

# The State Council of Ceylon.

No. 54.

September 2, 1942.



## DEBATES

### SESSION OF 1942.

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# STATE COUNCIL OF CEYLON.

Wednesday, September 2, 1942.

The Council met at 2 p.m., Mr. SPEAKER [THE HON. SIR WAITIALINGAM DURAISWAMY] in the Chair.

## NOTICES OF MOTIONS.

**Mr. S. Samarakkody (Narammala):** I give notice of the following motion:

That this Council protests against the promulgation of the recent order under the Defence Regulations restricting the Right of Public Meetings as un-called for in the present circumstances as a serious infringement of the Liberty of the Subject and therefore demands the immediate repeal of the said regulations.

I also give notice that I shall move the suspension of the relevant Standing Orders to enable me to move this motion tomorrow. I shall obtain the permission of the Board of Ministers to enable me to have this motion discussed and disposed of tomorrow.

## BUSINESS OF COUNCIL.

**The Hon. Mr. D. S. Senanayake (Acting Leader of the State Council):** Today being Private Members' day, I would like to have—

**Mr. Speaker:** The resolution passed by Council on 18th August last gave Government business precedence until the conclusion of the consideration of the Appropriation Bill in Committee. We have not concluded that work yet. But does the Hon. Acting Leader want to give Private Members an opportunity to deal with their motions today?

**The Hon. Mr. Senanayake:** I was going to ask for permission to have Government business taken up today. I had quite forgotten the resolution passed by the House.

**Mr. B. H. Aluwihare (Matale):** On a point of order. The Hon. Acting Leader is turning a blind eye to the relevant part of the resolution we passed—"till the conclusion of the consideration in Committee of the Appropriation Bill"; till the Committee stage is over.

**Mr. Speaker:** Clauses 2 and 3 of the Appropriation Bill have not yet been taken up, because the exact amounts to be inserted in those Clauses have not yet been ascertained.

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

**Mr. Aluwihare:** Then it extends only to Clauses 2 and 3 of the Appropriation Bill; the resolution cannot extend beyond that, because then the Committee stage of the Budget would be over, and we revert to the ordinary practice.

**The Hon. Mr. Senanayake:** I was not disputing that. But the only interpretation that can be given to the resolution is that we continue the practice we have followed till the Appropriation Bill is disposed of. Only a time limit is given.

**Mr. Speaker:** The Hon. Acting Leader can interpret it in the manner suggested by the Hon. Member for Matale, especially in view of the fact that we are not considering the Appropriation Bill in Committee now. Today if the Hon. Acting Leader is willing to meet Private Members' wishes—

**The Hon. Mr. Senanayake:** Even if they have the right, I am not going to contest it. I only ask that today too Government business be given precedence.

In the case of the Supplementary Estimate, which was tabled yesterday, the required five days' notice was not given. As it is an urgent vote, I would ask that it be considered when we go into Committee to consider the other Supplementary Estimates.

**Mr. Samarakkody:** Are we going to have Private Members' motions disposed of today? In the resolution that was passed we agreed to allow the Government to have Wednesdays also for the consideration of the Appropriation Bill, but as that Bill is now being discussed, Private Members' motions should have precedence today.

**Mr. Speaker:** So long as the resolution stands, I must give effect to it, unless the Leader of the House comes to an understanding with Private Members regarding their rights.

**The Hon. Mr. Senanayake:** I thought we had come to a satisfactory arrangement when we agreed to finish with Government business today.

**Mr. Speaker:** We will take up the Supplementary Estimates today and consider what should be done after that.

## SEA EROSION IN VARIOUS PARTS OF THE ISLAND.

**Mr. H. de Z. Siriwardana (Negombo):** Will you permit me, Sir, to move formally certain resolutions standing in my name?

**Mr. Speaker:** I think the House will have no objection to the Hon. Member moving the motions formally.

**Mr. Siriwardana:** I move,—

That this Council is of opinion that steps should be taken by Government to prevent sea erosion in various parts of the Island, the cost thereof to be borne by the Central Government.

**The Hon. Mr. Senanayake:** I do not think that the motion is quite in order.

**Mr. Speaker:** It is a formal motion.

Motion ordered to be referred to the Executive Committee of Agriculture and Lands, under Standing Order 57.

### SEA EROSION ALONG FORE-SHORE, NEGOMBO.

**Mr. Siriwardana:** I move,—

That this Council is of opinion that immediate steps should be taken to prevent the serious erosion now taking place along the foreshore at Negombo.

Motion ordered to be referred to the Executive Committee of Agriculture and Lands, under Standing Order 57.

### CLEARING OF TOPPU-ELA AND KOOTA-ELA.

**Mr. Siriwardana:** I move,—

That this Council is of opinion that the Toppu-ela and the Koota-ela in the Negombo District be cleared immediately to enable the field owners of Toppuwa, Welihena, Etgala and Obberiya to cultivate their fields this year.

Motion ordered to be referred to the Executive Committee of Agriculture and Lands, under Standing Order 57.

### TOPPU-ELA IRRIGATION WORKS.

**Mr. Siriwardana:** I move,—

That this Council is of opinion that Toppu-ela irrigation works be undertaken at an early date to prevent the fields being damaged by flood water of the Maha-oya and to enable field owners to irrigate their fields.

Motion ordered to be referred to the Executive Committee of Agriculture and Lands, under Standing Order 57.

### SUPPLEMENTARY ESTIMATES, 1941-42.

**The Hon. Mr. D. S. Senanayake (Acting Leader of the State Council):** I submit for the approval of the Council

the Supplementary Estimate, 1941-1942, set out in the item standing upon the Addendum to the Orders of the Day, present to the Council the report of the Board of Ministers on such Estimate, and move the Council into Committee to consider the same along with Supplementary Estimates (13) to (17) presented yesterday.

Question put, and agreed to.

### (Labour, Industry & Commerce.)

#### †(13) Supplementary Estimate, 1941-42.

Head 105, Food Controller (Emergency Department).

New Sub-head 6, Expenses of Sir Baron Jayatilaka's mission to India in connection with food supplies.

Amount Rs. 25,640.

Nature of Service: To meet the expenses in connection with Sir Baron's visit to India.

#### (14) Supplementary Estimate, 1941-42.

Head 106, Controller of Imports, Exports and Exchange.

Sub-head 4, Incidental expenses.

Amount: Rs. 500.

Nature of Service: To meet the anticipated excess on the vote.

#### *Observations of the Minister of Labour, Industry and Commerce.*

The introduction of Iron and Steel Control in February and its administration by this Department caused an increase in the number of advertisements in the press which could not be foreseen when the estimates were prepared.

#### *Observations of the Financial Secretary.*

The Financial Secretary concurs.

#### *Report of the Board of Ministers.*

The financial implications are as explained in the observations of the Minister of Labour, Industry and Commerce. The Board of Ministers approves.

### (Education.)

#### (15) Supplementary Estimate, 1941-42.

Head 111, Education.

Sub-head 1, Personal Emoluments—Technical Education.

Amount: Rs. 10 (token vote).

Nature of Service: To provide for the payment of salaries for new posts.

† For the Observations of the Financial Secretary and the Report of the Board of Ministers, see HANSARD of September 1, 1942.

*Observations of the Minister of Education.*

The State Council approved the reconstitution of the Ceylon Technical College on March 13 last, and agreed to the inclusion of the following new posts enumerated below, the financial commitment of which will be Rs. 6,140 until the end of the financial year. As sufficient savings are available under the Personal Emoluments Vote to pay the salaries of the additional staff, a token vote of Rs. 10 is applied for.

Post.	New Posts.		Estimated financial Provision required to the end of the Financial Year.
		Salary Scale.	
Workshop Engineer ..	Rs. 6,840—384 & 420—11,520 ..		Rs. 1,140
3 Assistant Lecturers in Engineering ..	4,200—360—6,360 ..		2,100
1 Assistant Lecturer in Science ..	3,600—240 & 300—5,400 ..		600
Librarian ..	2,400—120—3,600 ..		400
Demonstrator in Science ..	1,200—120—2,400 ..		200
Stenographer ..	936—60 & 72—1,908 ..		200
6 Laboratory Assistants, Grade II., ..	720—108—1,800 ..		720
Storekeeper ..	624—66—1,680 ..		150
Carpenter ..	480—60—960 ..		80
7 Laboratory Attendants ..	300—6—420 ..		350
5 Labourers ..	240—6—300 ..		200
			6,140

*Observations of the Financial Secretary.*

The Financial Secretary concurs.

*Report of the Board of Ministers.*

The financial implications are as explained in the observations of the Minister of Education. The Board of Ministers approves.

**(Communications & Works.)****(16) Supplementary Estimate, 1941-42.**

Head 126, Public Works Extraordinary.

Subdivision: Continuation Works—Agriculture and Lands—New Works and Buildings.

Sub-head 9, New Agricultural Station, Horana.

Amount: Rs. 3,500 (revote).

Nature of Service: To complete work in connection with the New Agricultural Station, Horana, and to settle the contractor.

*Observations of the Minister of Communications and Works.*

Work in connection with the New Agricultural Station, Horana, which is estimated to cost Rs. 91,500 was sanctioned during 1937-38, and is being continued. At the time the draft Estimates for 1941-42 were framed it was expected to do

work to the value of Rs. 67,500 up to the end of the last financial year and accordingly a re-vote of Rs. 24,000 only was obtained under Head 16, Sub-head 9 of the current Estimates. However, owing to the scarcity of materials, such as pipes and fittings and delay in entering into contract, as much work as anticipated could not be carried out last year.

Supplementary provision of Rs. 3,500 is therefore required to complete the work this year and settle the contractor.

The financial position of the estimate is as follows:—

	Rs.
Amount .. .. .	91,500
	Rs.
Expenditure to end of 1940-41 ..	58,080
Voted in Estimates, 1941-42 ..	24,000
	82,080
Balance on estimate .. .. .	9,420
Supplementary Provision required	3,500

*Observations of the Financial Secretary.*

The Financial Secretary concurs.

