry just as much as rubber is. But rubber also may be considered a wasting asset, though you can make it grow again; you can make the bark grow. But if you cut the tree and sell it, you can consider it a wasting asset. Supposing I buy a land with plumbago in it and remove all the plumbago from it, it means that the land is "finished", there is no more plumbago in it. You cannot "replant" it.

**\*Mr. S. Abeywickrama (Udugama):** But fresh discoveries may be made.

**The Hon. Colonel Kotalawala:** Unless you make a fresh discovery which, as I said before, is very speculative.

Then I went on to say:

"The capital expenditure on plumbago is difficult to assess satisfactorily, as a very large number of shafts may have to be sunk without reaching plumbago. Hence, it is not practicable to give relief based on a percentage of the capital expenditure. . . . The position is similar to that of alluvial gold mining."

That is to say, in the case of plumbago, you might sink Rs. 100,000 on a shaft and yet not obtain any plumbago. On the other hand, you might just dig a well and come across plumbago. So that you cannot say that the capital value of digging a shaft is so much, because one never knows whether one will obtain plumbago in the end.

"The pre-war average annual production of plumbago was 10,000 tons. In 1941 the production was about 50,000 tons. 75 per cent. of this quantity was produced by small miners, who did not pay income tax. The excess profits duty would, therefore, affect only a few large miners who are all income tax payers, so that it will be a discrimination amongst miners themselves."

Then the memorandum goes on to say:

"For these reasons it was considered that the plumbago producer deserves different treatment from the broker, the rice merchant or any other person liable to the excess profits duty."

So that, the plea was, charge them 50 per cent., but then give them the relief that the other industries enjoy.

Well, both the Financial Secretary and I tried to work out a scheme, and we had the Commissioner of Income Tax before us. The question was put to him point blank, "For purposes of revenue, what is the best way of 'squeezing' out of the plumbago industry the amount of money that we require?" He said, "Well, if it is a case of raising revenue, the only way I can think of is an export duty, because then everybody pays. Here it is only a few who are above a certain standard that will be called upon to pay. Therefore, from a revenue point of view, the excess profits duty will not give the same amount as you will get from an export duty because, out of the 50,000 tons, 30,000 tons are produced by people who will not come into the tax." That is perfectly correct.

Then comes the question, which is the best way of giving relief to the industry. There were three suggestions made. One was not to give any relief at all, but to impose an increased export duty of Rs. 40 per ton, so that everybody would pay Rs. 40 a ton, and in addition an excess profits duty of 20 per cent. That is, you increase the export duty by 40 per cent. and take away 20 per cent. of the excess profits duty.

The second suggestion was to treat plumbago in the same way as you treat agriculture. Give it some relief, and impose on it a lower rate of 30 per cent. duty on account of the speculative nature of the business. Give it the normal relief, if they want it, and tax it on a reduced rate of 30 per cent. or—

“charge plumbago mining on the same footing as agriculture, namely, the normal rate, with relief from export duty, and grant an allowance for increased production on the same principle as the Board had already accepted for the rubber industry.”

That is, for the rubber industry we had given certain concessions. On the same principle, give the plumbago industry too the same concessions.

One suggestion gave the discretion to the Commissioner to decide, and it was felt that in working it would be found impracticable. It was also said that it would work hardship in different cases and the Commissioner would have to give his ruling. In those circumstances, the Board of Ministers, after a lengthy discussion, felt that it would not be discrimination in favour of the plumbago industry to give it a reduction of 20 per cent. because it did not get the same relief as the other industries.

**\*Mr. Aluwihare:** I should be very grateful to the Hon. Minister if he would Table that statement.

**The Hon. Colonel Kotalawala:** Certainly I can Table this document, because it is a memorandum presented by me to the Board of Ministers. It is not a secret document at all.

**The Hon. Mr. Senanayake:** But actually, if it is raised as a point of order, I do not think the hon. Member is entitled to ask that the statement be tabled.

**Mr. Speaker:** This is not the time to Table papers.

**\*Mr. Aluwihare:** Sir, I am not saying that he need do it at once, but after his speech, I shall be very grateful if he does it.

**Mr. Speaker:** He says he will do so.

**The Hon. Mr. Senanayake:** What I would like to know is whether it is demanded as a matter of right. With regard to that, there is one thing I might say. If a person reads out something of his own, no one can claim that it be tabled. If it is a quotation of someone else's opinion, you can claim that it be tabled, not one's own document.

**\*Mr. G. G. Ponnambalam (Po Pedro):** Where is that stated?

**The Hon. Mr. Senanayake:** I say that it is his own document. Suppose you read out your own notes here, are Members going to say that those notes must be tabled?

**Mr. Speaker:** All this will go into HANSARD. The hon. Member has requested that this statement be tabled, and the Hon. Minister has agreed to do so.

**The Hon. Mr. Senanayake:** That is a different matter.

**The Hon. Colonel Kotalawala:** I think, Sir, I have made it clear that in assessing plumbago at 30 per cent. there has been no idea of giving any discriminatory concession. But it was found that it was the best way of giving relief to the extent that other industries get relief.

Now I will tell you this: to-day the plumbago industry is required as a war industry, and I am afraid, irrespective of what demand there would be, automatically the plumbago industry will go down, because the articles required for producing plumbago are not available. There is no machinery; there is no dynamite; there is no jumper steel. In these circumstances, I am afraid there will be no excess profit from the plumbago industry, because people do not want to take any risk now. People will take a risk in producing plumbago if there is a chance of making money; if there is no chance, nobody will risk his capital. In these circumstances, the speculative mines have disappeared, and the plumbago industry has come down to about half of what it was.

[The Hon. Colonel Kotalawala.]

There is also one other point I would like to mention. The hon. Member for Panadure (Mr. Susanta de Fonseka) mentioned that the price of rubber was fixed at 71 cents, and the price of copra was also fixed by Government. In the case of the plumbago industry, it was fixed at a reduced figure. The price used to be Rs. 300, and it was reduced to Rs. 500. In the case of all other industries, it was fixed at a higher rate, but in the case of plumbago alone it was lowered. Certainly that was discriminating against plumbago.

In these circumstances, Sir, I feel certain that the House will agree that the Board of Ministers has not treated plumbago as a favoured article or discriminated in favour of plumbago in any way.

**Mr. H. de Z. Siriwardana (Negombo) :**

I would like to make a few remarks as a Member representing an area that is interested in the coconut industry.

I agree entirely with the remarks made by the hon. Member for Narammala (Mr. Samarakkody), who has pointed out that the coconut industry is one that is entirely in the hands of the native population. We did not ask for discrimination, but for special reasons we asked for some relief to the industry.

As hon. Members are aware, we have been passing through a long period of depression. Unlike in the case of the rubber and the tea industries, coconut-land owners had no credit facilities in those days. They had to borrow money at high rates of interest from Chettiers. It was only recently that the State Mortgage Bank and the Bank of Ceylon were established; and until then, coconut-land owners had no credit facilities. So most of them got into debt, and owing to the depression most of their lands went into the hands of Chettiers and other foreigners.

Even at the present time most of the land owners are in debt. Most of their lands are mortgaged, and it is only now that the price of coconut has gone up. Yet, although the price has gone up, the ordinary middle-class landowners are unable to sell their nuts at more than Rs. 25 or Rs. 30 per thousand. Sir, in the case of coconuts, the profits made by the landowners remain in the country, whereas in the case of rubber and tea the

profits made go out of the country; so there is no harm in taxing capital that goes out of the country.

The Minister of Agriculture and Lands brought forward a Bill to make provision for the acquisition by the Crown of certain lands sold in execution of mortgage decrees or transferred by their owners in satisfaction of mortgage debts. That Bill should have come into operation about ten years ago. What happened was that during the depression most of the lands went into the hands of the Chettiers. They bought coconut land that was worth Rs. 1,000 for Rs. 300, and a few months ago they sold all the lands and went away to India. I do not know how the Minister proposes to buy all these lands from the Chettiers and hand them over to the people who had mortgaged them. The Chettiers made a profit, and they went away to India.

I suggest, Sir, that in the case of coconuts, the excess profits duty be reduced from 50 per cent. to 25 per cent., as requested by the hon. Member for Narammala (Mr. Samarakkody).

**Dr. A. P. de Zoysa (Colombo South) :**

There is no doubt that we require revenue for purposes of Defence and other expenditure by Government. Ministers obviously have to impose taxation for that purpose, and it is nothing but fair for people to be called upon to pay as excess profits duty a part—not the whole—of the excess profits they make during the war.

**The Hon. Colonel Kotalawala: Why?**

**Dr. de Zoysa:** I do not think anyone would object to such a course on principle. It is only a part of the excess profits that it is proposed to take. Properly speaking, the whole of the excess profits should be taken and the proposal to levy on 50 per cent. or whatever percentage it may be as the excess profits duty is a very fair one.

I listened very interestedly to the remarks of the Hon. Minister of Communications and Works, and I must admit that the arguments used by him were beyond my comprehension. He says that in an industry like plumbago, the hon. Member for Morawaka (Mr. R. C. Kannangara) loses heavily. To compensate for that, the Minister wants to gain. [Interruption.] It is



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rather a strange position. Here my child suffers for want of milk and is dying, whilst the Minister's child is doing very well; and it is suggested that to compensate for the suffering undergone by my child more milk should be released for the Minister's child.

**The Hon. Colonel Kotalawala:** I have no children at all, Sir.

**Dr. de Zoysa:** If there is going to be a tax, it must be a tax that will fall justly on all. Then everybody will accept it and will not grudge to pay it. The same argument which the Minister used in respect of plumbago can be applied to other industries as well in this country. For every one man doing well in business, there will be a hundred others losing on their business.

I am surprised to find the Financial Secretary and the Board of Ministers agreeing to the relief demanded for plumbago, rubber and coconuts. You may as well extend that relief to Maldivian fish, rice and other articles and tax people on their income. Our people are not sufficiently taxed on their income. There should be a higher rate of income tax; then there should be super tax as is the case in England and in other countries. Here people who can pay tax are given all kinds of relief. Even when it is proposed to levy an excess profits duty, which causes no hardship, 10 per cent. are going to be allowed in respect of earlier profits made and for other expenditure. When 50 per cent. of even the balance is claimed, they ask for some more relief.

There is something fundamentally wrong with the whole proposal. The Ministers, instead of trying to tax all alike, make a discrimination. The public, for instance, say that the Ministers have an interest in plumbago and therefore they try to obtain relief for that industry.

**The Hon. Mr. G. E. de Silva:** Ministers have an interest in plumbago?

**Dr. de Zoysa:** Some of the Ministers.

**The Hon. Mr. G. E. de Silva:** Then, say some of the Ministers.

**Dr. de Zoysa:** The people generalize. We must make taxation a common cause. When we have to pay for Defence in a crisis like this, we must be

prepared and willing to pay. You must not try to discriminate in imposing such taxation. For instance, a few boutique-keepers may suffer loss whilst a few others may make money over their business, and if you grant relief you must grant it to all. Simply because some Ministers have influence over this matter, simply because some planters can influence this question, is it proper to exempt them from taxation when poor people who work hard and lose heavily have also to pay taxes? Should you not give relief to them?

The House should remember that it is not proposed to levy his tax on a losses that may be incurred. The tax proposed is on profits made. I am certain that many profits earned are not revealed to the authorities. When it comes to taxing, the real profits are not shown. Even on the profits they have revealed, they want relief. I do not think we are justified in granting such relief. We are in need of more money; we are in need of more social services and we find that there is a deficit between revenue and expenditure. If the relief asked for is granted, then immediate measures must be taken to increase the yield from income tax or to impose some other taxation. I would, therefore, request hon. Members to demand that this excess profits duty be levied, that it be levied from all liable to that duty and that no relief be given to any party.

**Mr. D. Wanigasekera (Weligama):** I oppose this Bill, and I would submit, for consideration by hon. Members, the reasons why I do so.

This Bill seeks to discriminate in favour of plumbago. If you want to impose a tax to cover expenses in connexion with the war, it must be an equitable tax. It would have been far better for the Financial Secretary, instead of bringing forward this Bill, to have fixed the price for rubber, tea, coconut, plumbago and other commodities, because all these goods are now sold to Britain. He could have fixed the price of rubber, say, at Rs. 2 a lb. and charged on it an export duty of 50 cents—that is, 25 per cent. He could have priced tea at Rs. 2 a lb. and charged 50 cents as the export duty on a lb. of tea. Similarly, the price of copra could have been fixed at Rs. 80 a candy and copra charged an export duty

[Mr. Wanigasekera.] of Rs. 20 per candy. Then everybody who produced these commodities would have paid money into revenue. Then money could have been collected throughout the year without the risk of anybody submitting false accounts. All those matters could be properly handled at the Customs. I think the Financial Secretary should withdraw this Bill and fix the prices of the various commodities and levy an export duty on those products.

To-day all commodities fetch enhanced prices. The cost of rice has been enhanced, and we have to pay the labourers minimum wages, the dearness allowance and provide them with various amenities. The result is, the wages bill has gone up. In the circumstances, if the price of commodities is fixed—I refer to such commodities as tea, rubber, coconut and plumbago—and a 25 per cent. *ad valorem* duty is charged at the Customs, there would be no heart-burning caused to the producers; all the commodities would be taxed and Government would get more than the amount they expect to collect by means of the excess profits duty.

The Hon. the Financial Secretary would be able to calculate what the yield on such an export duty on rubber would be if the price of rubber were fixed at Rs. 2 per lb., which I consider is a good price according to the commodity market prevailing to-day. We produce 120,000 tons or 268,000,000 lb. of rubber. If you charge 50 cents per lb. as export duty, you will collect Rs. 130,000,000 as duty on rubber alone. Similarly, we are exporting 300,000,000 lb. of tea, and if you charge an export duty of 50 cents per lb. of tea, you will collect Rs. 150,000,000 a year. You will be able to collect on the 568,000,000 lb. of rubber and tea a sum of Rs. 280,000,000. Then you will not only have the money that it is sought to raise for Defence purposes, but a huge surplus which will enable you to spend even Rs. 100,000,000 on social services. If that is done, you will have no deficit in your Budget.

This war has been forced upon us. The whole country would go bankrupt if you buy tea at 70 cents a lb., rubber at 72 cents a lb. and copra at Rs. 59 or Rs. 60 a candy. Just after the war, the whole country would go bankrupt and all our lands would be sold. You have no

scheme for post-war reconstruction. Is this war going to last for another 100 years? No; it will be over in 5 years. After the war, a depression will set in which will last for 20 or 30 years. Are we laying by reserves to carry on our estates during such a depression; to feed the people employed on our estates? Nothing of the sort has been thought out by our Ministers in bringing out this taxation proposal. What are we going to do after the war?

I think the Financial Secretary should withdraw this Bill and bring forward a proposal for fixing the price of our commodities, as all our produce is now bought by the British Government for war purposes. I oppose the Bill.