*Report of the Board of Ministers.*

The financial implications are as explained in the observations of the Minister of Communications and Works. The Board of Ministers approves.

**(17) Supplementary Estimate, 1941-42.**

## Railway Estimates—

Vote: Abstract B. Estimates of Expenditure on Maintenance of Engines and Rolling Stock.

Amount: Rs. 10 (token vote).

Nature of Service: To obtain authority to meet from savings the salary, allowances, &c., of an Administrative Assistant to assist the Acting Mechanical Engineer.

*Observations of the Minister of Communications and Works.*

Owing to the creation of the Engineering Production Department and the appointment of Mr. H. W. Freer, Mechanical Engineer, Ratmalana Railway Workshops, as its full-time Director, the Deputy Mechanical Engineer, Mr. Palmer, is now acting as Mechanical Engineer.

Mr. Palmer should be relieved of administrative work as far as possible to enable him to concentrate on the mechanical side of the workshops. It is therefore proposed to appoint an Administrative Assistant possessing a knowledge of Railway working and particularly of Labour in the workshops to assist the Acting Mechanical Engineer. The Officer whom it is intended to appoint to this post is in the Special Class of the Railway Clerical Service and will be placed on a fixed salary of Rs. 6,000 per annum.

Funds are available under Abstract B of the Railway Estimates to meet the salary and allowances payable to this officer and a token vote is therefore asked for.

*Observations of the Financial Secretary.*

The Financial Secretary concurs.

*Report of the Board of Ministers.*

The financial implications are as explained in the observations of the Minister of Communications and Works. The Board of Ministers approves.

**(Education.)****(18) Supplementary Estimate, 1941-42.**

New Head 115, Grant to the University of Ceylon.

Amount: Rs. 400,000.

Nature of Service: Grant to the University of Ceylon for the period July 1 to September 30, 1942.

*Observations of the Minister of Education.*

On the creation of the University of Ceylon on July 1, 1942, the votes under Heads 93 and 112 for the Ceylon Medical College and the Ceylon University College, respectively, lapsed, and the unexpended balances were surrendered. The obligations of Government in respect of the two Colleges were taken over by the University under section 74 of the Ceylon University Ordinance, No. 20 of 1942. The University has thus to meet both the current expenditure for the months of July, August and September and the cost of stores ordered and services used before July 1. The University has also to bear charges hitherto borne on the votes of other Departments in respect of passages, holiday warrants, postal services, telephones, electric current, audit charges, printing and binding, emergency measures, *Gazette* advertisements, &c.

Against the expenditure would normally be set off the income from tuition fees; but the tuition fees for the current terms were paid before July 1, and were therefore credited to the Government. The net increase over the amounts voted in Heads 93 and 112 (less the amounts already spent) is Rs. 29,983.14. Of this a sum of Rs. 22,845 is due to the payments specifically prescribed by the Ceylon University Ordinance, and of it Rs. 16,921 is returnable to the Treasury as the University contributions in respect of pensionable officers. With the exception of the balance of Rs. 7,138.14 the whole cost of transition and the cost of service rendered by Government Departments (estimated at Rs. 22,550) hitherto charged to other Heads is met out of savings. Accordingly, this vote does not involve any increase in the amount already voted for University education.

2. Part of the expenditure is on behalf of Government, owing to (1) the use of the University laboratories by

Royal College, and (2) the use of the facilities of the Faculty of Medicine for functions of the Medical College Council not transferred to the University.

3. Supplementary provision in the sum of Rs. 400,000 is, therefore, required.

*Observations of the Financial Secretary.*

In my observations on the University Ordinance, I stated that on the basis of the 1941-42 Estimates for the University and Medical College, including expansion during that year, a net annual grant of Rs. 852,888 would be required for the University. The corresponding figure for 1942-43 amounts to Rs. 872,532 and provision was made by the Board of Ministers for a grant of Rs. 900,000 in the Estimates for 1942-43. It has since been found necessary to increase this to Rs. 930,000 in view of increased expenditure on War Allowance, Insurance, Fire Watching and A. R. P. measures.

2. Working on the basis of an annual grant of Rs. 930,000 and taking into account a necessary adjustment regarding fees, a grant of Rs. 282,500 for the last quarter of the financial year 1941-42 would be required on a strictly proportional basis. It is, however, not possible to confine the grant to a strict proportion in view of the fact that the University will be in full session during practically the whole of the last quarter, whereas during certain of the other quarters it is largely on vacation. Further, owing to various reasons, expenditure in the last quarter of the year is normally higher in all Government Departments than in other quarters, apart from which there will in the present case be considerable initial expenditure on the establishment of the University. Finally, owing to the delay in receiving stores, books, &c., ordered from overseas due to War conditions, the liabilities are considerably greater than normal, outstanding indents amounting to Rs. 110,000.

3. I, therefore, consider that the amount of the transitional grant applied for, viz., Rs. 400,000, is reasonable.

*Report of the Board of Ministers.*

The financial implications are explained in the observations of the Minister of Education and the Financial Secretary. The Board of Ministers approves.

*In Committee—*

MR. SPEAKER presided as Chairman.

**(13) Food Supplies: Expenses of Sir Baron Jiyatilaka's Mission to India.**

**Mr. S. Abeywickrama (Udugama):** I want to stress on the Minister that there is difficulty, not merely in connexion with supplies of rice and paddy, but also in the matter of supplies of green gram, wheat and flour. These articles are controlled here at prices at which, the traders say, they are unable to sell the commodities. I have been given a comprehensive statement, which I propose to hand over to the Minister. In this statement it is pointed out that the invoice value of green gram is Rs. 32.75: add to that war risks insurance and incidental expenses, and the cost of a 200 lb. bag works out at Rs. 45, whereas the controlled price in Colombo is Rs. 30.50 per bag. It is impossible for a trader to bring in a commodity which costs him Rs. 45 and sell it at Rs. 30.50.

I would ask that a request be sent to India, to the Hon. Leader of the House, to make arrangements with the Government there to obtain these articles for us at reasonable prices. The Indian Government has not controlled the prices of various articles, such as green gram, dhal, wheat and flour. The prices of these commodities have gone up in India itself, and the controlled prices here make it impossible for the traders to import these commodities and sell them at the controlled price. I would like to know from the Hon. Minister of Agriculture and Lands whether he would issue instructions on this point also.

**The Hon. Mr. D. S. Senanayake (Acting Leader of the State Council and Minister of Agriculture and Lands):**

This matter requires very careful consideration. We can obtain only a limited quantity of these subsidiary foodstuffs. Bearing that in mind, we have to take account of the price at which we can afford to import these commodities. If the prices of certain commodities become too high, and are beyond our means, and we find that we can get some other articles of food at a cheaper price, we should try and get the cheaper article in preference to the more expensive article. That is one of the points we have to consider.

[The Hon. Mr. Senanayake,] whether it is not advisable for us to deny ourselves some of these commodities and obtain some other article of food that is within our capacity to buy. I am here referring not to the Government but to the private individual.

I do not suggest that the prices mentioned by the hon. Member are not prices actually obtaining in India, but I would like the hon. Member to bear the fact in mind that the invoice price does not necessarily indicate the price paid in India. Some of our merchants have agents in India who send the commodity here, and if they fix the invoice price at a higher figure the profit is made in India at our expense. This can be done at present. All these factors will have to be carefully watched. The mere production of an invoice is not going to induce us to put up the controlled price in Ceylon.

Then again, very often a consignment is received at a low price. Within a month, or a few weeks, before the consignment could have been sold out, the merchants come and tell us, "The price has gone up. Please put up the price here for the commodity. We cannot obtain the article at a lower price." But the consignment which was received at a low figure is still in Ceylon. They have not had to pay anything more for that stock, but merely because the price has gone up in another country, they want us to put up the controlled price here, with no guarantee that they will bring in further stocks at the increased price.

It would be better if I am allowed to watch these problems very carefully and see what can be done. I am sure that that will satisfy the hon. Member.

**Mr. Abeywickrama:** Could the Minister come to some arrangement with the Government of Madras or the Central Government in India whereby a price list of all these commodities, containing information about current prices in India, could be published locally?

**The Hon. Mr. Senanayake:** I am trying to get details of most of these prices. You will find them published in every town in India, like the share lists here. I am trying to make arrangements with the Banks here to get all the price lists from the different parts of India.

**Mr. Abeywickrama:** They should be published in the newspapers here, so that the public may know the prices obtaining in India. Then we can question the dealers here if their prices are excessive, and the matter would be settled. If that is not done, dealers might insert in the invoice prices which are in excess of the actual prices obtaining in India. If the price lists are published locally, the public would know the position.

**The Hon. Mr. Senanayake:** When we fix the prices here, we will have information about prices in India. There will be the stocks here, and we will have to consider all the circumstances in fixing the price. Publication in local papers of the prices obtaining in India may not be always advantageous to us. It may so happen that the price of an article has gone up so high that we may decide to do without the article in question. I will look into the matter.

**Mr. Abeywickrama:** With regard to Sir Baron's mission, is it the intention of the Board of Ministers to refer to him subjects other than those connected with our food problems, questions that will arise from time to time? Would those matters be first brought before this council before they are referred to Sir Baron?

**The Hon. Mr. Senanayake:** If there are any urgent questions which Sir Baron can attend to, we will certainly utilize his services.

Supplementary Estimate (13) was then passed.

#### (14) Controller of Imports, Exports and Exchange: Incidental Expenses.

**The Hon. Mr. G. C. S. Corea (Minister of Labour, Industry & Commerce):** I move that Supplementary Estimate (14) be passed:

Head 106, Controller of Imports, Exports and Exchange.

Sub-head 4. Incidental Expenses.

Amount: Rs. 500.

Nature of Service: To meet the anticipated excess on the vote.