**The Hon. Mr. R. H. Drayton (Chief Secretary):** Mr. Speaker, there is only one point on which I wish to speak a few words. It has been said that the Board of Ministers have put forward a Bill, which is discriminatory. Discrimination is a word with definite unpleasant connotation. As I understand the word, it means that deliberately the Board of Minister have put forward a Bill with the intention of favouring a certain section of the community at the expense of other sections of the community. I want to disclaim that in the strongest possible terms.

So far as the Board of Ministers are concerned, they have not put forward a Bill which, in their view, does treat the persons who are to pay the tax under the Bill in a differential way, with the intention of favouring one at the expense of another. They have put forward a Bill which they think will result, so far as is humanly possible, in the new body of taxpayers paying approximately the same by way of taxation.

Some hon. Members may look surprised at that statement. I would ask them to recall what has been said in this House to-day. Almost every speech, without exception, made to-day has been to the effect that the conditions in one industry are entirely different from the conditions in another. It was said that tea differs from rubber; rubber from plumbago; plumbago from tea, and copra from the whole lot. If that is so, are you by applying identical rules of assessment or identical rates of taxation to industries which are essentially different

going to secure uniformity in result? Are you going to secure equality in result, or are you going to secure differential results by applying a uniform rule to industries which differ from each other essentially? In order to secure equality in those circumstances, you must apply different rules, not the same rules. It seems to me that it must be so. It is certainly what was in the mind of the Board of Ministers when they considered this Bill—that they would have to apply different rules to the various industries in order to secure equality of result.

Take, for example, the special rules that are made in regard to the assessment of the capital value of estates. Now those hon. Members who glibly use the word "discriminatory" and equally glibly say that the rules must be uniform—are they going to say that you must give the same maximum capital value to a coconut estate as you give to a tea estate when this Bill says, "You take Rs. 400 in one case, and Rs. 800 in the other". Every hon. Member who has spoken up to the present has said that there must be uniformity of treatment. Are they going to take that view on that Clause of the Bill? Obviously not, when they come to think it over.

They may take the view that the Clause ought not to be there, in which case it goes out. But if that Clause is to stand, are hon. Members of this Council going to say—"Well, the value must be Rs. 400, whether it is coconut, whether it is rubber, whether it is tea" or Rs. 800, or whatever figure they decide. It must be the same for all; the rule must be uniform; otherwise treatment is discriminatory; that is to say, you are favouring one as against the others".

I think, when hon. Members come to think a little more closely of the case I have given, that, if they adopt a uniform rule for all three industries for the purpose of that Clause, they will be taking a line which is discriminatory and will be favouring one industry as against the others for the reason that I have already given, namely, that the essential characteristics of each of these three industries differ fundamentally from the essential characteristics of the other. Therefore, your treatment cannot be uniform unless you intend discrimination, and intend discrimination in the sense in

which I have already defined it—as being an intention to favour one as against the other.

I must definitely urge on hon. Members of this House to think in other terms than that favour has been intended by the provisions of this Bill. I would suggest that these words "discriminatory treatment" be replaced by "differential treatment" and that the question whether any particular industry does deserve differential treatment be looked at on its merits. I would much prefer the use of those words to the words "discriminatory treatment." Differential treatment, in order to secure what result? In order to secure equality in the burden of taxation. That is definitely the angle from which the Board of Ministers approached it, and I would ask the House to accept that as the fact. They have looked at it from the point of view of differential treatment in order to secure equality and not as discriminatory treatment in order to give favour and preference.

Now, we may have failed. We may not, by these rules of differential treatment, secure the result that we were certainly intending to secure. That may be so. This Council may convince us that we have been wrong. But the point I wish to make is this, that that was our object—equality of treatment. We recognize the fact that these industries differ both in history, their initiation and their conduct over a period of years, and that, therefore, there was a case for difference of treatment in order to secure equality of result.

There is one little point I would like to clear up. The Hon. Minister of Communications and Works compared the mining of plumbago to alluvial gold-mining and the Hon. the Financial Secretary said that alluvial gold-mining was liable to excess profits duty. I think that the Hon. Minister of Communications and Works was thinking in terms of one form of alluvial gold-mining and the Hon. the Financial Secretary was thinking in terms of another.

There are two forms of alluvial gold-mining. It is what is sometimes called placer gold-mining, which is what the Hon. Minister of Communications and Works was referring to, namely, when a man goes round the countryside with a shovel and a tin with some holes in the

[The Hon. Mr. Drayton.]

bottom of it, and washes out the dirt and hopes to find some gold at the bottom of the pan. He may be lucky; he may one day find £5,000 worth of gold and find nothing for the next six months. That was the type of mining which the Hon. Minister of Communications and Works was referring to; he was comparing him to the plumbago miner who goes round the country digging holes in the ground hoping that he would find some plumbago. He was not comparing him to the plumbago miner with an established vein of plumbago and shafts and machinery, and so on.

On the other hand, there is the other type of alluvial gold miner. Undoubtedly such mining is carried out by companies who have invested very considerable sums of money in dredgers and work a piece of land by means of dredgers, just in the same way as tin is dredged. But that piece of land is proved to have a gold content before they begin. They do not spend £250,000, which was the price twenty years ago, to my knowledge, of the type of dredger that was used, until they had proof that the land on which they proposed to use the dredger contained gold in precisely the same way as it is proved to contain tin. That, I think, is the type of alluvial gold miner which the Hon. the Financial Secretary was referring to. Nobody would deny that a company working alluvial gold on such land is a company that is normally within the scope of any excess profits duty legislation. It obviously is.

The point of the Hon. Minister of Communications and Works is that the alluvial gold miner who goes round the country side digging gold in the way I described, namely, with a shovel and a tin as his only implements is, quite frankly, not a person who is ever likely to come within the scope of any excess profits duty legislation or income tax legislation. I have seen them working myself more than once, and they are people who wander all over the face of the earth where they hope to hear of gold and hope to make a fortune without any expenditure. There are people who manage to obtain plumbago by those means in Ceylon.

There are those two different types of categories of persons engaged in plumbago mining. The point of the Hon.

Minister of Communications and Works was that you will not hit them all by imposing an excess profits duty. You must recognize that you are not hitting the whole industry by means of an excess profits duty.

Again, I say—whether one is right or wrong in the methods adopted in this Bill—the Bill is based on the recognition of the fact that these four industries are essentially different, and every hon. Member of this House has said so up to the present.

Most hon. Members who have already spoken, using the word “discriminatory” with the unpleasant connotation that I have suggested, have at the same time claimed differential treatment for a particular industry. They have done so. I do not say that they are not right, because this Bill does quite definitely impose differential methods. But it is very difficult for hon. Members of the House to charge the Board of Ministers with an intention to favour and, at the same time, claim as they may call relief or differential treatment which is intended to benefit one or the other of these particular industries.

I would repeat again that uniform rules will not produce equality; uniform rules will produce differential treatment and inequality, and I hope hon. Members of this House will not adopt an attitude that the Board is intending to discriminate in the sense of giving a favour, and that they will realize that, if they claim, in respect of a particular industry, differential treatment, the best way in which they can put their case is that the industry demands differential treatment and, when once they take that standpoint, they are taking precisely the same standpoint as the Board of Ministers have taken.

**\*Mr. Aluwihare:** I must confess that one has been very anxious in this matter to be fair by the people who produce tea, rubber, plumbago and coconuts.

To my mind, we seem to some extent to have forgotten the fundamental condition or the fundamental principle underlying this Bill. Various hon. Members who opposed this Bill said, “Levy an export duty so that the tax lies equally on everybody: so that everybody pays it”. Such a suggestion, it seems to me, overlooks the fundamental principle of

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the Bill. The fundamental principle of the Bill is not one for raising revenue from all sources, because then you would rightly have had an export duty or something of the kind; the fundamental condition of the Bill is that of levying a tax which takes a share of the profits above a certain standard which you consider normal. Further, the fundamental condition is also to levy specially a tax on profits that accrue above that stated standard on account of the war. That is really the reason for the Bill for levying the excess profits duty. I would ask hon. Members to look at this whole matter in that light.

**Mr. Speaker:** The sitting is suspended till 2 P.M.

*Sitting accordingly suspended until 2 p.m. and then resumed.*

**\*Mr. Aluwihare:** Sir, when we adjourned I was saying that the whole basis of this Bill was the levying of a tax on profits above a certain level, profits which having accrued because of the war should be specially taxable for the sake of the prosecution of the war. Therefore, the question of a general export duty, to my mind, cuts at the very root of the Bill. As a matter of fact, it not only cuts at the very root of the Bill but it seems to deny or to refuse to accept a principle that we accepted in the original passage of the Excess Profits Duty Bill. I do not think hon. Members can fairly claim that the mere levying of an export duty is a sufficient substitute for the extended policy of this Bill.

This Bill is almost a confession of error on the part of the Board of Ministers, because last year their policy resulted in a deficit—by their exempting these industries. This year they have found it essential that these profits should be taxed even to help them to reduce the deficit that will occur this year. So I would ask those hon. Members who are clamouring for an export duty to look on this merely as an extension of the policy they themselves have accepted.

Now, they may turn round and say, "Look here, why should other enterprises which do not make as much profits as we do be exempt from taxation?" Although such new enterprises are not

caught up by the Excess Profits Duty Bill if they do not make profits beyond a certain limit, yet they will be liable to income tax as any other taxpayer; so that the exemption will be of those people who make a net income of under Rs. 2,000 a year, I believe.

Can hon. Members of this House grudge that exemption to people, especially in these times, when the prices of everything are very high? I submit that that exemption from income tax is a just exemption and it must be an exemption that inures to the benefit of every industry. It would be quite inequitable to levy a tax on these very small incomes and it would be a great fortune to us have a great many of our people now without that income either through the sale of plumbago or the rise in the price of tea able to get that minimum income. We need not be jealous of that simply because we have got to disgorge something of what we get very much in excess of the normal limit of our income. Therefore, I would ask hon. Members not to dwell too much or to be influenced too much by the talk of an export duty.

The other point which the hon. Member for Narammala (Mr. Samarakkody) raised was the imposition of a 50 per cent. tax on the coconut industry whilst the plumbago industry was exempt. Again, I think another Member said that no allowance was made for various forms of expenditure and various risks taken. I want first to dwell on one matter which seems to be worrying a great many Members, and it is this. They say that where people have incurred debts on account of agriculture, this is the time that they should be enabled to repay some of those debts. It is not enough, they say, to allow merely an exemption of the interest paid, in the case of coconuts, but there should also be an allowance for sinking fund on debts.

Sir, many industries have gone through a difficult time. It may have been imprudence that some of these debts were incurred, and I think it would indeed be difficult to repel in a good many cases the charge of extravagance in respect of these debts. Nevertheless, these debts are there and these debts go with the profit. I would submit to the Hon. Ministers that some provision should be made in regard to the allowance of a

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certain amount of income, of a certain percentage on income or a certain percentage of the total debt on property before income tax is levied. That is to encourage people to create a sinking fund for the repayment of their debts up to a certain percentage of their total secured indebtedness in respect of their estates.

I must confess that I make that suggestion largely because of Ceylonese interests, even if I do so with a certain amount of hesitation. There can be no doubt that most people do incur debts in the acquisition of property in the normal course of business, in the hope that they will be able to pay it off from their income, and it would be unfair to take 50 per cent. of the income off without an allowance in respect of those debts. I think people would feel this tax less inequitable if that allowance was made. But, Sir, there are various difficulties in regard to this allowance, for this reason, that it is a known fact that people borrow not only on their properties for the sake of agricultural expenditure. They borrow money not only on their properties for the sake of improving their holdings. I do not know how the Financial Secretary will look at that matter but I do think some allowance ought to be made in regard to that.

Then, there was the speech of the Hon. the Chief Secretary. He said that he disliked the word "discrimination" and wanted the words "differential treatment". He referred to the fact that tea was valued at Rs. 800 an acre I think, and coconut at Rs. 400, and so on, and then he went on to point out that tea was valued at Rs. 800 an acre, tent of 20 per cent. was merely in the nature of that differential treatment that was given to tea and coconut; but they were valued at Rs. 800 and Rs. 400 per acre. There was not the same valuation put on the capital of the various plantations.

One does not mind the way in which the capital of a mine is assessed. It is extremely difficult whether it is a tea plantation or a rubber plantation or a coconut plantation to assess its proper value to the last Rs. 50 or even Rs. 100. A rough calculation is made. When you put tea at Rs. 800, it is obvious that

every tea plantation is not worth Rs. 800 per acre. It is the same with coconuts and with rubber. Therefore, why are you not laying down rules for the calculation of the capital of a mine?

**The Hon. Colonel Kotalawala:** It is impossible.

**\*Mr. Aluwihare:** We would not mind a certain allowance being made on a basis such as that, to help you to calculate the capital value of a mine.

**The Hon. Colonel Kotalawala:** How can you do that?

**\*Mr. Aluwihare:** Well, the Hon. Minister of Communications and Works asks, "How can you do that?" Surely plumbago pits have been bought and sold? Surely you can arrive at the value of a mine for the purposes of taxation? The Hon. Minister said that various shafts have to be sunk and only one may strike plumbago. That is so. Surely you can fix on the capital expended on the enterprise as a whole.

Now, for instance, much was made of the fact that you may not find plumbago in one shaft. As a matter of fact, when you are planting tea, for instance, there are various fields on a tea estate which are less productive than others. There are various parts which have rock. You do not value each acre apart? You value the enterprise as a whole and that, I presume, in some cases will bear some relation to the expenditure.

Anyway, whatever is done, our grievance is this: whatever differential treatment you may want for assessing the capital value of a mine or a tea estate, it is not correct that you should differentiate in the tax to be levied. That is the point I am trying to make. You may allow a mine-owner to include what capital you like in the valuing of a mine, but there is no reason at all why you should differentiate in the tax. That is my reply to the Hon. the Chief Secretary on that point.

Now, let us examine the reasons given by the Hon. Minister of Communications and Works for this exemption. He said that plumbago was a war industry and that it was difficult to assess its profits in war-time. The whole principle of this taxation is that war profits should pay for the carrying on of the war. Supposing,

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instead of mining for plumbago you manufacture munitions? Would you be able to say that munitions had a very limited income in peace-time and therefore they should not pay excess profits during war? That is the argument of the Hon. Minister of Communications and Works.

**The Hon. Colonel Kotalawala:** No, that is not the argument. What I said was that it was very difficult to find out what the standard profits of a mine were before the war, because the product was not in demand. Therefore, the price of the commodity could not be fixed before such a demand was created.