This vote is required to meet an excess caused by the increase in the number of advertisements that have had to be inserted in the Press.

Supplementary Estimate (14) was passed.



**(15) Technical Education.**

**The Hon. Mr. C. W. W. Kannangara (Minister of Education):** Sir, I move that Supplementary Estimate (15) be passed:

Head 111, Education.

Sub-head 1, Personal Emoluments—Technical Education.

Amount: Rs. 10 (token vote).

Nature of Service: To provide for the payment of salaries for new posts.

This item has already been passed in the Estimates. It is only to enable us to take steps at once as regards some of the lower subordinate staff that I move that this Estimate be passed.

**Mr. Dudley Senanayake (Dedigama):**

Sir, you will recall that when the Hon. Minister moved the reorganization scheme of the Technical College, there were some of us who were rather sceptical about the scheme. From what I have subsequently heard, I gather that some Members of the Executive Committee, such as the hon. Nominated Member (Mr. Jayah) and the hon. Member for Kankasanturai (Mr. Natesan) have complained that there has been no reorganization whatever up to now. That is the state of affairs put to some of us—that, at a time like the present there could be no reorganization at all. I would like to know to what extent the reorganization contemplated by the Hon. Minister has been carried out.

**The Hon. Mr. Kannangara:** This money is required for the purpose of doing that work. This is the earliest opportunity that we have had of bringing this vote before the Council, and unless it is passed we will not be able to do anything.

**Mr. Dudley Senanayake:** Sir, the scheme was accepted months and months ago.

**The Hon. Mr. Kannangara:** About four or five months ago. We have since had certain correspondence with the Treasury, and we could not bring this item up until they had looked into it thoroughly. It has now been allowed to come up.

Supplementary Estimate (15) was then passed.

**(16) Agricultural Station, Horana.**

**The Hon. Colonel J. L. Kotalawala (Minister of Communications & Works):** I move Supplementary Estimate (16):

Head 126, Public Works Extraordinary.  
Subdivision: Continuation Works—Agriculture and Lands—New Works and Buildings.  
Sub-head 9, New Agricultural Station, Horana.  
Amount: Rs. 3,500 (revote).

Nature of Service: To complete work in connection with the New Agricultural Station, Horana, and to settle the contractor.

Supplementary Estimate (16) was passed.

**(17) Railway: Administrative Assistant to Acting Mechanical Engineer.**

**The Hon. Colonel Kotalawala:** I move that Supplementary Estimate (17) be passed:

Railway Estimates.

Vote: Abstract B. Estimates of Expenditure on Maintenance of Engines and Rolling Stock.

Amount: Rs. 10 (token vote).

Nature of Service: To obtain authority to meet from savings the salary, allowances, &c., of an Administrative Assistant to assist the Acting Mechanical Engineer.

Sir, this sum of Rs. 10 is a token vote. It is for the purpose of obtaining authority to appoint an Administrative Assistant possessing a knowledge of Railway working to assist the Acting Mechanical Engineer.

As the House knows, the facts are these: Mr. Freer who is the Mechanical Engineer has been taken off for some other important work, and the Deputy Mechanical Engineer has been made Acting Mechanical Engineer. As we have only one Mechanical Engineer now, the administration of the Department cannot be looked after by him while attending to the mechanical side of the workshops at the same time. Therefore it is proposed to give him an assistant who will be a Special Class Officer of the Railway Clerical Service and who will be able to tackle matters connected with the organization of the Department and the staff.

**Mr. B. H. Aluwihare (Matale):** Sir, is it true that the work of this Department has increased during the last few months?

**The Hon. Colonel Kotalawala:** Yes, that is true.

**Mr. Aluwihare:** Then, am I to take it that there is one Engineer they could have done without? The Hon. Minister had two Engineers when the work was less. Now he has appointed Mr. Freer to take charge of the Engineering Production Department. The Deputy Mechanical Engineer has taken Mr. Freer's

[Mr. Aluwihare.]

place, and in place of the Deputy the Hon. Minister wants to bring in a Clerical Servant. If this officer and the Deputy Mechanical Engineer are able to cope with the increased work, it would seem to indicate that there was one Engineer too many in that Department.

**The Hon. Colonel Kotalawala:** No, Sir; it is only a makeshift arrangement. It is not the best arrangement.

Supplementary Estimate (17) was then passed.

**(18) Grant to University of Ceylon.**

**The Hon. Mr. Kannagara:** I move that Supplementary Estimate (18) be passed:

New Head 115, Grant to the University of Ceylon.

Amount: Rs. 400,000.

Nature of Service: Grant to the University of Ceylon for the period July 1 to September 30, 1942.

Sir, this vote is to enable the University to function during the transitory period; that is, from 1st July to 30th September, 1942. Most of the arguments in favour of this item were urged yesterday.

Supplementary Estimate (18) was passed.

**The Hon. Mr. Senanayake:** I move that Council do now resume.

*The Council having resumed—*

MR. SPEAKER took the Chair.

**The Hon. Mr. Senanayake:** I move that Supplementary Estimates (13) to (18), passed in Committee, be approved.

Question put accordingly, and agreed to.

Supplementary Estimates (13) to (18) were approved.

**NEW BUILDINGS FOR GOVERNMENT STORES DEPARTMENT.**

The following item stood upon the Orders of the Day:

11. The Financial Secretary to move,—

In terms of section 6 of the Public Works Loan (1937) Ordinance (Chapter 285), it is hereby resolved that this Council authorises the expenditure, out of moneys raised under the authority of that Ordinance, of a sum

not exceeding Rs. 97,500 from the sum of Rs. 1,250,000 specified in the second column of Schedule to that Ordinance, and appropriated thereby for "New buildings for the Government Stores Department", a purpose mentioned as item 3 in the first column of that Schedule.

*Observations of the Financial Secretary.*

The question of providing new quarters for the Government Stores Department has been under consideration of the Government for many years. Preliminary plans were prepared by the Public Works Department in 1928 for new buildings to be erected at McCallum road and provision was included in the draft Estimates for 1930-31 but this was deleted owing to the then prevailing financial stringency.

2. The major portion of the premises in Commissariat street, Fort, which now forms the Headquarters of the Department, consists of old Dutch Warehouses reported to be over 260 years old. They are ill-lit and ill-ventilated and are quite unsuitable for the purpose for which they still continue to be used. In addition, the storage space afforded by these buildings is inadequate and the Department maintains separate branch stores at Darley road, McCallum road, and the old Railway Workshops at Maradana.

3. The provision of new quarters for the Government Stores Department is therefore considered to be a matter of urgent necessity, and, despite difficulties in the way of procuring building materials, the project should not be totally deferred.

4. The Retrenchment Commission in paragraphs 372-375 and 1362-1367 of Part I. of their Report (Sessional Paper XIV. of 1939) recommended the amalgamation of the Railway Stores with the Government Stores and the transfer of the Public Works Department Stores to the Government Stores. The Retrenchment Commission's recommendations were formulated after full consultation with all authorities concerned and were based on complete agreement between those authorities. The Select Committee of the State Council appointed to consider the Report of the Retrenchment Commission also agreed to the amalga-

mation which involves besides financial adjustments, accommodation, staff and re-grading of the posts of Government Storekeeper and his Deputy.

5. As regards accommodation, the Director of Public Works in consultation with the Government Storekeeper prepared plans for the construction of two blocks of buildings at the old Maradana Railway Workshops for housing the Government Stores and the Railway Stores (and later the Public Works Department Stores). These blocks of buildings were to be of a single-storey type and to be constructed as far as possible with local material, such as brick walls and piers, tile roofing and timber framing, &c., and the use of steel and other imported materials were to be eliminated wherever possible. The cost was estimated at Rs. 500,000 and it was proposed to build only a portion of one block in the first instance to accommodate the stationery and printing paper in order that the Government Storekeeper may disperse other stocks of inflammable materials, an A. R. P. measure which was considered urgently necessary.

6. The Board at its meeting held on April 23, 1941, agreed to the amalgamation of the Railway Stores with the Government Stores and the transfer of the P. W. D. Stores to the Government Stores with the necessary administrative changes incidental to such amalgamation, but was unwilling to sanction expenditure during the war on new buildings for the Government Stores Department. It was however agreed that it might be necessary to incur expenditure on temporary buildings in order to secure the dispersal of stores. The Board also approved a supplementary estimate for Rs. 15,898 for the adjustment of the salaries of the combined staff in connection with the administrative amalgamation of the Government Stores and the Railway Stores for the current financial year. The supplementary estimate was approved by the State Council on May 19, 1942.

7. Large quantities of printing paper, straw boards, &c., are at present stored at the Kelani Valley Outward Goods Shed but in view of the increased volume of goods handled by the Railway on the Kelani Valley Line, the General Manager

of the Railway has requested that urgent arrangements be made to vacate this Goods Shed. He has offered the Inward Shed for the use of the Government Storekeeper but it is much too small for the storage of printing papers, &c. During the last few years these goods have had to be shifted from place to place, namely:—

- (a) from Manning Markets to Chalmers Granaries and one of the Customs Warehouses,
- (b) from the Customs Warehouse to Chalmers Granaries,
- (c) from Chalmers Granaries back to Manning Markets,
- (d) from the Manning Markets to the Kelani Valley Outward Goods Shed, where they are stored at present.

and it is now necessary that permanent storage accommodation should be found for them. It is also not possible to house these stocks in temporary cadjan buildings or in requisitioned bungalows owing to the likelihood of damage by white ants, damp, &c., and further every move results in inconvenience, interference with work and considerable fruitless expenditure.

8. The Chief Architect, P. W. D., has therefore prepared plans for the construction at the old Maradana Railway Workshops of a semi-permanent building of the least expensive type suitable for housing these stocks. This loan resolution is for the release of Rs. 97,500, the cost of this building, from Loan item 3, New buildings for Government Stores Department, and, though semi-permanent, this building can be embodied in the new Government Stores to be constructed after the war and will not therefore represent wasted expenditure.