**\*Mr. Aluwihare:** That puts it exactly on the same basis as munitions, because during peace-time you are quite unable to say what the demand for munitions will be unless you are able to create a little revolution in South America or some place like that. Now, what the Hon. Minister says is that plumbago too has no ascertainable value in peace-time. That is rather an argument for treating plumbago as a purely war product and, therefore, it must come under excess profits and be made to pay for the war.

**The Hon. Colonel Kotalawala:** Let the Government run it like a munitions factory.

**\*Mr. Aluwihare:** The Hon. Minister says, "Let the Government run it". I must confess to the Hon. Minister that last year's Excess Profits Duty Bill and this year's Excess Profits Duty Bill are gradually convincing one that it would be a very good thing if there was nationalization of everything, because there would be 100 per cent. of it available for the war.

Then his second argument—and the argument of a good many others—was that plumbago-mining was a very speculative enterprise. Everything is speculative. Planting rubber is speculative. You do not know what may happen. Planting tea is the same. You do not know what the tea market will be. Everything worth doing in this world and which gives you large profits is speculative. Why, Sir, shipbuilding to-day is speculative, because your ships may be sunk. Whispers behind me are irresistible. They say that marriage is speculative. So it is. Everything is

speculative. But there is this: these speculative industries, if they fail, are not going to be taxed. What you are going to tax is only the lucky ones. As the Member for Colombo South (Dr. de Zoysa) said, because the Member for Morawaka (Mr. R. C. Kannangara) has failed in his plumbago-mining, the Minister of Communications and Works, who owns a very good mine, should be exempted. I do not think I need say more. Surely, the argument that the enterprise is speculative is absurd.

The third argument was that plumbago was not replaced by growth. I will give him an instance of the shoe manufacturer. Everyday the shoe manufacturer buys hides to make shoes and sell them, but there is a limit to it.

**The Hon. Colonel Kotalawala:** What is the limit?

**\*Mr. Aluwihare:** How is he to find a market?

**The Hon. Colonel Kotalawala:** He breeds cattle.

**\*Mr. Aluwihare:** The Hon. Minister says, "He breeds cattle". However true that may be of the Minister of Communications and Works, I do not think every shoe-maker will subscribe to it.

Now, if you sell a commodity, surely, you do not expect to have it? You sell it because it is worth your while to do so. Supposing you have gold and you sell it, you sell it because it is worth your while to do so; but you cannot sell it and also expect to have it. That is all that the Hon. Minister's third argument amounts to.

The next argument of the Hon. Minister was that before the war there was only a production of 10,000 tons of plumbago; that after the war it rose to 50,000 tons, and of this, he said, I think, that 30,000 tons were produced by small miners, and that they would not be liable to tax but only the few big mines would pay. That is the whole point. It is only the mines that are making enormous profits that we want to bring under the tax.

Then, the Hon. Minister, to support his argument, said that the alluvial gold mines in South Africa were exempt. That was his statement. The Hon. the Chief Secretary, who knew more about

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it, stated the position—that the small man, apparently, who went with a little tin can and a shovel and got gold was not subject to the tax but where you had a mine—

**The Hon. Mr. Senanayake:** Whatever the quantity may be?

**\*Mr. Aluwihare:**—where real mining was done, it was taxed. That statement of the Hon. the Chief Secretary does not mean that those surface alluvial gold miners, if they are called that, are not taxed because of any wish to grant them an exemption. Surely, there is one obvious reason, that is, the man who walks over a field and just collects a little gold cannot be supervised. You can have no assessment of his actual income. That is probably one of the weightiest reasons and also it is, I believe, a rule of legislation that you generally do not legislate for things you cannot control. There are many reasons that may be adduced, but the fact remains that the most difficult and the most expensive type of mining is taxed and is not exempt.

I was very interested in another matter, because I heard it adduced as an argument that in England coal mines were exempt. I do not think I need trouble Members very much about the position of the coal mines in England. As hon. Members know, before the war a good many coal mines suffered enormous losses and a good many had to be closed down. Then, when the excess profits duty was brought in in 1940, it was sought to give an exemption to the coal mines, and the reasons were that for a long period coal mines had been worked at a loss; that they were a national industry; that they were essential to the war effort, and that it was essential to encourage production.

Then it was pointed out that none of these exemptions would go to the workers who were much more responsible for an increased output; that it meant really that certain profits should be exempt, and so the Government was compelled to withdraw that provision, withdraw it without bringing it even to a vote. I have looked at HANSARD subsequently, and I find that no such provision has been made. The Hon. Minister of Communications and Works said

that such an exemption was made in the last war. Must we always be thirty years behind the times?

**The Hon. Colonel Kotalawala:** Should we always follow England?

**\*Mr. Aluwihare:** Exactly. It was the Minister who quoted the exemption of South Africa, and we find that South Africa brings these mines under the tax. But I have given him a case that is much more profitable.

The Hon. Minister says that the plumbago industry has been in a very bad way. Even the coal mines are not given this exemption, and why does the Hon. Minister seek an exemption from this tax for plumbago? I think those were the main arguments that were adduced by the Hon. Minister.

Most of our opposition to this exemption for plumbago in this way is that I think most people in the country feel that the power of this Council is being used illegitimately for exempting a particular industry from the tax. I think there is that feeling throughout, and when an exemption is given in this way without an explanation of the details that went to make up the exemption of 20 per cent., that suspicion is bound to increase tremendously.

I will summarize to hon. Members the method of exemption that was suggested by the Government in England. The Government in England suggested:

“Upon application made with respect to any class of trade or business concerned in the getting of minerals or oil from any mine, oil well or similar natural source of a wasting nature, the Board of Referees may allow something between 6 per cent. and 8 per cent., where the person carrying on the particular trade or business is desirous . . . and the Board of Referees were allowed to examine the grounds on which exemption was claimed.”

Why is not such a provision made here, if it is sought to give this exemption? I feel that to give an arbitrary exemption of 20 per cent.—very nearly half the tax—to an industry that flourishes on the war is without precedent and without excuse. I do not think we can defend it in the country, and I have not heard any argument, valid argument, in defence of it on the Floor of this House.



It is not at all easy for us to state an amendment that will be acceptable to the House or to the Board of Ministers, but I do feel that this direct exemption from taxation to the extent of 20 per cent., without any reasons being adduced, without any calculation of cost, without any relation to the fact that it is a war industry, without any consideration of the fact that the only people who will be within the ambit of this tax are the richest plumbago owners, is an unmixed evil.

**\*Mr. G. G. Ponnambalam (Point Pedro):** Mr. Speaker, I should like, if I may, to consider the Bill before us from three different points of view. Hon. Members have, so far as I can see, confined their attention to the Bill purely as a revenue-producing measure. I should like, if I may, to ask hon. Members to consider the Bill, firstly, in relation to the loan policy of the Government, secondly, as purely a matter of public finance, and, thirdly, I venture to think that under present conditions it is a very important consideration—in relation to the rising cost of living. There is a very definite trend towards inflation noticeable in the country, and the ultimate consequences of the financial policy which is being pursued by the Government, if there is a slump after the war, must be kept in mind.

Now, purely as a matter of taxation, I should like to remind the House that, speaking on the annual Appropriation Bill as early as 1940, I advocated an excess profits duty on all businesses, on all industries, and upon agriculture and mining. Of course, it was to be expected that the Board of Ministers and the Leader of the House should pooh-pooh the idea. In 1941, they got the Financial Secretary to introduce an Excess Profits Duty Bill, so attenuated in form and covering so small a section of national enterprise that, whilst this country might have obtained as much as Rs. 35,000,000 to Rs. 40,000,000 a year, we were left with only Rs. 3,500,000 a year.

The pointed exclusion then was the exemption of agricultural industries and mining for plumbago. Apparently, they have realized the unwisdom of their ways and in this Bill the Financial Secretary,

on behalf of the Board of Ministers, envisages an excess profits duty upon agriculture and on mining for plumbago, although a case of special exemption has been made out in the case of mining for plumbago.

Mr. Speaker, the first question I would like to ask, if I may, is this: are we as a House responsible to the country satisfied with the revenue we are getting to-day, or can it be said that, with a deficit last year, with a barely balanced Budget in 1940 and with a much more huge deficit this year, we are getting anything like the revenue that we are entitled to? I think the proposition I am merely to be put forward for it to be conceded that this country is not obtaining the revenue that it requires from various sources.

The next question I should put to hon. Members is this: is it fair—and that is on the question of Loan policy—when there are still untapped sources of revenue for us to put down to Loan moneys spent upon Defence? You will remember, Mr. Speaker—and hon. Members will also remember—that a good section of this House strenuously opposed last year the transference of something like Rs. 9,000,000 to Loan funds, money that should appropriately have been spent out of revenue on Defence expenditure. The Board of Ministers—and on that point I think the Minister of Local Administration was extremely strong—maintained that for some peculiar and mysterious reason Defence expenditure or a good portion of it should be allocated to Loan funds. What was the result? The deficit of Rs. 8,500,000 or nearly Rs. 9,000,000 was put down to Loan, and to-day we find that that deficit is not Rs. 8,500,000 but Rs. 23,000,000, and, but for the fact that a sum of Rs. 10,000,000 had been brought over from 1940, because certain amounts which were allotted for expenditure had not been spent, to-day we would have had Rs. 23,000,000 put down to Loan for Defence expenditure. It is the fact that Rs. 10,000,000 had been brought over from the 1939-40 Budget unexpectedly, because the stores indented for were not received, that reduced the deficit for last year from Rs. 23,000,000 to Rs. 13,000,000.

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I would draw pointed attention to this fact only, that the anticipated deficit mainly upon Defence expenditure has gone up from Rs. 9,000,000 to Rs. 23,000,000. This year there is an anticipated deficit of Rs. 17,000,000 upon war expenditure. Mr. Speaker, is it too much to anticipate that this sum of Rs. 17,000,000 would be greatly exceeded before the year is out?

Although we are definitely in the front line of the battle, we have not experienced the full impact of war-time measures.

Do not think that we have been called upon to do anything really startling in the matter of Defence. Supposing, in point of fact, we actually, not metaphorically but literally, get into the front line, can it be said that the Defence expenditure envisaged in the Budget is likely to be sufficient? Is it too much to expect that the expenditure on Defence would be greatly exceeded? If that is the position, then the anticipated deficit of Rs. 17,000,000 would be a very low estimate indeed. This year again the Board of Ministers propose to put down Rs. 17,000,000 to Loan funds.

My next proposition is, is it fair upon this generation, I repeat, as well as upon the succeeding generations, to have put down already Rs. 30,000,000 to Loan funds when we are just on the brink of the war—Rs. 30,000,000 to Loan funds with the possibility of the amount rising in the next year or two to Rs. 100,000,000—when in point of fact incomes which are being derived by a certain very small section of the people of this country owing to the circumstances created by the war are not being fully taxed? In so far as certain incomes have increased as a direct result of the war, I put it forward as a commendable elementary proposition that all taxation from those incomes must be taken first of all to meet the extra expenditure upon this war. In other words, if the whole of the Defence expenditure can be met by taxation on excess war incomes, I would ask the Board of Ministers what objection they can possibly have, either on the grounds of expediency, morality or finance, to tax those excess profits due to the war and finance the war effort thereby?

I would respectfully submit that there can be but one answer to that question.

In point of fact, such taxation is long overdue. Instead of having all this expenditure placed against Loan funds—a burden of Rs. 30,000,000—if in point of fact the Excess Profits Duty Bill in the form in which it was sponsored by the Financial Secretary in 1939, within a few weeks of the commencement of the war, had been passed, we would have had to-day, collected from the excess profits duty alone, very nearly Rs. 60,000,000 or Rs. 70,000,000, instead of which we had a meagre Rs. 4,000,000 or Rs. 5,000,000 last year and there is now the possibility of collecting some Rs. 18,000,000 under the Bill before the House.

Is it fair to the taxpayers of this country, to the large section of the people of this country, to exempt those who are in receipt of colossal incomes, due to the emergence of this war, through no effort of theirs but entirely due to the circumstances of the war? Mr. Speaker, I ask hon. Members to consider that picture side by side with another: whilst a very small section of the community are earning these enormous profits, probably 95 per cent. of the population of the country are in receipt of incomes which are either stationary or dwindling. Hon. Members will then understand the tremendous study in contrasts.

That is one aspect of the question. The other aspect is—

2.45 P.M.—

**Mr. Speaker:** The House will kindly excuse my absence from the remainder of the sitting. The hon. Deputy Speaker will preside.

MR. SPEAKER *thereupon withdrew and* MR. DEPUTY SPEAKER [MR. SUSANTA DE FONSEKA] *took the Chair.*

**Mr. Ponnambalam:** The other aspect of the question is this, that to-day, as a result of unequal taxation as between those earning huge profits as a result of the war and those whose income have been more or less on the same level for the last four or five years, there is a release of cheap money in this country.

I wonder whether hon. Members have given any thought to that. I have been waiting for some hon. Member to refer to it. There is a large volume of

uninvested money, cheaply obtained, and as easily spent, available in this country. With what consequence? For the commodities that are necessary for the day-to-day life of the citizens of this country, there is tremendous competition from those who have cheap money, uninvested money available in this country; the volume of money available for the purchase of these almost essential commodities, which have incidentally become restricted in production and quantity, has increased locally.

Apart from that, there has been not merely a tendency but, as a matter of fact, a start in the ever-widening and increasing spiral of price increase in the matter of commodities locally produced or locally grown. Normally there could be no reason for such a large increase in the prices of these commodities. I refer to articles like milk, eggs, fish, meat, vegetables, etc. The prices of these commodities have gone up enormously. What does that mean, Mr. Deputy Speaker? That there is far more money available now than ever before for a limited quantity of goods.

Added to that, as one hon. Member rightly pointed out, there is this further aspect, a very serious aspect of the matter, and that is that there are in this country to-day a very large number of men who normally do not form part of the permanent population of this country, but who, possessing a very definite and large volume of purchasing power, are competing for the very goods and commodities which the average member of the local population is in need of. I am referring to the members of His Majesty's Forces stationed in this country.

The House will appreciate how the increase of purchasing power of a section of the community, combined with the purchasing power of the people as a whole and the presence of people here with money brought from abroad, is leading, progressively and increasingly, to a rise in the cost of living, and there is no saying when that rise is going to stop.

I maintain, therefore, that there is going on to-day a process of inflation which cannot be checked if remedial measures

are not taken in time. I had not the pleasure of listening to the remarks of the Financial Secretary on the point, but I understand that in answer to a question he maintained that there was no inflation in this country. I ask him now, very definitely and directly, whether he will not agree, having regard to the facts I have now stated, that there is definitely inflation in this country which is likely to lead to a terrible aftermath, unless some steps are taken to counteract it.

Hon. Members might very well ask me what connexion there is between taxation and an increase in the purchasing power now made available in this country. I would remind them of the very great concern felt in England and in America, and I believe to some extent in India, over the need to check inflation. Memories in England and America went back to the last war and the miseries which faced the people of Europe and elsewhere as an aftermath of inflation. To-day, even as the war started, the Governments of England and America addressed themselves to the task of adopting every possible measure to prevent inflation.