#### *Report of the Board of Ministers.*

The financial implications are as explained in the observations of the Financial Secretary. The Board of Ministers approves.

**The Hon. Mr. H. J. Huxham (Financial Secretary):** I rise, Sir, to move the motion standing in my name, appearing as Item 11 on the Orders of the Day.

The proposal is that a building be erected for the Government Stores, costing Rs. 97,500. My Observations which

[The Hon. Mr. Huxham.]  
appear on the Agenda explain how necessary it is that the Government Stores should be provided with this building. Members might think that less storage accommodation than usual is necessary because the general level of stores has fallen. But we are trying to obtain reserves of stores wherever that is possible, and for that purpose good storage accommodation is necessary, because they will be held longer than in normal times.

My Observations explain some of the difficulties that have been experienced in recent months, where valuable stores have had to be moved no fewer than four times. The Government Stores at present are spread all over Colombo—in a store here, and another one there; in a private house, and so forth—and I am thoroughly satisfied that the expenditure of this sum of Rs. 97,500 on a central store will pay for itself several times over apart from the general consideration that in these days, as everyone knows, you can hardly have too much storage accommodation.

Question put from the Chair, and debated.

**Mr. Aluwihare:** Sir, it seems to us that whenever the Hon. the Financial Secretary wants something badly enough, everything is all right from the financial point of view. Two years ago our Budget stood at something like Rs. 112,000,000. Now we are in the neighbourhood of Rs. 160,000,000, and the limit, which he said we had reached then, has not yet been reached. Now, in the case of building hospitals and maternity homes, it could not be done; but an enormous sum of money for a building for the Government Stores is wanted and it could be built, and everything is regular. Of course, we in the East cannot understand these things!

**Mr. H. W. Amarasuriya (Galle):** Sir, I would like my hon. Friend to congratulate the Hon. the Financial Secretary on this proposal. This vote is going to save us a great deal of money. He proposes to spend Rs. 100,000 for accommodation in one of the Maradana Railway Workshops, and the Chief Architect probably has plans for the construction of the old Maradana Railway Workshops

for housing stocks. Therefore, if the Hon. the Financial Secretary is going to give us a building that will normally cost us Rs. 1,000,000 for Rs. 100,000, and still put it to the use that it was originally intended for, I think it is a proposal that we should accept.

But, on the other hand, this gives us a very good example of the waste to which the Public Works Department is accustomed. In ordinary times, they would have spent Rs. 1,000,000 on this building, but fortunately or unfortunately as it is not possible to obtain certain materials now, the P. W. D. has been stopped from wasting that money. Therefore I would commend this proposal to the House. I do trust that the Public Works Department will in future not waste so much money, but will put up buildings of this type which will serve us equally well.

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

Sir, the last speaker has failed to appreciate that what the Hon. the Financial Secretary proposes to do is not to give us a permanent building but a semi-permanent building. That makes all the difference. In a couple of years the Hon. the Financial Secretary will say that as a result of the kind of materials they had to use for this purpose, owing to the difficulty of obtaining good materials, the building has collapsed, and he will come to this House for an additional vote. So this is a penny-wise pound-foolish measure.

Question put, and agreed to.

### TELEGRAPH WORKSHOP.

The following item stood upon the Orders of the Day:

The Minister of Communications and Works to move,—

In terms of section 6 of the Public Works Loan (1937) Ordinance (Chapter 285), it is hereby resolved that this Council authorises the expenditure, out of moneys raised under the authority of that Ordinance, of a sum not exceeding Rs. 16,500 from the sum of Rs. 1,000,000 specified in the second column of the Schedule to that Ordinance and appropriated thereby for "New Workshops and new Sorting Office, Colombo", a purpose mention-

ed as item 29 in the first column of that Schedule.

*Observations of the Minister of Communications and Works.*

A sum of Rs. 70,000 was released by State Council Resolution of November 13, 1940, under section 6 of the Public Works Loan (1937) Ordinance from item 29 for the erection of a new Telegraph Workshop by improving 3 bays of the Railway Old Workshops at Maradana adjoining the Telegraph Stores.

A revised estimate of Rs. 86,500 has been prepared by the Public Works Department to complete the work. The reasons for the increase of Rs. 16,500 over the original estimate of Rs. 70,000 is due principally to,—

(1) Rise in the cost of materials; and

(2) Additional work involved as a result of the later decision of the Railway Department not to allow a roadway on the southern side of the building. The original plans and estimate provided for the use as a roadway of the space occupied by a Railway line on the southern side of the proposed Telegraph Workshop building. With the withdrawal of the permission granted previously for the use of this space, other arrangements had to be made to provide an alternative means of access from one side of the building to the other.

*Observations of the Financial Secretary.*

The Financial Secretary concurs.

*Report of the Board of Ministers.*

The financial implications are as explained in the observations of the Minister of Communications and Works. The Board of Ministers approves.

**The Hon. Colonel Kotalawala:** I rise, Sir, to move the motion standing in my name, appearing as Item 12 on the Orders of the Day. As will be seen from the Observations appended to the resolution, a sum of Rs. 70,000 was re-

leased for this purpose on 13th November, 1940. This sum, however, has proved insufficient, mainly on account of the increased cost of materials and additional work involved.

**Mr. Aluwihare:** Sir, I want to raise one point on paragraph 2 of the Observations:

“Additional work involved as a result of the later decision of the Railway Department not to allow a roadway on the southern side of the building.”

Both the Railway and the Telegraph Department are under the Hon. Minister of Communications and Works. Could he not direct the Railway to allow the roadway?

**The Hon. Colonel Kotalawala:** This is the best arrangement that I can make.

**Mr. Aluwihare:** If it is the best arrangement, I do not mind.

Question put, and agreed to.

**SAVINGS CERTIFICATES (AMENDMENT) BILL.**

The following item stood upon the Orders of the Day :

The Minister of Communications and Works to move,—

That the Bill intituled “An Ordinance to amend the Savings Certificates Ordinance”, be now read the first time.

*Observations of the Financial Secretary.*

The financial implications are negligible.

*Report of the Board of Ministers.*

The financial implications are as stated in the observations of the Financial Secretary. The Board of Ministers approves.

**The Hon. Colonel Kotalawala:** I move, Sir, that the Bill intituled “An Ordinance to amend the Savings Certificates Ordinance” be now read the first time.

This is a Bill that is being moved by me at the request of the Hon. the Financial Secretary who has brought out a scheme of savings for the poorer classes. He proposes, by means of the sale, on a system of payment by instalments, of savings certificates to certain groups of people who are not in a position to pay the full amount at once to enable them to obtain certificates as soon as they have paid the full amount.

Question put, and agreed to.

Bill read the first time.

**The Hon. Colonel Kotalawala:** I move that leave be granted to suspend the relevant Standing Orders to enable me to move that the Bill be read a second time forthwith.

Leave being granted—

**The Hon. Colonel Kotalawala:** I move that the Bill be now read a second time.

Question put accordingly, and agreed to.

Bill read a second time.

**Mr. G. A. H. Wille (Nominated Member):** This Bill is to be welcomed as a measure to provide co-operative thrift. I am very sorry that very little has been said about how this is going to be worked. I saw some reference made to regulations. I do not know whether the Hon. Minister will be good enough to explain what the working of this will be. Sir, cannot one of the Members of the Ministerial bench speak on this subject?

**Mr. Speaker:** I am afraid the hon. Member is too late. The Bill has already been read a second time.

**The Hon. Colonel Kotalawala:** With the approval of the Board of Ministers, I move that the Bill be referred to a Committee of the whole Council.

Question put accordingly, and agreed to.

*In Committee—*

MR. SPEAKER presided as Chairman.

Clauses 1 to 11 ordered to stand part of the Bill.

Enacting Clause and Title ordered to stand part of the Bill.

**Mr. Wille:** All these Clauses refer to one matter, namely, to bringing savings groups under this Ordinance. It is on the working of the savings group that I wanted a little information. There was no question to be asked about the separate Clauses that have just been passed. All those Clauses were intended to give effect to this new scheme of savings groups. I only wanted a little information on the working of those groups.

**The Hon. Colonel Kotalawala:** I move that Council do now resume.

*The Council having resumed—*

MR. SPEAKER took the Chair—

**The Hon. Colonel Kotalawala:** I move, Sir, that the Bill be now read the third time and passed.

Question proposed from the Chair.

**The Hon. Mr. Huxham:** With regard to the remarks of the hon. Nominated Member (Mr. Wille), I may say that the idea is to introduce in Ceylon the same system of savings as has proved so successful in England among persons with limited incomes. The idea is to form groups either in a particular place of employment, or a particular village or a particular town area and get people to subscribe a certain sum weekly or monthly towards the purchase of savings certificates. This was virtually impossible under the law as it stood because a person had to contribute the full value of a savings certificate before such a certificate could be issued in his favour.

As soon as this Bill becomes law, savings groups can be formed, and a person looking after the affairs of a group can with the whole of the weekly or monthly contributions buy as many savings certificates as possible. And when the contributions made by any individual in such a group become sufficient to purchase one whole certificate, the manager of the group can give him a certificate.

The only power created in the Bill is to issue savings certificate *en bloc* without names being inserted on them on payment of the full face value of the certificates. On issue of a certificate to any contributing member of a group, the manager of the group can, at a later date, give that member a savings certificate with his name entered in it and get the necessary particulars entered in the Post Office books.

**Mr. Wille:** I thank the Financial Secretary for so kindly explaining how this savings-groups scheme would work. If that information had been given during the first or second reading of the Bill, it would have been more appropriate. I trust this procedure will not be followed in the future.

**The Hon. Colonel Kotalawala:** The reason why no explanation was given earlier was, because what has now been explained by the Financial Secretary is

given in the Statement of Objects and Reasons appended to the Bill. I did not want to waste the time of the House by repeating all that is stated in the Statement of Objects and Reasons. The hon. Member himself, when he started his speech, congratulated me on bringing forward this thrift scheme.

**Mr. Wille:** The details are not there.

Question, "That the Bill be now read the third time", put, and agreed to.

Bill read the third time.

### †WAR RISKS (SEA-BORNE CARGOES) INSURANCE BILL.

**The Hon. Mr. Corea:** I move,—

That the Bill intituled "An Ordinance to make provision for the insurance of sea-borne cargoes against certain risks in time of war and for purposes connected therewith or incidental thereto", be now read a second time.

Question put, and agreed to.

Bill read a second time, and allocated, under Standing Order 77 (b) to Standing Committee "B".

### ‡NOTARIES (AMENDMENT) BILL.

**The Hon. Mr. Corea:** I move,—

That the Bill intituled "An Ordinance further to amend the Notaries Ordinance", be now read a second time.

Question proposed from the Chair.

**Mr. H. W. Amarasuriya:** May I ask the Hon. Minister not to proceed with the second reading of this Bill today. Certain representations have been made by the Notaries—

**The Hon. Mr. Senanayake:** Is the hon. Member moving that the debate on the second reading of this Bill be adjourned for a future date?

**Mr. H. W. Amarasuriya:** I move that the debate be adjourned for a future date.

**Mr. Speaker:** Till when?

**The Hon. Mr. Senanayake:** Till the 23rd of September.

The debate was adjourned.

**Mr. Aluwihare:** This is like fixing dates for cases in the Court of Requests!

† For the Observations of the Financial Secretary and the Report of the Board of Ministers, see HANSARD of August 14, 1942.

‡ For the Observations of the Financial Secretary and the Report of the Board of Ministers, see HANSARD of July 31, 1942.

### LEAVE OF ABSENCE: MR. H. A. GOONESEKERA.

**The Hon. Mr. A. Mahadeva (Acting Minister of Home Affairs):** I move,—

That Mr. H. A. Goonesekera, Member for Balangoda, be granted leave under Article 15 (f) of the Ceylon (State Council) Order in Council, 1931, to absent himself from the meetings of the State Council from August 20, 1942, till September 30, 1942, on the ground of ill-health.

Question put accordingly, and agreed to.

### GOVERNMENT GAZETTE (PUBLICATION) ORDERS.

**The Hon. Mr. Corea:** I move,—

That the Order made by His Excellency the Governor under section 2 (1) of the *Government Gazette (Publication) Ordinance* (Chapter 5), and tabled at the Meeting of the State Council on August 20, 1942, be approved.

Question put, and agreed to.

### BUSINESS OF COUNCIL.

**The Hon. Mr. Corea:** Items 23 to 26 deal with certain orders made under the Food Control Ordinance. They are all formal. They were made on 2nd August; and they vest certain powers in the Controller.

**Mr. Speaker:** No fixing of prices, and so on?

**The Hon. Mr. Corea:** No, Sir.

**Mr. Speaker:** The Hon. Minister may then move item 23.

### FOOD CONTROL ORDERS.

**The Hon. Mr. Corea:** I move,—

That the Order No. 25 dated August 2, 1942, made under section 4 (1) (a) of the Food Control Ordinance (Chapter 132) (published in *Gazette Extraordinary* No. 8,980 of August 2, 1942), and confirmed by the Board of Ministers, be approved.

**Mr. S. Natesan (Kankesanturai):** I find that by Order No. 23 the Jaffna District is divided into two areas.

I have mentioned to the Minister that in Pachilaipallai, Karachchi and Pooneryn there should be rationing introduced too.

**The Hon. Mr. Senanayake:** We are not concerned with that Order here.

**Mr. Natesan:** It is here. You refer to that Order here. I think this is a repetition of what was done some months ago. I wanted that arrangement to be revised.

[Mr. Natesan.]

You will remember, Sir, that I brought up a motion here to the effect that the whole of the Revenue District of Jaffna should be considered as one unit for the purpose of the Food Control Ordinance. These divisions form part of the Jaffna District which is not a self-sufficient area. I also pointed out that in those areas there were not only labourers working under private proprietors of land but also labourers working under the Agricultural Department and colonists who have to depend upon rationing as they do not have sufficient stocks. That is why I suggested to the Minister some time ago that these areas also should be brought under the rationing scheme.

**Mr. Speaker:** Which division?

**The Hon. Mr. Corea:** I can explain that matter, Sir. The future policy will be decided by the Minister of Agriculture and Lands.

**The Hon. Mr. Senanayake:** I do not wish the Hon. Minister of Labour to reply to that question as I would like to give an explanation with regard to the point raised.

**The Hon. Mr. Corea:** The Hon. Minister of Agriculture and Lands may explain the position if he so desires.

**The Hon. Mr. Senanayake:** As far as this Order is concerned, it only refers to areas that are not self-supporting. This has nothing to do with self-supporting areas. What is proposed by my hon. Friend from Kankasanturai (Mr. Natesan) is that self-supporting areas should be treated as non-self-supporting areas and the rationing scheme introduced in those areas. I am glad that my hon. Friend has given me this opportunity to expose some of the undesirable practices carried on in that self-supporting area.

**Mr. Speaker:** Which area?

**The Hon. Mr. Senanayake:** The Paranthan area. If my hon. Friend presses his request, I shall have to come out with what those undesirable practices are for the information and edification of everyone in this House.

If there is any area in the Jaffna District that is self-supporting, it is the Paranthan area. There are farmers in that area who own 100 to 200 acres of paddy land each. Some time ago there was a

claim made by some of them that rice for their consumption and use should be permitted to be removed. That was allowed, but what happened? They removed all the rice from that area and left even their labourers starving. They wanted Government to provide the labourers with imported rice so that those proprietors could sell their rice in the black market in Jaffna.

**Mr. Natesan:** I want to give the reason why—

**The Hon. Mr. Senanayake:** I am giving the reasons.

As far as I am concerned, I may tell the House that I am prepared to allow the farmers in those areas to remove the rice required for their personal use and for the use of those who are dependent on them, but I am not going to permit any rice to be removed from that area in excess of those requirements. If it becomes a non-self-supporting area, I can consider the request of my hon. Friend. Just now the crop is there, and I anticipate not only that the place will become self-supporting but also that we will be able to remove some rice from there to other districts in need of rice. I know to a certainty that requests have been made by cultivators there to be fed with imported rice. That is the state of affairs, and I have stated what I intend doing.

**Mr. Natesan:** May I be permitted to offer a few remarks, Sir?

**The Hon. Colonel Kotalawala:** Can the hon. Member speak again?

**Mr. Natesan:** I want to clear up a point.

**Mr. Speaker:** The hon. Member has already spoken.

**Mr. Natesan:** I have; but what I now have to say arises by way of a personal explanation.

**Mr. Speaker:** Yes; the hon. Member will proceed.

**Mr. Natesan:** I want to make this explanation because I was the mover of the motion to which the Hon. Minister of Agriculture and Lands just now referred.

What happened after these areas were brought under the Revenue District of Jaffna was this: in those areas there were some people who were not working



under the farmers. They were labourers, colonists and others, and they had no previous stocks of rice. Consequently, those people were left high and dry. They were not working for the farmers. Much hardship was caused to those people because they could not obtain rice.

**The Hon. Mr. Senanayake:** Is that a personal explanation?

**Mr. Natesan:** That is why there was that trouble. Particularly in regard to those people who are not working under the farmers, but are working under Government as labourers and colonists, there should be some relief given. The labourers who are working under the farmers should certainly not be included in the rationing scheme. I wish only to plead on behalf of those who have no rice reserves to carry on.

**The Hon. Mr. Corea:** In reply, I should like to say a word or two. When the hon. Member brought up that motion—the results of that motion, which were referred to by the Hon. Minister of Agriculture and Lands, surprised the House—I pointed out to him that that situation would result if his motion was passed. But the hon. Member pressed the motion, and it was passed. It came before the Board of Ministers, and effect was given to it, with the results mentioned taking place. All that happened as a result of our giving effect to the resolution moved here to the effect that the area should be exempted from the prohibition that we were enforcing from the date that rationing was introduced. We stoutly resisted it, and we made the area a self-supporting area. We said that no paddy must be allowed to be removed. The effect of the resolution was that that prohibition was completely removed, and it is now left for the Hon. Minister to reconsider the decision and enforce the prohibition again.

**Mr. Abeywickrama:** I rise, Sir, to congratulate the Hon. Minister of Agriculture and Lands—

**Mr. Speaker:** The motion was moved by the Hon. Minister of Labour, Industry and Commerce, and he has replied to the debate.

Question put, and agreed to.

**The Hon. Mr. Corea:** I move,—

That the Order No. 26 dated August 2, 1942, made under section 4 (1) (d) of the Food Control

Ordinance (Chapter 132) (published in *Gazette Extraordinary* No. 8,980 of August 2, 1942), and confirmed by the Board of Ministers, be approved.

This is a very formal matter. This Order has been made under the Food Control Ordinance. When rationing and other measures are introduced, we take charge of certain granaries and places where stores are kept. This is an Order which brings all the parts affected under control.

**Mr. Abeywickrama:** I am very happy to note the firm stand taken by the Hon. Minister of Agriculture and Lands as the new Food Minister. He has shown that he is resolved not to tolerate any unsatisfactory situation. I only hope that he will keep to his resolve.

Question put, and agreed to.

**The Hon. Mr. Corea:** I move,—

That the Order No. 27 dated August 2, 1942, made under section 4 (1) (e) of the Food Control Ordinance (Chapter 132) (published in *Gazette Extraordinary* No. 8,980 of August 2, 1942), and confirmed by the Board of Ministers, be approved.

This Order brings the Chalmers' Granaries and the Manning Market under control.

**The Hon. Mr. Corea:** I move,—

That the Order No. 28 dated August 2, 1942, as amended by Order No. 29 of August 8, 1942, made under section 4 (1) (g) of the Food Control Ordinance (Chapter 132) (published in *Gazette Extraordinary* No. 8,980 of August 2, 1942), and confirmed by the Board of Ministers, be approved.