How have they done it? They have done it partly by an increase of taxation. The idea is that, quite apart from the needs of the war effort, taxation must be increased to such an extent as would reduce the purchasing power to the community as a whole, in order to prevent an inordinate rise in prices of commodities, of which only limited quantities were available, with a consequent rise of wages, leading to a non-stop race between prices and wages, ending in a complete crash.

It was to combat such a terrible situation that Mr. Keynes addressed himself to the compulsory savings plan. Although the whole of his plan was not adopted, England has, in point of fact, now adopted a scheme by which income tax is taken from the masses—the workers—except from the lowest unskilled class of workers, on a graduated scale no doubt, with the possibility of it being returned after the war in certain proportions, the lowest class of contributor getting a complete rebate or repayment of his income tax and the others

[Mr. Ponnambalam.] certain proportions of the tax, leading up to the higher incomes which get no rebate at all.

What is the idea behind that? The idea is that the wage-earner will not have the whole of his wages to spend on the purchase of commodities of which only restricted quantities are available and cause an immediate shooting up of prices and a great deal of dislocation and a tremendous amount of suffering to the people.

In this country, where the excess profits tax will affect a very small section of the people of this country—even in the matter of income tax, only some 20,000 people are affected—when excess profits tax will be paid by a fraction of that 20,000, we hesitate to impose such a tax as would restrict the purchasing power of the country as a whole, and enable the poor, with their limited means, to obtain the means of sustenance.

That is not all. In a country which has up to now been removed from the line of battle, namely India, there is compulsory saving affected in this wise: if a worker deposits twice the amount of his income in a savings bank, not to be withdrawn for a certain period of time, he is exempted from taxation of his income. The idea there again is to keep back from the market some portion of the purchasing power of the community as a whole.

No such step has been taken in this country, and the result is that we will have to embark upon an ever-rising scale of war relief payments. Definitely, we shall have to give some kind of help, some kind of assistance. We have so far given war bonuses to certain classes of employees, but those war bonuses will, in a matter of weeks, not months, prove highly illusory, because the purchasing value of money is decreasing everyday. What is to be the result? In so far as we have embarked on a policy of paying war bonuses, we shall have to go on increasing the war bonus, or definitely increase taxation.

May I commend to the Board of Ministers, with great respect, that it is not too late even now for them to revise their policy of taxation by increasing the excess profits duty if not to 100 per cent., which is the rate being paid in England,

at least to 60 per cent., the rate adopted in India? I hope hon. Members will appreciate that very definite proposal which I am putting forward. In India, the rate of excess profits duty is 60 per cent.

**Mr. H. W. Amarasuriya (Galle):** Why not 50:50?

**\*Mr. Ponnambalam:** The hon. Member is painfully attempting to be funny, but without attempting to be funny he would be funny.

I suggest a rate of 60 per cent. for this reason, and I hope it will not be beyond the comprehension of the hon. Member, who, I think, has Ministerial aspirations. I put it to him that 60 per cent. excess profits duty under present conditions would yield sufficient revenue to balance the Budget. That is why I suggest 60 per cent., because I am concerned, as I remarked earlier, in seeing that the Budget is balanced from current revenue, that war expenditure is balanced by revenue obtained from taxation of war incomes, and that there should be no transference of war expenditure to Loan funds. On a rough estimate a 60 per cent. excess profits tax would be sufficient to balance the Budget, but if anybody seriously puts to me the question as to why there should not be 100 per cent. excess profits duty, I would say, in all seriousness—and I am prepared to stand by it—that if I were responsible for the financial policy of this country, I should say every time, “Impose a 100 per cent. excess profits duty on war industries.”

**The Hon. Mr. G. E. de Silva:** Hear, hear!

**\*Mr. Ponnambalam:** It would appear, Mr. Deputy Speaker, that the one time advocate of the poor man, who has wormed his way into the well of this Chamber, is now suffering from indigestion.

I repeat that a 100 per cent. tax on excess profits is definitely moral, expedient and is to be encouraged if we are going to build up our social services in the future.

**The Hon. Mr. G. E. de Silva:** Hear, hear! Why not add another 50 per cent.!

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**\*Mr. Ponnambalam:** Apparently, my suggestion does not seem to please those who are likely to be affected. I can see that some hon. Members—fortunately a few—are feeling acutely the pinch, perhaps realizing what the consequences of these financial measures are likely to be.

All I would like to say is that even in their own interests the artificial rise of values of land and property to-day can be assessed on a 100 per cent. excess profits duty basis. What is the worth of this artificial stimulation of prices of property? To-day, coconut land, rubber land and tea land has gone up by 200 per cent., 300 per cent. and 400 per cent. After the war undoubtedly those prices must come down. I ask those who may think that they are likely to be affected by the levying of 100 per cent. excess profits duty whether it is not better to keep down, at a stable limit, the prices of land rather than be in receipt of an income which will, eventually, prove to be highly illusory.

There is another aspect of this excess profits duty. Why is it that there should be an exemption of 10 per cent. of the income on capital values? It is only in this country that we give an exemption of 10 per cent. on capital values. In England the exemption is 6 per cent.; in India it is 6 per cent. I am not finding fault with the exemptions given to these small industrialists of Rs. 4,000 or partnerships of Rs. 7,000 or Rs. 10,000, because that will not affect the money that will come in very much. But the raising of the exemption limit from 6 per cent. to 10 per cent. is depriving the exchequer of this country of several million rupees, and there is absolutely no defensible argument or reason that can be adduced for raising the limit from 6 per cent. to 10 per cent., particularly when we have, I repeat, actually put down Rs. 30,000,000 to Loan funds.

I know, taxation is always a very unpopular proposition. That can be seen by the Ministers not agreeing to the taxation of agricultural enterprises and plumbago-mining last year. They have been compelled, but not by the argument of circumstances, to concede that that should be done. Even there, apparently, vested interests die hard, and that is

why we see, with regard to plumbago, that there is discrimination. Plumbago, which has been exempted now for three years from export duty, is to be taxed at not 50 per cent. but 30 per cent.

In that connexion, I must confess that I was finding it rather difficult to follow the argument of the Hon. the Chief Secretary. He put forward the proposition that in some cases it is only by unequal treatment of values that equality can be achieved. That, I think, is in itself absolutely understandable. If it is a question of working out the values, well then, I can understand that perhaps unequal treatment is necessary as we find we are asked to give Rs. 400 for an acre of coconut land, Rs. 600 for an acre of rubber land and Rs. 800 for an acre of tea. We see that unequal treatment is necessary in order to achieve a desirable result, namely, equality in the matter of taxation ultimately.

Now, you can have your means of calculating values, but I certainly fail to understand how the argument of the Hon. the Chief Secretary is applicable to the profits involved, if he seeks to define a 30 per cent. tax on excess profits from plumbago as equalling to 50 per cent. on excess profits from agriculture. By all means give us the means by which you achieve it. Do arrive at capital values. Differentiate by all means. But once those values have been achieved, it is indefensible to come along and say for one reason or another that the 30 per cent. duty on plumbago is justified.

That is one aspect of the question. But, apart from that, I wish to endorse what the hon. Member for Matale (Mr. Aluwihare) said, and that is that, as far as this country is concerned, perhaps plumbago more than anything else is the one commodity that should be nationalized. You cannot defend this 30 per cent. duty on plumbago on any ground whatsoever. Tremendous profits are being obtained from plumbago.

At a time when every other person is suffering and when plumbago itself is going to the manufacturing markets, the only cheerful thought is that last year, when I spoke to somebody who is intimately connected with this industry, he himself told me that the proposed export duty on plumbago was unfair and that the plumbago industry can very well bear

[Mr. Ponnambalam.]

the weight of an excess profits duty. Definitely, one who is intimately connected, I believe financially connected with one of the biggest plumbago concerns in this country, said that, and therefore it is a matter of the greatest surprise that the Board of Ministers should have constituted themselves special advocates for this industry, not only last year but also this year.

There is also one aspect of this question of excess profits duty that might have been missed by some hon. Members, and that is that there is provision in our bill for the year if the profits derived from such industries as have paid excess profits go below pre-war levels, for reimbursement to the tune of 50 per cent. It is a provision which, I think, has been copied—and it is of very limited application—from the Bill that was in operation in England. Certainly, any industry which, during the post-war slump is threatened with very low profits or with bankruptcy should and could be reimbursed under the provisions of this Bill to the tune of 50 per cent.

When you have all these safeguards, I would ask hon. Members what objection they have, even if they are opposed to balancing the Budget in respect of the country's expenditure, to having the duty on agricultural products at 60 or 65 per cent. I do not know exactly what the figure should be for balancing the Budget. I wish merely to state this. Let the Hon. Ministers lay the flattering unction to their souls; year after year they come here and present to this Council an unbalanced Budget in the guise of a balanced Budget, merely by transferring big sums of money to Loan funds. The amount is now Rs. 30,000,000. I repeat that it will not be long before it will come to Rs. 100,000,000, and if it comes to that figure it may well be that in our own lives—not to speak of the future—it will take generations to liquidate that debt. Would it not in a period of twenty years have to be liquidated at the rate of Rs. 7,000,000 or Rs. 8,000,000 a year, if Loan funds are taxed to the extent of Rs. 100,000,000 for balancing the Budget or for war expenditure?

What would that mean? It would mean that social service, about which hon. Members of this House are so

anxious, and about which they are so concerned, will have inevitably to be starved. We must realize that in some ways we are reaching the limit of our taxation, and if there is to be a continuous recurring drain on our normal current revenue of Rs. 7,000,000 or Rs. 8,000,000, then we will have to go without a number of social services for twenty or thirty years.

I think there is notice of a motion given by an hon. Member in regard to old age pensions. I am wondering whether, in our lifetime, whether even in the next generation, we will find the money for introducing old age pensions or health insurance if we are going to saddle the country from now onwards with recurring expenditure to the tune of Rs. 7,000,000 or Rs. 8,000,000.

There is one more aspect of this question. I said that this Bill had a very definite repercussion on the rising cost of living in the country. My Hon. Friend the Minister of Agriculture and Lands, who once described income tax as the corner-stone of our taxation, should definitely have seen to the increase of income tax this year in order, again I say, to reduce purchasing power and to build up a decent surplus. What is more, this taxation should have been increased in order that the people can benefit from a limited purchasing power. As it is, we shall not be very old before the Board of Ministers come to ask for additional taxation. So, we are faced with a problem of not being able to give the majority—the vast majority—of the people of this country a decent living upon the income of which they are in possession.

I move the reference back of this Bill with a view to increasing the excess profits duty to 60 per cent, or to such extent as may be necessary to balance the Budget.

**Mr. R. S. S. Gunawardana (Gampola)** seconded.

**The Hon. Mr. Senanayake:** What I want to point out is this: it is only on one point that the hon. Member wants this Bill referred back; that is with a view to raising the rate of the tax. I submit that that is not the principle, but is merely a detail which can be dealt with in Committee. I submit that it will not be in order to refer this Bill back to the Board of Ministers.

**Mr. Ponnambalam:** Might I explain why I moved the reference back of this Bill?

It is for the very reason which the Hon. Minister has unconsciously trotted out, namely, that this House on a financial measure cannot raise taxation by itself, that I move the reference back—in order that those who can increase taxation, namely, the Board of Ministers, may come back here with a proposal for increased taxation. It is for that very reason—that we cannot either in Committee or in the House, under the Order in Council, increase the rate of taxation proposed—that I am moving the reference back of the Bill.

**Mr. Deputy Speaker:** The hon. Member will realize this, that this particular Bill, though it may be part of the Budget proposals, is not the Appropriation Bill itself. [Interruption]. I am still seeking information on the matter before I give my ruling. It is not usual to refer an ordinary Bill back.

**\*Mr. Aluwihare:** A financial measure can be referred back.

**Mr. Wille:** Article 68 is quite clear. The Bill can be referred back. It is a money Bill.

**\*Mr. Ponnambalam:** Definitely, because it is a money Bill. This House, either in executive session, or in Committee, cannot increase taxation. That is why I moved the reference back of the Bill.

**Mr. Deputy Speaker:** Yes, it is in order under Article 68.

**The Hon. Mr. G. E. de Silva:** I rise, Sir, to make a few observations with regard to the Excess Profits Duty Bill which is before the House. I may say that I speak as a practical man and with a tremendous amount of experience in this country as to what the poor people are undergoing and suffering. I am not one of those people who have picked up a few principles from text-books and keep on repeating them *ad nauseam* year after year without any reference to the subject-matter before the House.

**\*Mr. Aluwihare:** He picked up only his law from his text-books.

**The Hon. Mr. G. E. de Silva:** I would like to say that there are a number of ways of obtaining revenue; there are a number of ways of robbing people without any sanction from anybody. There are people who come in for a fortune by merely purchasing a ticket for Re. 1. There are people who become rich by marrying for the sake of the dowry. There are some people who inherit wealth from their parents and within a very short time they fritter it all away, because they do not know the value of money.

**Mr. H. W. Amarasuriya:** To which category does the Hon. Minister belong?

**The Hon. Mr. G. E. de Silva:** I will tell the hon. Member later on to which class I belong.

Sir, for any hon. Member to get up on the Floor of this House and say that we should tax those who make profits to the extent of 100 per cent. is preposterous. I ask whether such a statement would be tolerated in any assembly. When the hon. Member found that everybody was laughing at the idea, he said, "Well, it may be 60 per cent." Why? Because the Board of Ministers have recommended that it should be 50 per cent., and the hon. Member must disagree. There must be some difference of opinion, as otherwise you cannot refer the Bill back. So he must make it 100 per cent. or at least 60 per cent.

**\*Mr. Ponnambalam:** Mr. Deputy Speaker, on a point of personal explanation—

**The Hon. Mr. G. E. de Silva:** I am not giving way.

**Mr. Deputy Speaker:** The Hon. Minister is not giving way.

**\*Mr. Ponnambalam:** On a point of order. Is even a Minister entitled to misrepresent anybody?

**Mr. Deputy Speaker:** That is not a point of order.

Will the Hon. Minister please proceed.

**\*Mr. Ponnambalam:** He is misquoting and misrepresenting me.

**Mr. Deputy Speaker:** I am sorry, the Hon. Minister is not misrepresenting the hon. Member.

**\*Mr. Ponnambalam:** Is he entitled, for his own purposes, to misrepresent a Member on the Floor of the House and not have the courage—

**Mr. Deputy Speaker:** Order, please.

**The Hon. Mr. G. E. de Silva:** When people make irresponsible statements and make fools of themselves, and that is brought to the notice of others, they naturally feel indignant. However impracticalistic a man may be, surely even imperialists must respect reason and have a sense of responsibility rather than come here and spend half an hour in saying that we should tax the people and get as much money as possible to conduct the war.

The hon. Member says, "Did I not advocate last year that agricultural undertakings should be taxed and excess profits be taken from agricultural undertakings"? Does he know what he is talking about, Sir? I would ask hon. Members to question the hon. Member as to whether he has ever been to an acre of land, cleared that land, planted that land and waited for 10 or 15 years till that land came into bearing. Does he know the difficulties to get up here and say, "Oh, you make easy money, and therefore you must be taxed"? You make easy money by going to the Courts and taking high fees. To compare agricultural undertakings with that way of earning money is not fair at all.

Now, we have recommended that the tax should be 50 per cent. of the income from agricultural undertakings and 30 per cent. in the case of plumbago. With regard to plumbago, I do not say that there is no reason for criticism. But when it comes to a question of considering the excess profits duty with regard to agriculture, I ask the hon. Member whether he ever realized the great difficulties this country had to undergo during the depression, when they were not making any profits whatsoever.

Apart from that, has he ever considered that against our will the prices of produce of this country has been controlled by people outside Ceylon? This tax is levied from all agriculturists, including

the paddy cultivator, and I say that the paddy cultivators will have to pay the excess profits duty, because they are now getting more than Rs. 3 per bushel of paddy.

The standard years are 1937 and 1938. In those years I do not think a single paddy cultivator made any profits whatsoever. Paddy cultivators were losing. In 1937 and 1938, we were allowed to export only about 85,000 tons of rubber, though we were entitled to export over 100,000 tons. Our legitimate quota was cut down, and the profits we made were very little. Everybody knows that; everybody understands that. Those are the two standard years.

In 1939, we increased that quota to 100 per cent., and it is now 120 per cent. As you, Sir, rightly remarked this morning, in the years 1914, 1915 and 1916 we were getting about Rs. 5 to Rs. 6 on a lb. of rubber, but to-day, without consulting us, the Government of England have reduced the price to 71 cents, and the American Government and the British Government are making a tremendous amount of profit. If the normal supply and demand had been considered in the regulation of prices, we would have had at least Rs. 6 or Rs. 7 for a lb. of rubber to-day. Everybody would be willing to forgo Re. 1 per lb. of rubber to balance the Budget. But not a word from this great economist—oh, he has disappeared. These are the people who expect us to carry on the Government according to the principles that they lay down. I can understand it if the hon. Member had raised his voice in order to get these things remedied. Then I would have been at one with him. Instead of that, he says, "You people make 100 per cent. profit. If I were you, I would disgorge the 100 per cent. to help us carry on the war and in order to balance the Budget."

It is very easy, Sir, to give directions when it is not your money that will go; when it is other people who will have to spend, you can lay down the terms. I can understand the hon. Member saying, "This excess profits duty is necessary. Last year we turned it down. Perhaps at that time the country did not think it necessary. But now we have brought it before the House and everybody says that 50 per cent. would be a legitimate rate."



\***Mr. Samarakkody:** No, no.

**The Hon. Mr. G. E. de Silva:** Fifty per cent. would be a fair amount of excess profits duty from agricultural undertakings. There are a number of hon. Members representing areas concerned with the coconut industry who say that it is unfair, that you must not take more than 10 per cent. I, representing areas connected with the tea and rubber industries, say that 50 per cent. may be fair, provided you make other exceptions. One exception was that mentioned by the hon. Member for Matale (Mr. Aluwihare). He said that there were a number of people who were indebted owing to their agricultural undertakings and those debts have been known to the Income Tax Departments; and if you do not allow those people to pay their debts now, would you expect them to pay them after the war? After the war is over, as Members are aware, everything would go down in price. Perhaps, you may not be able to sell your produce, and estates will again be sold for debts.

\***Mr. Abeywickrama:** How did they get into debt?

**The Hon. Mr. G. E. de Silva:** The two years we have to take as the basis for the income tax are the two years 1937 and 1938. During those two years people may have got into debt and those debts may be registered with the income tax department, because they are all secured debts. Now, if you take 50 per cent. of the profits without deducting those debts, then that man can never pay off his debts. Therefore, some concession must be granted to those people, as suggested by the hon. Member for Matale (Mr. Aluwihare); some percentage must be deducted in order to enable the producer to pay his debts out of the 50 per cent. of the profits that will come to him. That is a very fair way of taxing him. Those details can be worked out in Committee.

Now, the hon. Member moved that this Bill be referred back to the Board of Ministers for considering an increase of the tax on agriculture to the extent of 60 per cent. Is that a reason for referring it back to the Board of Ministers? But the Board of Ministers have considered this question. At a number of sittings day after day for about two weeks

this very question was discussed, and we recommended the present proposal which is before the House.

I would ask hon. Members to bear in mind the fact that we have considered this question from every aspect. We thought that as we had last year omitted to bring in agricultural undertakings, we should subject agriculture to the excess profits duty this year. Can the Board of Ministers do anything better?

\***Mr. Aluwihare:** Resign.

**The Hon. Mr. G. E. de Silva:** I know that a big section of this House is opposed to including agriculture in the proposal. Hon. Members who oppose the inclusion of agriculture have their own point of view in regard to the matter. Some hon. Members compared Ceylon with England and said that in England a bigger rate than 50 per cent. was charged as excess profits duty. That is perfectly true. But how can you compare the conditions prevalent in England with those prevailing here? The English have developed their country; they have their own Government; they look after their poor; they have made every provision for their people, and they can borrow money at 1 per cent. or 2 per cent. In Ceylon, we cannot borrow money at anything less than 12 per cent. In England, social services have not been starved. There the people who have no employment are paid the dole by Government. Are we doing that? How can we compare conditions in England with those existing in this country?

It is very unfair for hon. Members to be of the opinion, without rhyme or reason, that because the Board of Ministers have made this proposal, this Bill should be referred back. There is no reason whatsoever behind such an attitude of mind.

As I said before, I think this Government ought to fight the British Government with regard to regulation of prices in respect of tea, rubber and coconut. How can they fix the prices of our commodities without consulting us? We are the producers. If the open market was available to us, we could have obtained better prices for our tea and other produce. They have throttled us there, and then they want to take from us all the money we make, even with the price

[The Hon. Mr. G. E. de Silva.]  
control imposed on us. This is a matter that we have gone into very carefully. I say that this Council ought to take serious notice of the price control that has been imposed on our produce. If we get a fair price for our produce, nobody will grudge paying more towards the increased expenditure occasioned by the war.

These matters are being considered by the Board of Ministers. I have been on the Board only for a short time, but I can tell hon. Members that every one of these questions will be considered, has been considered and any new question that may crop up will also receive our consideration. Everyday new questions arise and they have to be considered.

I would ask hon. Members not to pass the amendment moved by the hon. Member for Point Pedro (Mr. Ponnambalam), because there is no meaning in it. As is usual with him, he will move anything on the spur of the moment without considering the consequences of his proposal, and disappear when somebody criticizes him. That is not playing the game by the Board of Ministers. If anybody attacks the Board of Ministers, he must have the courage to sit here and face the music.

Consideration must be given to the vexed question of the lower rate of duty proposed for plumbago. We have reduced the rate to 30 per cent. in respect of plumbago and everybody is agreed that some consideration should be given to plumbago miners.

\*Mr. Aluwihare: No.

\*Mr. R. S. S. Gunawardana: Nobody has agreed to that.

The Hon. Mr. G. E. de Silva: Some hon. Members may disagree with that proposal.

\*Mr. R. S. S. Gunawardana: You will find everybody disagreeing with that proposal, except the Board of Ministers.

The Hon. Mr. G. E. de Silva: The majority may disagree with our proposal. That, again, is a question of degree—whether you are going to make the duty on plumbago 30 per cent. or 50 per cent. We have not even exempted the coconut producer. The hon. Members represent-

ing coconut-producing areas say that the duty on coconuts should be reduced to 10 per cent. That is their view. After debate, if you consider that a duty of 30 per cent. is not sufficient in the case of plumbago, then it is left to the Council to decide what it should be.

I would like to remind hon. Members, as the Hon. the Chief Secretary has aptly remarked, that such differences in the rate of duty exist in other countries as well. We have done all that we can under the circumstances and have placed our proposal before the House. Of one thing I am perfectly sure—that the House will not be led away by the speech of the hon. Member for Point Pedro (Mr. Ponnambalam). He thinks that if you cannot levy 100 per cent. on the people who make excess profits, at least a rate of 60 per cent. should be imposed on them because, in his opinion, these people are making easy money.

Mr. G. R. de Silva (Colombo North): The House has always found that the latest recruit to the Board of Ministers is the greatest advocate of that Board.

The Hon. Mr. Senanayake: New brooms sweep well.

Mr. G. R. de Silva: Apparently, he appreciates the actions of the Board of Ministers more than the rest of us do. I think most of us feel that taxation, extra taxation of some sort, is absolutely necessary if we are to balance our Budget. I do not think it satisfactory in any way to go on borrowing. Some hon. Members have taken it for granted that the excess profits duty is something very holy, something about which there are great principles involved. It really is a tax which was started, I think, in the United States during the last year with the sole object of collecting money from certain industrialists who had hoarded a large amount of money. It is not a matter of sentiment. Sentiment, if at all, enters into consideration in the sense that people feel that those who make large profits as a result of the war should not be allowed to have all those profits for themselves.

Excess profits have already been taxed, and the tax is being continued, for the simple reason that money has to be found to carry on the war and other

essential services. The rate of excess profits duty in England to-day is 100 per cent., for the simple reason that England must find money to carry on the war. They have not considered whether that duty would in any way benefit the industries paying that duty, because those industries simply would not exist if the war effort was not maintained. I think the position taken up by the English exchequer is that those industries that can survive the 100 per cent. excess profits duty should remain and the others should go out. The essential consideration that weighs with the authorities in England is that the war should be won, and therefore every effort is made to collect money, successfully to prosecute the war.

The question we are faced with is somewhat of a different nature. Have all possible ways and methods of raising money been adopted in this country? We have not reached the highest point of taxation, and what are the other ways and means of getting money? Our income tax to-day is not on a very high scale. As a matter of fact, the income tax rate in this country can be increased, and especially graded so as to tax most the men who are in receipt of very large incomes. Such men deserve to be taxed to the limit—100 per cent. I think by raising the income tax rate we can get all the money we require, namely, Rs. 17,000,000, instead of imposing this excess profits duty. I would later refer to the question whether in the present circumstances we would get a big sum of money from this tax. The price of our articles has been fixed. The price of rubber has been fixed at 72 cents a lb. and the price of tea too has been fixed at a certain figure. Likewise, the price of coconut and copra also has been fixed at a certain figure.

As I pointed out earlier, the index of the cost of living is going up and the cost of production is also rising rapidly. So that, in another few months, our cost of production might rise to such a point that the excess profits duty will practically be ineffective. Of course, it has always been an uneconomic form of taxation. Excess profits duty does not take into consideration the difference in industries or the difference in estates; neither does it take into consideration the degree of efficiency in the management of the

different industries or estates. From the efficiently-managed concern it has taken a bigger amount as revenue while from the inefficiently-managed concern it has taken a smaller amount of revenue. The general principle governing this form of taxation seems to be to tax those concerns that are most efficient.

What would happen if the excess profits duty is imposed? We know that it is possible for the cost of production to rise very high owing to the inflation of prices that is taking place in the country to-day. Our cost of production would be so high that the yield from this tax would not be anything like what we expect from it. The people of this country have already been prepared for the excess profits duty. Higher salaries will be paid to the workmen. In fact, to-day the salaries paid to workmen amount to a tremendous figure. In expectation of the imposition of the excess profits duty, most estate owners feel that rather than giving Government so much money they should give their workmen as much as they like.

**\*Mr. Aluwihare:** That is excellent.

**Mr. G. R. de Silva:** That is the position I should like to place before hon. Members. From the revenue point of view, are we going to get much from the imposition of this excess profits duty? This tax will have very useful social consequences, in that the estate owners will be lavish towards their employees. If they are asked to give Government, say, 10 per cent. of their earnings, why should they not be lavish with that money towards the people who work for them? There is that method of evasion that might be adopted.

I would, therefore, suggest that the Board of Ministers and the Financial Secretary should consider whether it is not possible in some way to increase the yield from income tax and, if possible, to have a super tax in such a graded manner that the people earning large incomes from agriculture—it is generally through agriculture that people make money—would be made to pay a larger amount to revenue than by way of excess profits duty. If you take the last 25 or 30 years you will find that in this country the only time that agriculture paid was during a period of war. It has been so

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not only in this country but in practically every country; for agriculture only pays during a period of war.

**\*The Hon. Mr. S. W. R. D. Bandaranaike (Minister of Local Administration) :** Not during the last war.

**Mr. G. R. de Silva :** Therefore Government is rather careful regarding the imposition of excess profits duty on agriculture because it is only during certain periods—during war periods—that agriculture has in any way paid. It is not the purpose of Government to discourage agriculture in times of war; its purpose is to encourage agriculture by means of subsidies and other devices to increase production. It is therefore very necessary for us, when we consider agriculture, to see whether it is really something on which a tax such as an excess profits duty should be imposed. I should certainly suggest a higher graded income tax from agriculture.

I think the hon. Member for Matale (Mr. Aluwihare) dealt with the question of indebtedness. That again is a question which has been in the minds of Members of this House for a long time. Bills have been passed and relief to agriculture, in a sense, has been spoken about; and we have to consider that point.

The same hon. Member also suggested that a certain amount for sinking fund should be put aside. I think the question is not so very simple. In the form of an income tax on a larger income and a higher graded tax, it is very much easier to collect revenue rather than ask that certain sums of money be put by for the purpose of liquidating indebtedness. But the essential point is that we should not forget that the money has to be found through some form of taxation.

I would suggest first a higher grading of income tax and, secondly, export duties on certain essential articles. The great idea in export duties, although it is thought by economists that it is a wrong type of taxation, is the fact that the taxpayer does not feel that he is paying the tax. Very often you will find that most of us are giving away one-third of our income in the form of indirect taxation quite happily, without any grouse. From the point of view of the exchequer; also, it is the easiest form

of tax to collect; there is also the fact that nobody would try to evade taxation because it is an indirect tax. Government will also obtain a larger sum of money from that imposition, and I think there would not be that evasion which will take place in the case of an excess profits duty. A landowner will not try to evade paying export duty and run his estate in the most expensive manner; he will run it in the ordinary, economic manner. You can catch him up first on export duty, and when you come to know his income from the income tax return, you catch him up on that also. So that I think our purpose—to obtain extra revenue—can be easily achieved by different forms of taxation to, the one before us.

I, for one, feel that if we do not accept this Excess Profits Duty Bill, it is not because we feel that extra taxation is not necessary. If this House does not accept the Bill, I am sure it is because the House feels that other forms of taxation than the one proposed should be imposed.