Question proposed from the Chair.

**Mr. H. W. Amarasuriya:** Before we pass this item, I would like to find out how the Ministers propose to give effect to the resolution that was passed recently. The Hon. Minister of Agriculture and Lands is now in charge of "Food" and its distribution. I take it that some emergency legislation will have to be passed to give the Hon. Minister power to give effect to the resolutions that have been passed in favour of the Ministry of Labour, Industry and Commerce. All these matters will have to be transferred to the Ministry of Agriculture and Lands.

**The Hon. Mr. Senanayake:** With regard to that point, whether the regulations are passed in favour of the Ministry of Labour, Industry and Commerce or my Ministry does not matter, because they become the law of the land. I

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have to look after the administration. The point raised by the hon. Member has been attended to. The administrative part has been transferred to me. There is a great deal of emergency legislation that will become necessary. I am attending to all that.

**Mr. H. W. Amarasuriya:** In some of the Ordinances you find the Hon. Minister of Labour, Industry and Commerce mentioned.

**The Hon. Mr. Senanayake:** That is going to be altered by *Gazette* notifications.

**Mr. H. W. Amarasuriya:** A *Gazette* notification cannot alter the law.

Question put, and agreed to.

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

The following item stood upon the Addendum to the Orders of the Day:

The Financial Secretary to present the following further report of the Board of Ministers on the Bill intitled "An Ordinance further to amend certain provisions of the Excess Profits Duty Ordinance, No. 38 of 1941", and move that the Bill be now read a second time.

*Further Report of the Board of Ministers.*

The Board considered the Bill further in the light of the observations made during the debate in Council† and recommended that the Bill be amended as follows:—

(i.) *Clause 2 (2)*—

In the new sub-section (1A), for all the words from "excess profits duty of an amount equal" to the end of the sub-section, substitute the following:—

"excess profits duty of an amount equal to fifty per centum of that excess:

Provided, however, that in the case of any business of mining plumbago, the amount to be charged, levied and paid as excess profits duty in respect of any accounting period

shall, if the tax-payer so elects, be an amount equal to thirty per centum of the total profits arising from that business in that accounting period, the amount of such total profits being determined in accordance with section 4, but without regard to the provisions of section 11."

(ii.) *Clause 3 (1)*—

(1) Add the word "and" at the end of paragraph (b).

(2) Insert the following new paragraph (c):—

"(c) by the substitution, for the words, "purposes of this Ordinance", at the end of that sub-section of the following:—

"purposes of this Ordinance, so, however, that an agricultural undertaking for the production of coconuts shall not be deemed to be of the like nature as an agricultural undertaking for the production of tea, rubber or any other agricultural product";

(iii.) *Clause 6 (2)*—

In the new sub-section (4A), for paragraph (c), substitute the following:—

"(c) where the area is planted with coconuts, of five hundred rupees per acre,".

**The Hon. Mr. H. J. Huxham (Financial Secretary):** I rise, Sir, to present the further report of the Board of Ministers on the Bill intitled "An Ordinance further to amend certain provisions of the Excess Profits Duty Ordinance, No. 38 of 1941", and I move that the Bill be now read a second time.

The procedure on a Bill which has been referred to the Board of Ministers and comes back to this House for the second reading is not clear, but I trust I shall be in order in making a few remarks on the proposed amendments. There are three sets of official amendments. I feel that I must apologize to the House for there being so many, but that was, to some extent, unavoidable. The important ones

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

‡ August 14, 1942.

are contained in the first set of amendments and relate to plumbago and coconut.

During the debate on the Bill, various Members of the House expressed various views on it, some views conflicting, some actually contradicting one another; and it was extremely difficult for the Board of Ministers to decide what the House wanted to be done with the Bill. However that may be, the Board now puts the Bill back to the House with certain amendments which, it is hoped, will satisfy at least some of those Members who supported the reference back.

One view expressed was that the discrimination, as it was called, in favour of plumbago should be abandoned, and that plumbago should be made liable to the duty on exactly the same basis as all the other businesses. The Board meets that point by making plumbago liable in the same way as other businesses, with one proviso, namely, that the duty for any accounting period shall not exceed 30 per cent. of the total profits.

That Clause has been gravely misunderstood among the public and in the newspapers, because it has been suggested that the Clause provides, as an alternative to the full duty, that the plumbago mine owner should pay 30 per cent. of the excess profits. That, of course, would be ridiculous. No one is going to provide that a business man shall pay either 30 per cent. or 50 per cent. of the same thing. To do so would be nonsense. What the Bill provides is that he should pay either 50 per cent. of the excess profits or 30 per cent. of the total profits.

It may be argued that if this concession is given to plumbago, why should it not be given to all other businesses? But as was explained at the second reading there are good grounds for giving some concession to plumbago. In the United Kingdom, which is the original home of excess profits duty, both the original Act of 1915 and the present legislation which is now being enforced, grant concessions to speculative mining of a kind similar to plumbago, and that is a good reason why we should do something to help plumbago-mine owners who find themselves with a negligible pre-war standard and on that account worse off than almost any other kind of business enterprise.

Another view which was expressed during the debate was that something should be done to assist coconut owners, particularly in view of the fact that many of them are heavily indebted. I think the House is aware that I do not sympathize with that view, because I consider that the Rs. 400 per acre minimum pre-war value already provided in the original Bill is higher than it really should be. However, the Board felt that the view of some Members should be met, and one of the amendments provide that the Rs. 400 per acre shall be increased to Rs. 500 per acre. That will give a coconut estate a standard of Rs. 50 per acre, and in view of the fact that most coconut owners make up their accounts to 31st March, it will almost certainly mean, in practically every case, a large deficiency for the year to 31st March, 1942, which is the first accounting period for owners who make up their accounts to that date.

As a corollary to this extremely generous treatment of coconut, a Clause is inserted providing that a business producing coconut products shall be treated as a business separate from other agriculture. That has two effects. The first is that if a person has, for instance, a rubber estate and a coconut estate, he will not be able to get the excess profits duty on his rubber estate reduced on the ground that his coconut estate is not making its standard profit. On the other hand a person who has a small coconut estate and a small rubber estate will definitely gain, because he will be granted an exemption allowance of Rs. 3,000 for each of those estates considered as a separate business, instead of getting the one allowance of Rs. 3,000 which would be due if they were both regarded as one business, as was the case under the original Bill.

Finally, in the case of rubber, one of the amendments which the Board authorized me to move proposes to meet the point made by the hon. European Nominated Member (Mr. Parfitt) regarding replanted areas in relation to the relief which is granted in the Bill for intensive production. As I explained to the House when the Bill was last under discussion, it does seem fair that in arriving at the standard production of an estate with which the actual production is to be compared, nothing should be included in the standard production for areas which have

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been replanted and are not producing rubber.

Question proposed from the Chair, and debated.

**Mr. S. Samarakkody (Narammala):** I wish to offer a few comments on this Bill.

The House will remember that we moved the reference back of this Bill some time ago; the hon. Member for Point Pedro (Mr. Ponnambalam) moved that motion. His intention was that the tax should be raised to something like 60 per cent., whereas I wanted the Bill referred back in order to give some relief to the coconut industry and I made out a case on behalf of the coconut producers.

I got up merely to draw the attention of the House to this fact, that some of the Ministers make certain statements in this House, not to guide Members but to mislead them.

**Mr. Speaker:** No; I do not think the hon. Member is justified in making that statement.

**Mr. Samarakkody:** You will remember Sir, that the Ministers took up the position that one could interpret the motion to refer back the Bill only as a move for the purpose of increasing taxation, and that no relief would be given. A threat was uttered from the front benches that they are bound to give effect to the wishes of the mover of that motion and increase taxation all round. But what have they done to-day? They dare not defy the wishes of the House; if they did, certain consequences would have followed.

So that today we find that they have not only given effect to the wishes of the mover, but also met the point of view of the European Nominated Member (Mr. Parfitt) who wanted three things done. I only want to draw the attention of Members to this fact, that what the Ministers say must not be taken seriously by the back-benchers.

**The Hon. Mr. G. E. de Silva (Minister of Health):** I must take exception to the statement of the hon. Member. I do not think he meant it seriously.

**Mr. Samarakkody:** I was very serious about it.

**The Hon. Mr. G. E. de Silva:** I think the Hon. Acting Leader of the House said that it was possible to reduce taxation.

**Mr. Samarakkody:** May we make an exception of the Hon. Minister of Health? I will take him out of that category.

**The Hon. Mr. G. E. de Silva:** I object to the hon. Member making an insinuation against the Board; I did not want any exemption. But I must take exception to the remarks made, because I am also a Member of the Board of Ministers.

**Mr. B. H. Aluwihare (Matale):** There are two questions that trouble me. This Bill was referred back so that the taxation might be raised to 60 per cent. of the excess profits. That has not been done.

The second reason was that plumbago should be taxed at the same rate as other enterprises. I wonder whether the actual amendment moved by the Hon. the Financial Secretary achieves that end. The Hon. the Financial Secretary said that 30 per cent. covered the whole field of profit on plumbago.

Now, on the statement of the Hon. Minister of Communications and Works and the Hon. the Financial Secretary himself, it appears that plumbago was making very little profit before the war. So it leaves us with this, that on the profits made after the war broke out, there would be charged 30 per cent. at the option of the person concerned. It seems to me that the results are the same now as they ever were, except that your object is achieved by adding a proviso which is liable to misconstruction. I must confess that I tried to understand the proviso and that there are two or three interpretations which I can put on it. Now whichever interpretation you may take, it seems to me that plumbago in the end will be taxed at 30 per cent. and not at 50 per cent.

Sir, in those circumstances I would propose that this Bill be referred back to the Board of Ministers once again. [A MEMBER: You cannot do that.] Then, I for one shall vote against the motion.