I would suggest seriously for the consideration of the Board of Ministers an increase of the income tax and also a higher export duty. Of course, that proposal is entirely different to what the present Bill seeks to enact, and the House will, in that event, have to oppose this Bill of the Hon. the Financial Secretary.

**The Hon. Mr. Senanayake :** I would like, at this stage, to give notice that if we cannot conclude the debate by 5.30 P.M. we seek the permission of the House to continue the debate after 5.30 P.M.

**Mr. Deputy Speaker :** We will consider that motion at 5.30 P.M.

**Mr. H. W. Amarasuriya :** Speaking on the Excess Profits Duty Bill which was presented last year, I advocated the suggestion that was made by several hon. Members with regard to an increase in export duty. I did so because a certain amount of money was required on the last occasion to balance our Budget; and that sum was in the neighbourhood of Rs. 13,000,000. I also agreed with the Hon. Minister of Local Administration that if it became necessary that the scope of the Excess Profits Duty Bill

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should be widened to bring in agriculture, I would support it if our financial position warranted our taking such a step.

I agree in certain respects with my hon. Friend the Member for Point Pedro (Mr. Ponnambalam). In discussing the Excess Profits Duty Bill we must not be blind to the present financial position of the country, because I think that on the decision of this Bill will depend the future financial policy of this country and also the financial position of this country. Therefore we must address ourselves quite dispassionately to the Bill that is before us.

The hon. Member has suggested the reference back of this Bill for the express purpose of increasing the rate of tax. He was of the view that an excess profit tax at the rate of 50 per cent. was inadequate, and he argued that an excess profits duty at the rate of 60 per cent. or even a higher rate would probably bring in all the money that we require to balance our Budget.

What was the position that was presented to us by the Hon. Leader in his introductory speech on the Budget? He told us that at the end of the financial year we shall be faced with a deficit of Rs. 13,000,000 and in the current year, according to the estimates of income and expenditure which he presented in dealing with the Budget, there would be a further deficit of Rs. 17,000,000. So that at the end of the next financial year, according to the Estimates prepared by the Treasury, there would be a deficit of Rs. 30,000,000.

The Bill before the House does not propose to cover the whole of that deficit of Rs. 30,000,000. The Bill before the House only proposes to raise a further sum of about Rs. 18,000,000. I believe that the present operation of the excess profits duty is already bringing us about Rs. 5,000,000, which represents 50 per cent. excess profits on trade and commerce. So that by extending the imposition of this tax to agriculture it is expected to obtain a further sum of Rs. 18,000,000.

I am afraid my hon. Friend the Member for Point Pedro (Mr. Ponnambalam) will not gain his object unless we increase the excess profits duty to 100 per cent.

**The Hon. Mr. Senanayake:** That will not do; increase it to 150 per cent.

**Mr. H. W. Amarasuriya:** It will have to be over 100 per cent. to cover the whole of the Rs. 30,000,000, plus the additional Rs. 18,000,000 that this Bill proposes to raise. Those two amounts added together would be in the neighbourhood of Rs. 50,000,000. If the 50 per cent. tax on agriculture is only going to bring us Rs. 18,000,000—I think double that would be Rs. 36,000,000—we have still to find another Rs. 14,000,000; that means that the rate will have to be very nearly 200 per cent.

**Mr. Wanigasekera:** 150 per cent.

**Mr. H. W. Amarasuriya:** No. It is over 150 per cent. I wonder whether the hon. Member scrutinized his mathematics before he made that proposition to this House. I am sorry that the hon. Member is not in his seat. But I am afraid that he trotted out that proposition on the spur of the moment, without considering the implications of it, and also without examining the figures involved in his proposition.

Therefore, even an excess profits duty of 150 per cent. will not bring in the entire sum of money that is required to balance our Budgets for the years 1941-42 and 1942-43.

I think the proposition of the hon. Member was that after the war it would not be possible to tax certain industries and that while the war was going on the Government should tax people who are thriving on war profits. That was his main argument. I do hope the hon. Member will re-examine the position, and I am sure he will come to a different decision when he looks at this matter in this new light.

**Mr. Deputy Speaker:** The sitting is suspended until 4.30 p.m.

*Sitting accordingly suspended until 4.30 p.m. and then resumed.*

**Mr. H. W. Amarasuriya:** When we adjourned for tea, I was pointing out that even an excess profits tax at the rate of

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 over 100 or 150 per cent. is not going to find us the necessary revenue to cover the entire deficits of the present financial year and the next financial year.

The hon. Member for Colombo North (Mr. G. R. de Silva) suggested that the Board of Ministers, without resorting to the present proposals, might have considered the feasibility of increasing the income tax. I would like to point out that an increase of income tax would have very serious effects on the people whose income is derived out of employment and on those people who receive fixed income monthly. Therefore, it would not be proper at the present time to increase the rate of income tax, because it would result in an increase in the unit rate of income tax before the people who are getting higher incomes can be roped in. I do not think it would be a wise move at the present time to raise further revenue by an increase of income tax.

Then, if an excess profits tax is considered unobjectionable, I see no reason why only trade and commerce should be brought within the purview of the tax. Last year I was in favour of exempting agriculture and plumbago because I was of the opinion that it would be a mistake to place too much money in the hands of the Hon. the Financial Secretary, as in this country we have had the experience of the Treasury bringing forward measures for the expenditure of money which are calculated, not to improve the social condition of the country, but either to help the war effort or confer benefits more on Imperialistic interests rather than further the national progress of the country. To-day we are faced with a different financial situation altogether, and I think the situation has to be very carefully handled.

If one examines the figures published in the Administration Report of the Income Tax Departments for the years 1938-39, 1939-40 and 1940-41, one will find them interesting. In the year 1938-39 the total income, according to the published figures, was Rs. 236,214,756. Such income was returned by 24,548 persons in this country. Out of this figure, the income of resident individuals numbering a little over 17,000 was about Rs. 125,000,000;

the income of non-resident individuals, 4,187 in number, was about Rs. 15, 500, 000; the income of 433 resident companies was Rs. 32.2 million; the income of 672 non-resident companies was Rs. 54,000,000 and "Miscellaneous" (735) was about Rs. 5,500,000. The total income returned by these persons amounted to Rs. 236,214,756 and the tax payable by them amounted to nearly Rs. 20,000,000. That was in respect of the year immediately prior to the war.

In the year 1939-40, 25,355 people paid tax, and they returned an income of Rs. 204,000,000. In 1940-41, 25,578 people returned an income of Rs. 244,000,000. Therefore, in the year 1939-40, there has been a drop in income, of nearly Rs. 40,000,000. In the year 1940-41, out of this income of Rs. 244,000,000, agriculture alone represented Rs. 78.3 millions; trade Rs. 60,000,000; professions, over Rs. 6,000,000; employment, over Rs. 74,000,000; investments, over Rs. 17,000,000, and "Miscellaneous", Rs. 2,000,000. The increase is rather marked in the case of trade. The "Trade" figure for the year 1939-40 was Rs. 50,000,000. So, Sir, there was an improvement in the case of trade to the tune of about Rs. 10,000,000. Therefore, even if the rate of income tax is increased, I do not think we will get such a large revenue. The same remarks apply with equal force to agriculture.

I would not advocate a mere increase in income tax as a substitute for the excess profits tax, because it was argued that an excess profits tax would not bring in so much money as a further imposition in income tax would. I do not think that the argument will stand examination, because the excess profits tax would certainly bring us more revenue during the next financial year.

There was also the suggestion made that, instead of imposing an excess profits duty, we might raise our revenue by the imposition of export duties. Now those who are of that view have in the past been seriously objecting to the operation of dual taxation, that is, direct and indirect taxation. Income tax would be direct taxation, and the imposition of export duties would be indirect taxation.

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On this occasion, I would like to state that if we abandon the excess profits duty we would be exempting a very large number of non-resident companies, because those non-resident companies are, I believe, at the moment paying 100 per cent. excess profits to the Imperial Exchequer. Are we prepared to deny to ourselves that large revenue by abandoning the excess profits duty and substituting export duties?

**The Hon. Mr. Senanayake:** What is the argument?

**Mr. H. W. Amarasuriya:** We will be losing their contribution.

**The Hon. Mr. Senanayake:** May I ask a question, to clarify the situation? Does the hon. Member imagine that export duty is to be charged only on rubber that is produced by Ceylonese companies and that the European companies should be excluded?

**Mr. H. W. Amarasuriya:** No. I am not saying that. I believe under the provisions of this Ordinance the export duty will be collected in the normal way, and when the returns are made, if the excess profits are more than the export duty, I believe, there is a rebate and the Government will get whichever revenue is greater.

**The Hon. Mr. Senanayake:** For all concerned.

**Mr. H. W. Amarasuriya:** Now, in the case of the sterling companies, I am almost sure that the payment of excess profits duty would be more than what they would contribute by way of increased export duties.

**The Hon. Mr. Senanayake:** That is our proposal.

**Mr. H. W. Amarasuriya:** So that an excess profits duty in the case of non-resident companies will undoubtedly be a beneficial proposition to the country.

With regard to the proposal of a preference in the case of plumbago, many Members who preceded me argued that no real case has been made out for any special treatment of plumbago. Plum-

bago is certainly a commodity that commands a market during a war, and the very principle of an excess profits duty is to tax people who make profits above an accepted standard and to appropriate the whole of such revenue for the purpose of the Defence of the country and for the prosecution of the war. There is, therefore, no argument why plumbago should be a favoured subject, and if the excess profits duty is to operate, there is no reason why plumbago alone should be let off with a 30 per cent. tax. I hope the Board of Ministers will reconsider that proposition, because their main argument has been that plumbago is a wasting asset.

The Commissioner of Rubber, who once the Rubber Controller, has circularized all estates asking them to resort to maximum production, and where ordinarily managers and those who are in charge of estates would use only about 5 to 6 inches of bark a year they are now compelled to remove very much more than the normal bark consumption for the purpose of producing more rubber. The Hon. Minister of Agriculture and Lands told us that this year we shall be producing more than 100,000 tons of rubber.

**The Hon. Mr. Senanayake:** We have already produced more than 100,000 tons.

**Mr. H. W. Amarasuriya:** Whatever it is, even to get that 110,000 tons, the rubber trees have to be tapped to such an extent that their life would be greatly shortened. If it is argued that plumbago is a wasting asset, then rubber too which is required for war purposes should be considered a wasting asset. If you go and tap your rubber tree too much, you will be obliged to cut it out altogether to rejuvenate it.

**The Hon. Mr. Senanayake:** Cut and rejuvenate?

**Mr. H. W. Amarasuriya:** Cut out and replant; that is known as rejuvenation. So that one will have to wait at least 10 years to get any latex out of such a tree.

I do not think, therefore, that it can be strongly argued that simply because plumbago is a wasting asset we should

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give special preference to it. If plumbago has to be treated along with agricultural products, it should bear the same rate of taxation and there should be no special concession granted to it.

Then, the Hon. the Financial Secretary, in introducing this tax last year, told the House that if he had his own way he would only impose a tax at the rate of, I believe, 17 per cent., in order to raise the sum of money that was required to cover the deficit which was closed in the Budget of last year, and that if a rate of 30 per cent. was imposed it would have a yield of about Rs. 25,000,000 to Rs. 30,000,000. To me, indeed, the owners of tea, rubber and coconut estates and also plumbago mines would have been better off had they accepted the general rate of 30 per cent. last year.

The Ministers propose to impose this tax for the duration of the war. I believe they told us when the Excess Profits Duty Bill was introduced last year that they reckoned there would be no need for an excess profits duty after 3 years. Therefore, the sum derived at the rate of 30 per cent. for 3 years would have been less than the sum for 2 years at the rate of 50 per cent. So that the Ministers, although they have lost some money last year, would get an additional amount of revenue within the next 2 years provided, of course, that the ruling prices of produce remain the same as at present.

The question of the price of produce is also very important for this reason, namely, that tea and rubber are being bought by the Ministry of Food in England, and rubber, I believe, by the War Supplies Department in England. It was argued by you, Sir, this morning and by other Members that, but for this control of prices, if normal conditions were allowed to operate the price of rubber would have been very much more than it is to-day. We must, therefore, consider the difference in the prices as a war contribution from this country to the Imperial Government.

I do not think we can advocate an export duty at a higher rate unless the present price of rubber is raised. To my mind, if export duties are to be

increased, there should be a corresponding benefit to the producer. Therefore, it is not possible to advocate an increase of export duties unless the Imperial Government is prepared to pay more for our produce.

We must also not be blind to the fact that the expenditure on our defences is a matter for speculation. If Ceylon becomes a theatre of war this Government will have to incur very much more expenditure, and at the end of the war it is almost certain that we will be heading for bankruptcy. It is not an *ipse dixit* of mine, but the Hon. the Financial Secretary himself, speaking on the Budget last year, said this:

"In the last depression our annual revenue fell to about Rs. 85,000,000 and if we have a similar depression again it will probably drop to about Rs. 105,000,000 or Rs. 110,000,000. I ask the House what is to be done then, if our annual expenditure, with the utmost economy, proves to be, say, Rs. 130,000,000 against Rs. 105,000,000? Can we seriously contemplate borrowing Rs. 25,000,000 a year just to meet ordinary expenditure? A very few years of that, and the country would be bankrupt. It would be unable to borrow further, and we would have to go, cap in hand, to the Imperial Government and ask them to help us out of the difficulty with a grant."

Now, it is almost certain that after this war there would be a world depression, and if that world depression lasts for many years it would be very difficult for our Government to meet all its commitments. Our personal emoluments and pensions bill, expenditure on education, expenditure on our health services, expenditure on irrigation works, recurrent and extraordinary, will come to about Rs. 160,000,000, and our revenue would shrink to such an extent that there would be a very wide gap between the revenue and the expenditure of this country. I think at the present moment the country is taxed to its utmost limit, and in spite of heavy taxation and the services that this Government is rendering to the people, there is still a great deal to be done by way of social services for the amelioration of the masses.

Two Members of this House have pointedly referred to the plight in which the coconut industry finds itself at present. I would like to add a further argument to the arguments that were adduced by the hon. Member for Narammala (Mr. Samarakkody) and the hon. Member for Negombo (Mr. Siriwardana). As you are aware, in the Excess Profits



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Duty Bill, Rs. 400 is reckoned as the standard capital value of an acre of coconut land. Most of us are aware that during the coconut boom coconut land fetched as much as Rs. 1,500 an acre, and there were a large number of people who borrowed money for the purpose of buying estates or for improving their properties. I am also aware that the sums that have been lent on coconut land work out at about Rs. 750 per acre, and even at the rate of 5 or 6 per cent. interest, the amount payable as interest alone on that money would come to over Rs. 50 an acre. So, if the Government appropriates every cent over Rs. 40, which is 10 per cent. of Rs. 400, it works out at Rs. 40 per acre. Therefore money that the coconut land owners would derive would not be sufficient to pay the interest on the moneys that they have borrowed.