**Mr. H. F. Parfitt (Nominated Member):** I must say that I appreciate the action of the Board of Ministers in accepting one of my suggestions, but I am very disappointed that they cannot see their way to accept the other one. That is the reason why I have submitted an

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amendment which I shall deal with more particularly in the Committee stage. I only want to make a few general remarks now on the rubber industry.

Sir, the Hon. the Financial Secretary has stated today how generously the coconut industry and the plumbago industry have been treated. I agree with that; and I have no grouse that those two industries are being generously treated. But all I ask is that the rubber industry should be treated fairly—not generously, but fairly treated. As I said in the course of my remarks during the discussion last time, the rubber industry has been doubly penalized. It has not only had restriction, but restriction upon restriction. It was given a completely inadequate quota regarding which I am sure every hon. Member will agree with me, and on this point I wish to read two extracts from the Rubber Commissioner's Report on the subject in 1935.

It was stated in that report, which was quite correct, that Mr. H. W. Amarasuriya (then Member for Udugama) had moved a motion requesting Government to take steps to secure an increased quota for Ceylon. The International Rubber Committee's recommendations of increased quotas for Siam, India, and Burma brought again before the public the matter of the inadequacy of Ceylon's quota, and it was only after the Minister of Agriculture and Lands had given the Members of the State Council an assurance that the case for the revision of Ceylon's quota was under preparation for submission to the International Rubber Restriction Committee that the Council approved the increase.

In 1937 the Hon. Mr. George E. de Silva moved the following motion in this Council:

"On account of the great hardship and loss that has been caused to the Rubber Industry in Ceylon by nearly 20,000 tons of rubber being excluded from Ceylon's legitimate quota by reason of the fact that a large area under rubber was not taken into account at the time the International Rubber Restriction Scheme was formulated, in the opinion of this Council immediate steps should be taken to secure for this country its proper quota and if the proper quota cannot be obtained, the present Restriction Ordinance should be rescinded and this country should not participate in any future restriction scheme". The motion was subsequently withdrawn in view of the assurance given by our delegates that the census of planters made in 1930-31 will receive consideration

in the allocation of quotas for subsequent schemes of control.

The indirect results of these two motions were that eventually we secured a quota of 106,000 tons; and my argument is that excess profits duty should be based on 106,000 tons which was the admitted fair, regulated quantity which the rubber industry should have enjoyed for the three pre-war years. It is for that reason that I am moving my amendment that the basis for Ceylon rubber should be founded on the best year of the previous three pre-war years and not on the average of two years. I shall deal in more detail with it in the Committee stage.

**Mr. H. W. Amarasuriya (Galle):** I should like to endorse the remarks of the hon. Nominated Member. I think his request is perfectly reasonable, and I should have thought that the Ministers would have taken all the facts as stated by him into consideration when dealing with the production of rubber and the rubber industry as such. The rubber industry is also helping very largely in the successful prosecution of the war, and that being so I think it should be treated fairly, as has been rightly pointed out by the hon. Member. I think we should be grateful to the Board of Ministers for the concession that they have already granted in exempting areas that have been replanted, for the purpose of arriving at the standard production of estates with regard to excess profits duty.

Now, with regard to the other amendments proposed by the Board of Ministers, I must express dissatisfaction with the way in which they have addressed themselves to the plumbago industry. It seems to me that the plumbago industry is the most favoured industry under the Excess Profits Duty Bill. The plumbago industry is essentially a war-time industry. It has been admitted by those who know more about the plumbago industry than I that it is only during a period of war that the industry makes a profit. Therefore, if the excess profits duty has become necessary for the purpose of the successful prosecution of the war, as we have to provide a great deal of money for the defence of this country, if one particular industry is essentially a war-time industry it should, to my mind, pay something more than the other

[Mr. H. W. Amarasuriya.]

But in this case the Ministers have introduced an amendment from which at first glance it appears as if they have endeavoured to give effect to the expressions of opinion by this Council, but if the proposal is closely examined one will find that it is a wonderful camouflage and is eye-wash, because I do not think the Hon. the Financial Secretary can expect to make from any of the plumbago-mine owners excess profits duty at the rate of 50 per cent. So that in the net result the plumbago industry would still pay 30 per cent., and would retain its *status quo* according to the proposals that were originally placed before this Council by the Ministers.

We were told that in the case of plumbago it was very difficult to determine rebates and arrive at the concessions that should be granted as have been granted to other industries. I do not know why it is difficult to assess profits from plumbago, because we are all aware that in this country there are not more than a handful of big plumbago interests and I think it would even pay the Government to engage the services of an expert to go into this question and see that plumbago miners' profits are properly examined and that they contribute their due share to the yield from excess profits duty.

With regard to the coconut industry, I think the coconut industry will be grateful to the Ministers for the concession of Rs. 10 per acre of coconut. When you examine the proposals you will realize that although some concession has been granted, it is inadequate. However, taking all the circumstances into consideration, I think that could be considered satisfactory.

**The Hon. Mr. Senanayake:** That is, with regard to coconut?

**Mr. H. W. Amarasuriya:** Yes.

A large section of this House wanted the Bill referred back to the Board of Ministers, if I mistake not, for the purpose of securing a total exemption from the excess profits duty for the coconut industry, or for obtaining a liberal concession if total exemption was not possible. I do not think the coconut industry will agree that the concession granted now is a liberal concession. It is certainly not a liberal concession. As I pointed

out when speaking on the last occasion on the second reading of this Bill, a good many of the coconut estates are still under mortgage. So that the Rs. 50 allowed would not be adequate in certain cases even to pay the interest on the mortgage. Therefore, I do not think it can be considered that the Ministers have given a very liberal concession in regard to coconuts.

I wish to make another observation, namely, that the Financial Secretary has not explained the financial implications of these alterations. The Bill has been altered in certain respects, and in presenting this Bill the Board of Ministers expected to raise as much as Rs. 18,000,000. The Financial Secretary, I should have thought, in presenting these amendments would have told the House whether these amendments would reduce that yield of Rs. 18,000,000 or whether it would increase it. Judging from the provisions that have been placed before the Council for its consideration, I think, the yield from the tax would certainly be less. There is a certain concession granted to coconuts, and a further concession granted to rubber. In the case of plumbago, there would not be much of a difference between the original estimate and the present yield in accordance with the proposals placed before us by the Ministers. I feel therefore that it was the duty of the Financial Secretary to have explained the financial implications of the adjustments that have been made.

If the Ministers think that this tax forms an integral part of the Budget, then it is their duty to tell us that by this amendment there is going to be a fall in the yield and also how they propose to make up the deficit. That too has not been told us by the Financial Secretary, or the Hon. Minister of Health who spoke on behalf of the Board and in self-defence. I think it is the duty of the Ministers to tell us what the amendments mean, and how much revenue we are likely to lose, and how they propose to make up the deficit in the revenue. With regard to the proposal of the hon. Nominated Member (Mr. Parfitt), I do not think that it can be considered during the Committee stage of this Bill, because he is asking for a further concession and unless the Ministers agree to that concession I do not know whether you can

entertain the proposal as an amendment to be moved in the Committee stage.

**Mr. Speaker:** We have not come to that stage yet.

**Mr. H. W. Amarasuriya:** Although the principle of the Bill is the collection of a tax by way of excess profits duty, the yield is material in that it would tend to upset the balance of the revenue proposals placed before the House by the Board of Ministers.

I do not think that the Bill can be referred back again. But some of us are really disappointed with the way in which the Ministers have dealt with plumbago. I am sure plumbago can easily bear 50 per cent. excess profits duty, and there is no reason why it should be a specially favoured commodity because in peacetime this country did not derive very much revenue out of plumbago. I would like the Ministers therefore to reconsider the matter and treat all industries in a fair and square manner. I know that a good many of the Ministers have a sense of justice and fair play and it is true that human nature is such that nobody would like to pay taxes.

This Bill is going to touch the pockets of a good many of even those who are in this Council, but we are prepared to contribute the money cheerfully because it is required for a certain purpose. Therefore, let us all cheerfully bear the brunt of the tax and pay it to Government for the purpose for which it is intended. In that spirit there should, therefore, be equity, fair play and justice. I only demand that the Ministers treat all industries alike and also all classes of taxpayers affected by this Bill in a just and fair manner.

**Mr. E. R. Tambimuttu (Trincomalee-Batticaloa):** I should like to ask whether this Bill applies also to paddy?

**The Hon. Mr. Senanayake:** It applies to all industries.

**Mr. Tambimuttu:** So many speakers have spoken of rubber and tea, but no mention was made of paddy at all. For instance, the major industries pay an export duty whereas the paddy industry does not, and for years the paddy cultivator has been doing a losing business. The question has been asked, 'If it is a losing business, why does he do it?' He does it because he has no

other occupation, he does it in order to obtain a bare living. It is only after the present crisis that the paddy cultivator is getting a fair price for his paddy; and if at this stage you were to call upon him to pay 50 per cent. of his profits, I feel that it would entail very great hardship. You may spend millions of rupees on producing more food, but if you call upon people who undertake these ventures to contribute 50 per cent. of their profits, you will certainly discourage extensive paddy cultivation.

I move that paddy be exempted from this Bill.

**The Hon. Mr. A. Mahadeva (Acting Minister of Home Affairs):** Some of the speakers, especially the hon. Member for Galle (Mr. H. W. Amarasuriya) expressed the sentiment that all industries should be treated alike and that no preference should be given to one industry over another, the suggestion being that plumbago had been favoured whereas rubber and coconut had not been treated with the same kindness. I would ask the hon. Member to say whether he knows of any coconut or rubber estate which will pay 30 per cent. of its total profits as excess profits? I venture to think that as regards coconut, not one single estate, to my mind, is going to pay excess profits duty after the amendment proposed comes into operation.