That is a matter that the Ministers must really reconsider, because the people who have mortgaged their coconut lands would be placed in a very bad way. They would not be able to reduce their debts, and I do not think they would even be in a position to pay the full interest due on their debts. Therefore, the industry that requires special consideration is the coconut industry and not the plumbago industry.

I now come to the proposal of the hon. Member for Point Pedro (Mr. Ponnambalam) to refer back this Bill. If one can gauge opinion about this Bill, there are two schools of thought: one is in favour of excess profits duty at an increased rate all round and for that purpose, and for the adoption of an increased rate for plumbago, that school of thought wants this Bill referred back to the Board of Ministers. The Minister of Agriculture and Lands was of opinion that such amendments as this section of the House wants incorporated in the Bill could be introduced in the Committee stage. But it has now been submitted to us that no such amendment is possible in the Committee stage, as Private Members in this House do not possess the right to augment a tax, under the provisions of the Order in Council. The House can make the proposal and recommend it to the Board of Ministers, and it is for the Board of Ministers to consider it, and if they agree to it, bring back the Bill with the necessary amendments.

Then there are those who are opposed to an excess profits duty, and they have no alternative but to turn down the whole Bill. Let them vote against the second reading of this Bill. They cannot achieve their object by merely referring back the Bill, because the principle of the Bill is the imposition of an excess profits tax. If Members wish to substitute in place of an excess profits tax increased export duties on agricultural commodities, they have no alternative but to vote against this Bill. If the Bill is turned down, the Ministers will have to bring forward other proposals taxation.

I do not know whether, under Order in Council, the defeat of this would bring about serious repercussions. I am unable to express an opinion on this point, but at any rate I consider that this Bill is an integral part of the Budget proposals, and the defeat of this Bill would be tantamount to a defeat of the Budget proposals. I would like Members to consider that aspect of the question too. I have had no time to examine it in detail, and I hope the Minister of Agriculture and Lands, when speaking on this Bill, will advise us on the matter and guide us.

This Bill, in its present form, does not take away the right to collect export duties on the articles affected. Those who will be liable to the excess profits tax will pay that tax only, provided the export duty to which they would be liable is less than the excess profits tax. As we have accepted the principle of an excess profits tax on trade and other commercial undertakings, I do not think we should exempt agriculture. If export duties are to be levied instead the whole principle underlying war-time taxation will have to be reconsidered.

I am inclined to support the Bill in its present form, provided plumbago is also taxed at the higher rate proposed for the other products. Considering our financial position, I do not think that those who are interested in plumbago should grudge paying the same rate of tax as those interested in other undertakings. We know that plumbago can easily bear this tax. The only argument adduced in favour of plumbago is that it is a wasting asset, and that certain concessions granted to other industries have not been given to this industry. If any concessions are, in

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fact, necessary, I do not mind those concessions being given. But there must be fair play and justice to all, and I think plumbago should be taxed at the higher rate of 50 per cent. If concessions can be granted, why should not all those who are liable to this tax be given the benefit of those concessions?

I would like to ask the Financial Secretary how he proposes to tax those making profits in the black-market. We know definitely that there is a black-market, and those operating in it are reaping large profits. I hope the Financial Secretary will devise some method of catching up with the people, who will never disclose their profits in the returns they send.

**The Hon. Mr. Bandaranaike:** You must legalize the black-market and then tax it!

**Mr. H. W. Amarasuriya:** The honest man, who obeys the law, is penalized, and the dishonest man who operates in the black-market and others who earn fortunes by methods that are not straight get off lightly.

In the case of agriculturists too, the efficient man is penalized. I would in this connexion commend to the Board of Ministers the suggestion made by the hon. European Nominated Member (Mr. Parfitt). Those who have replanted certain portions of their rubber estates should receive some consideration. The hon. Member has made out a strong case for a concession, and I would like the Ministers to consider that aspect of the case sympathetically. It merits the sympathetic consideration of the Board of Ministers.

In the present circumstances, I would support this Bill and would ask hon. Members, before they vote on this Bill, to consider all the implications of the proposal to refer back this Bill and also the proposal to substitute increased export duties for the excess profits tax proposed in this Bill.

**The Hon. Mr. J. H. B. Nihill (Legal Secretary):** Sir, I rise to address the House, not on the merits or demerits of the Bill which is now before us, but to mention one or two considerations which have been present in my mind during the

course of this afternoon. They are, in fact, considerations to which the hon. Member for Galle (Mr. H. W. Amarasuriya) has, I think, been addressing his mind during the closing stages of his speech.

First of all, we have reached a stage in this debate when the House will have to face a decision, first of all, in regard to the motion which is now before it in the name of the hon. Member for Point Pedro (Mr. Ponnambalam) and then, secondly, of course, with regard to the second reading of the Bill itself.

With regard to the motion of the hon. Member, it very properly, in accordance with Article 57 of the Order in Council, proposed a reference back to the Board of Ministers in order that the Board might consider his proposal that this excess profits duty should be increased to a level of 60 per cent. I say, Sir, that that was, from a procedure point of view, the proper action for the hon. Member to take, because, quite clearly, this must be a measure to which Article 57 relates.

I would, however, ask the House to notice that the reason why the hon. Member wants a reference back is because he wants increased taxation. He considers that a great attempt should have been made by the Board of Ministers to balance the Budget from taxation and that therefore he is not prepared to approve this measure just now because he thinks it does not meet the financial situation in the way he would like to see it met. That is a reference back to the Board of Ministers with a direction, in other words, that the Board should address its mind to the question of increasing the excess profits duty.

Now, there have been other Members who have addressed the House during the course of this rather lengthy debate, who have also indicated, I think, certainly not their complete satisfaction with the measure. In fact, I do not know one single Member who has spoken who could be said to have given this measure his whole-hearted blessing.

But the reasons given by those other Members who have addressed the House have been reasons very different from those which animated the opposition of the hon. Member for Point Pedro (Mr. Ponnambalam). In fact, many of

them would oppose this measure because they would prefer to see a reduction in taxation.

Sir, I put it forward for the consideration of those Members that it would be entirely illogical if those Members too vote for the motion which has been moved by the hon. Member for Point Pedro, because you cannot refer a measure of this kind back to the Board of Ministers with a specific direction that the question of increased taxation should be considered, when really what you have in your mind is that the question of decreased taxation should be considered. Therefore I do ask those hon. Members who take the view that either agricultural products or plumbago should not be taxed at all, or if they should be taxed, the tax should be lower than the amount stated in this Bill, not to nullify the position they have taken up by voting for the motion moved by the hon. Member for Point Pedro, because if that motion is passed in the form in which it has been put to the House, it must, of course, tie the Board of Ministers down to considering the measure in the light of the direction which that motion contains.

There is one further consideration which has also been touched upon by the hon. Member for Galle (Mr. H. W. Amarasuriya) and that is with regard to any possible consequences which might ensue if the second reading of this measure was defeated. Of course, I think we all knew the kind of consequences which the hon. Member had in mind. He tactfully did not go into them in any very great detail, but he left them to the vivid imagination of Members of this House. Well, if we are to forecast consequences, of course the only guidance hon. Members can get is by studying all the relevant Articles of the Order in Council, and, of course, the first Article to which hon. Members will look must be Article 69. Now, Article 69 (7) says that if the Council, with or without reference to the Board of Ministers for further consideration shall reject the whole of any Annual Appropriation Bill, the Governor shall dissolve the Council. That section of that Article has reference to the Annual Appropriation Bill.

I am not submitting that the measure we are considering this afternoon is

the Annual Appropriation Bill. Quite obviously it is not. But that is not the whole of the Article. There is a further Sub-article, which runs as follows:

“The Governor shall also dissolve the Council if, in his opinion, by reason of the decision of the Council upon any Bill, motion, resolution, or vote, to which Article 57 refers, or upon any motion expressly directed to test the confidence of the Council in the Board of Ministers, it shall be apparent that the Board no longer retains the confidence of the Council.”

Hon. Members will see at once the distinction between those two Sub-articles.

In the first Sub-article, where Annual Appropriation Bill is involved and if it is killed by a total rejection, Governor has not got to address his mind to his own opinion. It is so clear and obvious that the Board has lost the confidence of the Council that the Constitution makes it mandatory on the Governor to dissolve it. But, with regard to this second class of measure, that is to say the one to which Article 57 applies, as I have already indicated my view is that quite clearly this is a measure which is covered by the terms of Article 57—I need not read the whole of that Article—it is, of course, a measure for the imposition of a tax, and therefore quite clearly, without any doubt whatsoever, this is a measure to which Article 57 applies; and if that is so, then the rejection of this measure on the second reading must bring it within the ambit of Article 69, Sub-section (2).

If we are considering consequences, then we must look forward for a moment and imagine that the House, by its vote this afternoon, rejects the second reading of this Bill. The position must then be that the Governor will have to address his mind to the question and form his opinion as to whether the rejection of this measure on the second reading indicates to him that the Board of Ministers no longer retains the confidence of the Council. If that is so, and if that is the opinion which His Excellency forms, then it will be incumbent upon him to dissolve this Council.

Well, one cannot make forecasts about gubernatorial opinion, but one can see, quite clearly from the reading of the Article, the kind of way in which His Excellency's mind would have to move. He would have to ask himself why this

[The Hon. Mr. Nihill.]  
measure had been rejected by the Council; he would have to examine the measure upon which the whole foundation of the Budget of the year rested. He would find that it was a measure which proposed taxation, involving perhaps millions of rupees, and he would then have to conclude that the House was so lacking in confidence in the Board of Ministers that they had taken this serious step of rejecting a measure upon which, as I say, the whole financial position of the year rests.

Sir, I can hardly think—and I hope the House does not think—that I have exaggerated the position in any way. This measure is a most important one; it is not the Budget but it is a part of the Budget in the sense that it is an appendage of the Budget, and if it does not meet with the approval of this House, then, the whole Budget position must obviously be thrown into jeopardy. If that is the position, I do not think that it is very difficult for any Member of this House to forecast the kind of opinion which the Governor would reach if this House rejects this measure on the second reading.

That is all that I wish to say, and I hope the House will appreciate that I merely bring forward these considerations, not in order in any way to intimidate the House or to frighten it into forming a certain view with regard to voting on the second reading. I have not done it in that way at all: I have merely done it because, I think, when one is going to take a big leap, it is just as well to have a look at the jump before you take off.

**\*Mr. Ponnambalam:** Might I ask the Legal Secretary a question, Mr. Deputy Speaker? If this is an appendix, can it not be removed painlessly?

**\*Mr. Samarakkody:** I would like to make a few observations on the motion for reference back, and in doing so I would like to touch upon the aspect to which the Hon. the Legal Secretary has drawn the attention of the House.

**Mr. Deputy Speaker:** Has the hon. Member not already spoken on the amendment?

**\*Mr. Samarakkody:** No, Sir; I spoke before the amendment was moved. Now I wish to speak on the amendment.

The hon. Member for Point Pedro (Mr. Ponnambalam) moved the reference back which is the only method available to him to give the Board of Ministers a chance of considering whether his view should be accepted. Now I would support the reference back for a very different reason. As far as the coconut industry is concerned, a certain reduction should be made with regard to the rate of the tax.

**The Hon. Mr. Senanayake:** The reduction can be made in Committee.

**\*Mr. Samarakkody:** I hope the Hon. Ministers will not disturb me. They will have a chance to speak.

The Hon. the Legal Secretary pointed out that it would be illogical for these two points of view to be placed before the Board of Ministers as they would be in a difficulty as to which view should be accepted. The motion is entirely one for reference back, and the reasons I may adduce for a reference back may not be the same reasons as the hon. Member for Point Pedro has urged. So that even when there are contradictory suggestions, it is for the Ministers to consider all the suggestions and accept those which they think are reasonable and upon which they can take positive and definite action; the rest they can reject; if the majority of the Members are accommodated in regard to their views, the other suggestions can be rejected.

The Member for Point Pedro (Mr. Ponnambalam) is the only Member who has urged that the tax on plumbago should be increased to 60 per cent. The Board can reject it altogether, because the sense of the House is against that view.

My supporting the reference back is by no means illogical. I think we are quite entitled to do it. It is for the Board of Ministers to weigh these proposals and give consideration to those which they think are acceptable to them.

The Hon. the Legal Secretary has quite frankly given his opinion on the various sections of the Order in Council.

**The Hon. Mr. Senanayake:** May I move that the debate be continued till 6 o'clock?

Question, " That Emergency Standing Orders 2 (4) and 2 (5) be suspended to enable the debate to be continued beyond 5.30 P.M. ", put, and agreed to.

**\*Mr. Samarakkody:** Sir, the Hon. the Legal Secretary, as I said, has very honestly expressed his point of view with regard to the reading of several sections of the Order in Council. You will remember at least the concluding part of his observations, namely, that these proposals formed, as it were, part of the Budget, although strictly speaking they are not, and if we reject these important financial provisions, which he says are very important, then we would be at the mercy of His Excellency the Governor who can under that Article dissolve Council.

I would like to point out this fact, that when the last Appropriation Bill was introduced in this House, I put a specific question to the Leader of the House, because on that occasion there was a motion for the reference back of the Appropriation Bill. I know it is quite possible to refer the Bill back, but I wanted a definite statement from the Leader of the House as to whether the taxation proposals, which were somewhat similar to these, formed an integral part of the Budget.

I shall now read to you what the Hon. Leader of the House said :

" THE HON. SIR D. B. JAYATILAKA : . . . .  
I want to say one thing before I conclude. There is a proposal to refer back the Appropriation Bill. I do hope hon. Members will not accept that motion; it will be an utter mistake. The questions that have been raised can be further discussed at the Committee stage . . . .

The questions raised at that stage were with regard to the excess profits duty which was coming. A number of Members were prepared to support the reference back in order to enable the Board of Ministers to go into this question of the excess profits duty. This is what he went on to say :

" But if you refer back this Bill, there will be no going forward. The taxation proposals will come before this House in the shape of a Bill. Hon. Members can then suggest any amendment. I can assure hon. Members that it would not be too late to do that."

Then I inquired :

" May I inquire from the Hon. Leader of the House whether the taxation proposals form an integral part of the Budget?

THE HON. SIR D. B. JAYATILAKA: The Appropriation Ordinance only gives a statement of the income and expenditure—really the expenditure—and when that Bill comes before the House—

MR. SAMARAKKODY: It can be rejected?

THE HON. SIR D. B. JAYATILAKA: Of course, it can be rejected. Are you bound by the acceptance of this Appropriation Bill to—

MR. RATNAYAKE: Where do you find that?

THE HON. SIR D. B. JAYATILAKA: That question can be discussed later in the Committee stage.

MR. ALUWIHARE: How can we vote for the Budget without knowing from where the money is coming?

THE HON. SIR D. B. JAYATILAKA: We have given an indication of our proposals as regards taxation. There are some hon. Members say that taxation ought to be increased. Suppose you accept these figures for the present. There is nothing to prevent you from increasing taxation if you want."

Now, the picture drawn by the Hon. the Legal Secretary to-day is this. If by any chance you refer this Bill back or reject it, what is the implication? The Governor would consider this an all-important proposal, the rejection of which was tantamount to a vote of no-confidence in the Ministers which would justify him in dissolving the Council. That is, I think, an extraordinary step for any Constitutional Governor to take.

Now, there have been very many indications given as to why the Ministers should reconsider their taxation proposals, and the reference back will enable them to do it. In addition to these proposals, they might even propose the levying of an export duty to give effect to the wishes of the House.

Sir, as far as these four commodities, tea, rubber, coconut, and plumbago are concerned, in the agreement under which these are purchased by the United Kingdom for itself and for America, it is provided that, in case there is an export duty imposed by the local Government, that export duty should be met by the buyers; America and Britain will have to pay by an increase in the price of these commodities. So that if there is an export duty on rubber, the price of rubber under the agreement will have to be increased from 71 cents to Re. 1.25 per lb. I will ask the Hon. Ministers to contradict what I say. If an export duty is imposed on these commodities, the revenue of this

[Mr. Samarakkody.]  
country will benefit by over Rs. 200,000,000, and there will be no question of where to find the money to balance the Budget.

Now, I say that an export duty is reasonable, for this reason.

**Mr. Deputy Speaker:** The hon. Member is dealing with the amendment.

**\*Mr. Samarakkody:** I want the reference back of the Bill for the purpose not only of considering an increase or decrease of the tax on plumbago, but also bringing forward fresh taxation proposals before the House.

**Mr. Deputy Speaker:** The hon. Member has made that point clear.

**\*Mr. Samarakkody:** I am not going to dwell any longer on that point. As far as an export duty is concerned, I think it is fair and reasonable to ask for it, because the price of Re. 1.25 for a lb. of rubber is not at all excessive.

The Hon. Minister of Agriculture and Lands, in claiming exemption for the agricultural industries, in opposing the inclusion of agriculture in the Excess Profits Duty Bill on the last occasion, urged that for so many years we had not been allowed to produce the rubber that we could have produced. It was 50 per cent. at first, then 51 per cent., and so on. I will not stress that point any further.

With regard to the aspect of this question to which the Hon. the Legal Secretary has drawn attention, I should like to say this. (The considered view of no less a person than the Leader of the House, who brought up the Excess Profits Duty Bill along with the Appropriation Bill last year, was that we could amend those proposals and that if we rejected them, they would have to bring fresh taxation proposals by way of an export duty.

For these reasons, those who feel that this measure should be rejected, should without any fear of a dissolution of Council, vote for the rejection. I do not think, although I am no prophet, that what the Legal Secretary feared would happen, because it would be the act of a madman to act in the way suggested

by the Hon. the Legal Secretary. I hope hon. Members will without fear vote according to their wishes either to reject the proposals or to support their reference back.

**\*Mr. T. B. Jayah (Nominated Member):** I do not know whether the hon. Member for Narammala (Mr. Samarakkody) was correct when he said that, whatever the amendment proposed by the hon. Member for Point Pedro (Mr. Ponnambalam), Members were at liberty to vote for the reference back even if they do not agree with the hon. Member for Point Pedro.

The hon. Member for Point Pedro moved that amendment with a definite object. I think he said that he was moving the reference back of the Bill for the purpose of enabling the Board of Ministers to increase the excess profits duty. I think he made that point perfectly clear when he moved the reference back of the Bill. If that be the case, and if the House votes for reference back, it should be quite clear to the Board of Ministers that the intention of the House is that the excess profits duty should be increased.

It will therefore be the clear duty of the Board of Ministers either to raise the excess profits duty or else to come back to this House, say that they are not prepared to raise the duty further and defy the House. If the Board of Ministers refuse to carry out the decision of the House, and if the House still persists in its attitude that that duty should be increased, then I suppose the Bill would be rejected. And the rejection of the Bill would amount to a vote of no-confidence in the Board of Ministers. I think the remarks of the Hon. the Legal Secretary should be interpreted in that light.

If the Board of Ministers are asked to revise certain provisions in the Bill in the light of the views expressed by this House, the Board of Ministers would be in a position to do whatever they like in order to bring about that desired object. If they do not want to increase the excess profits duty, even if they want to reduce that duty in certain directions indicated by the House, I think they would be perfectly justified if they introduced certain other proposals to increase the revenue.

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As far as the amendment of the hon. Member for Point Pedro (Mr. Ponnambalam) is concerned, his amendment is quite definite: it wants the excess profits duty increased.

So that hon. Members are left with one of two alternatives. In fact, hon. Members will be well advised to support the motion for reference back if they feel that an increase in the excess profits duty is imperative. If the House is opposed to such an increase of duty, hon. Members are equally well justified in supporting the Bill in the form in which it has been presented to them. That is my view of the matter.

I am certainly voting for reference back. If the House votes for reference back, I have no doubt the Ministers will carry out the wishes of the House. I do not think the Ministers are so lost to a sense of reality that they will come back to us and say that in spite of the wish definitely expressed by this House, they are not prepared to increase the excess profits duty. I think such an attitude on their part would be unpardonable. I do not know why we should deny ourselves this opportunity of supporting a measure which will go a great way towards increasing the revenue of this country.

There is no doubt that there is general agreement among Members that every effort should be made to balance the Budget, that there should be a definite effort made to meet this unprecedented expenditure. It is no use ignoring the fact that we want money and that the money must be found. As money has to be found to meet expenditure which is absolutely inevitable, I think we should not hesitate to support measures which are calculated to help this country to increase its revenue.

It may be that there are tremendous difficulties in the way of achieving that result. It may be that those who advocate some sort of differential treatment in favour of the coconut industry have very good reasons in support of their proposal. It may also be that those who advocate differential treatment in favour of the plumbago industry have equally good reasons for the claim they put forward. Nevertheless, the majority of hon. Members are in favour of increasing this tax. I therefore do not think that

there should be any hesitation on the part of the Board of Ministers to carry out the intention underlying the amendment of the hon. Member for Point Pedro (Mr. Ponnambalam).

I do not think we should take more time over this question. The matter is very simple and it has been very fully threshed out. There are some in this House, like the hon. Member for Colombo North (Mr. G. R. de Silva), who are of the opinion that more money should be raised by way of income tax. I do not see the reason why even the suggestion should not be acted upon. Let us get as much money as is possible by way of excess profits duty and also get as much money as we can by increasing the income tax rate. The hon. Member for Weligama (Mr. Wanigasekera) suggests that an export duty should be levied. Well, that is another probable source of revenue. There are those different proposals put forward, and it is for the Board of Ministers to decide which of those proposals should be acted upon.

If the House votes for reference back, the House does it with the definite object of enabling the Board of Ministers to increase the excess profits duty. [Interruption.] I do not know whether the hon. Member for Point Pedro (Mr. Ponnambalam) has now changed his mind. That is how I understood his amendment. I think he stands on very good grounds when he moves that amendment.

I listened with surprise to the remarks of the Hon. Minister of Health. I really do not know whether he correctly interpreted the views expressed by the hon. Member for Point Pedro. I do not even know whether the Hon. Minister realized the full implications of the Bill for which the Board of Ministers is responsible. I really do not understand what made the Hon. Minister of Health speak in the manner in which he did speak. He just cheap sneers at the hon. Member for Point Pedro. He indulged in cheap jibe simply because the hon. Member for Point Pedro suggested that the excess profits duty should be raised to 60 per cent.

The Hon. Mr. G. E. de Silva: To 100 per cent.

**\*Mr. Jayah:** The Hon. Minister spoke as if he was opposed to this Bill. In fact, some hon. Members remarked—

**\*Mr. Ponnambalam:** Last year he was opposed to the introduction of excess profits duty.

**\*Mr. Jayah:** Some hon. Members remarked that they detected a sort of feeling that the Members of the Board of Ministers themselves were not altogether opposed to the rejection of this Bill. Some Members were forced to that conclusion because of the attitude adopted by the Hon. Minister of Health. It looked as if he was absolutely opposed to the levying of any excess profits duty. That was, more or less, the sum and substance of what he said.

There is no reason why we should suspect the Board of Ministers. I have no doubt that they are in full possession of all the facts. They understand the imperative needs of the country and they have put their proposal before us. If we are not satisfied with their proposal, if we think that more money is necessary to meet our expenditure, let us ask them to increase the excess profits duty or to place before us some other means of raising money.

I have much pleasure in supporting the motion for reference back. As I said at the commencement of my remarks, if the House is not in favour of such a proposal, I am prepared to support the motion before the House.

**\*Mr. Samarakkody:** I rise to a point of order. There are—

**\*Mr. Ponnambalam:** What is the point of order?

**\*Mr. Samarakkody:** If you give me the chance to explain what it is, I shall let the House know it.

There is a motion for reference back. Under our Standing Orders there can be only one motion for reference back. I have a certain grievance with regard to the proposal put before the House and I want the Board of Ministers to consider the representations I have made. If it is held that, on the motion of the hon. Member for Point Pedro (Mr. Ponnambalam) for reference back, the Board of

Ministers can only consider an increase in the excess profits duty and nothing else, my attitude will have to be considerably changed.

So that my submission to you, Sir, is that the hon. Member for Point Pedro has moved the reference back. That is all. Various representations have been made by various Members. It is for the Board of Ministers to reject or accept those proposals. I would like to have your ruling on the point.

**Mr. Deputy Speaker:** This is not a point of order on which the Chair can be called upon to give a ruling. The motion is to refer back the Bill for further consideration. It is for the Board of Ministers to decide, on that reference, what exactly they are to do. Various proposals have been made; it is for the Board to consider those proposals:

**Dr. de Zoysa:** When the Hon. the Legal Secretary—

**Mr. Deputy Speaker:** Has not the hon. Member already spoken?

**Dr. de Zoysa:** I have. I am speaking on the amendment.

When the Hon. the Legal Secretary spoke, I thought that he was actually trying to intimidate the House. But he told us that he was not trying to do so. But I am now beginning to feel that he was trying to unduly influence us.

When the Hon. Ministers introduce a motion and especially tack it on to the Budget, they must be perfectly sure that the taxation they propose is acceptable to the House. Here is a matter in which some Ministers have an interest. There is a distinct feeling in the country that they are trying to exempt taxation on some of the things in which they are interested.

**The Hon. Mr. Senanayake:** In that case, I think the hon. Member has to introduce a straightforward motion of censure. Motives have been attributed to certain Members, and I think the hon. Member knows sufficient of the procedure of—

**Dr. de Zoysa:** I am trying to explain to the House that this is a type of motion which they ought not to have tacked



on to the Budget. They ought to have found out the wishes of the House earlier, at least for decency's sake, when it is publicly proclaimed that the Ministers have interests—

**\*Mr. Aluwihare:** But this is not tacked on to the Budget.

**Mr. Deputy Speaker:** I wish the hon. Member will not make any reference, direct or indirect, to that, because so far as this Bill is concerned I think it affects every hon. Member of this House. I do not think there is a single hon. Member who is not interested, financially or otherwise, in this Bill. It is a general interest.

**The Hon. Mr. Senanayake:** The hon. Member for Colombo South (Dr. de Zoysa) is not.

**\*Mr. Aluwihare:** I am not affected.

**Dr. de Zoysa:** But remarks have been made in this House in connexion with this Bill that certain Ministers have interests in plumbago. So if there is relief asked for for that industry, the Ministers should have, for decency's sake, consulted the wishes of the House earlier instead of tacking this proposal on to the Budget, and introduced taxation or other legislation which is likely to be acceptable to the House.

**Mr. Deputy Speaker:** I would request the hon. Member not to touch on that aspect of the matter because it is very difficult for the hon. Member to exclude motives in such a case, and I cannot allow any hon. Member to even suggest that the action of any Member is inspired by the fact that he is interested in a particular Clause of the Bill.

**The Hon. Colonel Kotalawala:** May I request the hon. Member—

**Dr. de Zoysa:** I will take your ruling.

**Mr. Deputy Speaker:** I think it would be better.

**Dr. de Zoysa:** It is the duty of the Ministers, before they bring in taxation proposals—if they have any doubt, to

see that a motion is introduced earlier, instead of tacking on the revenue to the Budget proposals—a motion regarding taxation of which they are doubtful. They could have ascertained the sense of the House because the majority of us say that the excess profits duty should not be discriminatory. Sufficient, I think, has been said about that fact. If that is so, the Board of Ministers at least should be allowed to reconsider this question as to why we wish this Bill referred back.

The Hon. Leader of the House admitted that the excess profits tax is not an integral part of the Budget. There is the Hon. Leader's own statement to that effect in HANSARD. If the Hon. the Legal Secretary to say that unless we accept the Bill it will mean the overthrowing of the Budget is not accurate. Either the Hon. the Legal Secretary's statement must be incorrect, or the position taken up by the Hon. Leader must be incorrect. Therefore we are at liberty to reject this Bill or to refer it back. To refer back a measure is a polite way of asking the Board of Ministers to reconsider their proposals. If they are not ready to do so, then they must undergo the consequences.

Let us look at the principle underlying the Bill. This has been thrust upon us. Is it fair by the House for the Hon. Ministers to bring in any taxation and along with it a threat to this effect: "Look here, unless you accept this measure, we shall have the Council dissolved". Is it fair, considering the responsibility which they owe to the country? [A MEMBER: Tactics]. It may be tactics. But I do not know whether it is to be approved or to be called good tactics.

Suppose we reject this excess profits tax entirely. It is for the Ministers immediately to introduce some other form of taxation. They have assumed that whatever form of taxation they bring up in the House must necessarily be acceptable to the House. This is a very peculiar position to take up; it is against all Constitutional principles. Therefore we have every right entirely to reject the Bill and ask them to find some other method of taxation, or else to refer the Bill back so that the Board of Ministers may reconsider the matter. I

[Dr. de Zoysa.]  
therefore think that hon. Members will not be either unduly influenced or afraid of rejecting the Bill or having it referred back.

**Mr. Ponnambalam:** Can the question be put?

**The Hon. Mr. Senanayake** rose.

**Mr. Deputy Speaker:** Would not the Hon. Minister like to make his speech to-morrow?

**The Hon. Mr. Senanayake:** I would prefer to do that.

The debate was adjourned.

**Mr. Deputy Speaker:** Does the House agree to adjourn at this stage?

**Members:** Aye.

ADJOURNMENT.

**Mr. Deputy Speaker:** The House will adjourn till 10 A.M. to-morrow.

Adjourned accordingly at 6 P.M., until 10 A.M. on Friday, August 14, 1942.