In the case of coconuts, we are allowing practically Rs. 50 per acre as standard profits, and the profits today probably will not still exceed Rs. 50 to Rs. 60 per acre. Seeing that, as a business, coconut can add to its standard profits Rs. 3,000 before excess profits are concerned, I should imagine that no estate which is below 1,000 acres in extent would be called upon to pay excess profits duty. That is my calculation. I would like to know whether a scheme that provides such relief to coconut can complain when plumbago is asked to pay 30 per cent. of its total profits.

I have no interest in plumbago. Merely because a large number of us represent coconut interests, we have seen it protected; we have seen also rubber protected to a considerable extent; and merely because there is a handful of people who are owners of plumbago mines, is it fair for us to tax that industry additionally when we know as a mat-

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 ter of fact that no agricultural industry, or for a matter of that any business, would pay 30 per cent. of its total profits as excess profits duty. If it can be shown to me that any industry is going to pay 30 per cent. of its total profits as excess profits duty, I am prepared to reconsider the position as regards plumbago.

**Mr. G. A. H. Wille (Nominated Member):** There are two facts which emerge from the Ministers' reaction to the reference back of this Bill; that is, they have not, in the first place, given effect to the wishes of this House. I do not know how it is expected that they can have a definite recommendation from the House when it is engaged in the second reading of a Bill, but there was ample indication of the directions in which we wanted the Ministers to go, and that is, not to be so sparing of the richer classes who are to be affected by this Bill.

You see, Sir, there has been a great deal of solicitude for those who are to be affected by this Bill, the result being that all sorts of attempts have been made to mitigate the effects of this Bill or to whittle it down. It was only a few months ago that the Ministers came here to amend the Income Tax Ordinance and what did they do? They dealt with the middle-class people who draw about Rs. 200 a month or slightly over—people who feel the pinch of the present situation more than any other class, people who have to educate their children, to feed and clothe them at greatly increased prices; they have been asked to pay 50 per cent. more than they used to pay. What for? In order to obtain an additional income of Rs. 150,000. That was the excuse of the Ministers. They were so wanting in funds that they thought they would resort even to this excessive measure of a 50 per cent. increase of income tax on a class of people who can ill-afford to bear it. We know that the richer classes and the poorer classes have been benefited indirectly as a result of this war, but the middle-classes are left, as it were, between two mill-stones. I am just pointing out the difference in the consideration which has been brought to bear on the occasion of the income tax and on the occasion of this excess profits duty.

What was the necessity for trying to adjust here a little and there a little? There was the basic fact that certain people had enjoyed excess profits due directly to the war. Why could not, as a matter of justice, a flat rate be imposed on everyone who profits in that way? What was the necessity for saying that the plumbago people suffered certain difficulties; tea suffered certain difficulties and, therefore, all these matters must be adjusted? We were not here to right past wrongs; we were here for the sake of the general good, for the sake of the country to see that a portion at least of these excess profits would come in for national purposes.

So I say that there was no call for all these discriminatory provisions. The Ministers have brought the charge upon themselves. If they had faced the simple issue and said, "Here are excess profits; we will charge everybody alike" nothing would have been said against them. I shall have more to say when I deal with amendments that are to come before the House.

**The Hon. Mr. D. S. Senanayake (Acting Leader of the State Council):**

There are just a few words that I would like to say in view of the remarks made by the hon. Member for Galle (Mr. H. W. Amarasuriya). He wanted to know why the Financial Secretary did not make a statement about the financial aspect of these amendments. The Hon. the Financial Secretary made a statement when he introduced the first reading of the Bill, with regard to the financial aspect of the matter, and if there was anything different to state now, he would have stated it. The very fact of his not stating anything different means that the financial implications of the Bill remain the same as they were before.

It is true that there has been certain concessions granted to coconut and rubber, but at the same time it must be remembered that there is an increased levy on plumbago. So that the anticipated difference would just balance itself. But if some of the amendments that have been moved are adopted, then, of course, it will make a vast difference to the Bill. For instance, if the amendment of the European Nominated Member (Mr. Parfitt) is accepted, it will reduce the yield by about Rs. 3,000,000, and that will necessarily mean increased



taxation which we will have to consider. But if the Bill is accepted as it is, we expect to get the same amount of money as before. There may be a little difference, but that would be nothing to speak of.

The hon. Member for Galle (Mr. H. W. Amarasuriya) spoke of equal treatment for everyone, and he thought that it was only right that such equal treatment should be meted out to all industries concerned. If he is convinced of the correctness of that view then, I think, he should oppose this Bill for no other reason than that plumbago is treated in a much worse way than other industries. He told us that he knows nothing about plumbago, but we know his capacity to deal with figures, although he is invariably wrong.

**Mr. H. W. Amarasuriya:** I do not think so.

**The Hon. Mr. Senanayake:** I do not say that I am inevitably right. It may be that we are both so bad at figures that the hon. Member may be a little better than myself; anyway, I am not contesting that point.

But as pointed out by the Hon. Acting Minister of Home Affairs, can the hon. Member indicate any industry which, in his opinion, would pay 30 per cent. excess profits duty on its total profits? Although 50 per cent. is to be charged as excess profits duty, yet plumbago is to be charged only 30 per cent. on the net profit, not the excess profit. If my hon. Friend will only realize it, he will know how much more plumbago is charged than any other industries.

In order to exercise his brain a little more, I shall give my hon. Friend some figures. Some time ago, I believe, the Income Tax Commissioner indicated that the profits from industries were something like Rs. 80,000,000, and we have, I believe, calculated it at Rs. 100,000,000; that is Rs. 100,000,000 from all industries. Now, if 30 per cent. of that income is to be levied as excess profits duty, we should get Rs. 33,000,000 as the yield from agriculture, plumbago and other industries, but of that amount Rs. 18,000,000 is to be paid by plumbago alone. In those circumstances, does my hon. Friend challenge my figures and still say that plumbago has been favoured?

**Mr. Aluwihare:** Will the Hon. Minister explain it to us a little further.

**The Hon. Mr. Senanayake:** As a matter of fact when excess profits are considered, it is only the excess of the profits over and above the normal profits that are made, after making concessions, that is taken into account. But in the case of plumbago, no normal profit is to be considered at all; all that is considered is the net profit, and of that 30 per cent. is to be paid.

**Mr. Aluwihare:** What was the pre-war profit?

**The Hon. Mr. Senanayake:** Whatever the pre-war profit may have been.

In the case of other industries, they are to be allowed 10 per cent. of the capital value, but in the case of plumbago no such concession is granted. Whatever the income may be, if the total profit is Rs. 100,000,000 and if 30 per cent. is to be levied as excess profits duty, it would mean Rs. 30,000,000; and if all the other agricultural industries pay less than Rs. 18,000,000, does it not definitely show that they are not paying 30 per cent. of the net income? That should be pretty clear.

**Mr. Aluwihare:** Our real trouble is this—

**Mr. Speaker:** The hon. Member must not interrupt the Hon. Acting Leader. We are on the second reading of the Bill, and the hon. Member will have a chance of speaking later on.

**The Hon. Mr. Senanayake:** I gave way, as the hon. Member wanted to ask me a question.

**Mr. Speaker:** Does the hon. Member wish to put a question.

**Mr. Aluwihare:** Our real trouble is that it is not 50 per cent. of the post-war profit.

**The Hon. Mr. Senanayake:** Even during the pre-war period, there would have been, for instance, one cent profit, but what the post-war profit is, I do not know; we cannot calculate it because we have not come to that stage yet. But before the war there must have been some profit, and of that profit not even a cent is to be taken into consideration.

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What I am arguing now is this that plumbago is not treated in a better way than other industries, because in the case of agriculture we are only taking 18 per cent. of the profits, whereas in the case of plumbago we are taking 30 per cent. of the profits. That is what I was trying to point out. There was a wrong impression created in the minds of some hon. Members when they saw the figure of 30 per cent. They really thought that it was an excess profits duty of 30 per cent. on the excess profits made; it is not so. It is the net profit that is taken into account in regard to plumbago.

There is one other thing I should like to say. As I have stated before, the yield from this tax is required to balance the Budget, and if any amendments are accepted, it would mean that the money required will not be obtained, and the whole of our financial proposals will have to be reconsidered. In those circumstances I would ask hon. Members to consider not individual cases but the tax as a whole.

With regard to paddy, I should like to say that, as in the case of every other agricultural product, an allowance of Rs. 3,000 is granted on the profits. But paddy is also included under excess profits. To give an instance. My hon. Friend the Member for Talawakele (Mr. Vytilingam) owns tea and rubber estates. He may own plumbago mines, and even gold mines. In addition to all these, he may also own a small extent of paddy. In the case of a person like that, the small extent of paddy he owns may contribute a little towards his excess profits; his total income may come to a large sum, and the income derived from his patch of paddy is also a part of that income. Otherwise, people who deal in paddy alone will not have to contribute at all. [Interruption.] As a matter of fact, paddy cultivation is supposed to be such a hopeless undertaking that we have had to subsidize it and even to pay high prices for the product to enable owners of paddy land to derive an income. If the hon. Member will only realize the amount of money that will have to be spent on asweddumizing an area of paddy-field, he will see that there would be hardly anything left as profits. Even with the increased rate of Rs. 3.25, the

income from paddy would just cover expenses.

My hon. Friend the Nominated Member (Mr. Wille) has a rough and ready method of calculation. He says that we must take half of whatever is derived from any source if such income accrues as a result of the war. That means, if someone is prosecuted in a Court of law for any offence which has been committed by reason of conditions arising from the war, and if my hon. Friend appears for that person, then half his fee should go to the Government. Or if the hon. Member deals with enemy property which he would never have had the opportunity of dealing with if not for the war, and if he derives an income from it, he must be charged half that income as tax. Is that what he means?

We now have a number of Defence Regulations which have been enacted owing to the war, and lawyers who appear in cases where people are charged under those regulations should give up half their fees to the Government. That is the result of the rough and ready method of calculation which the hon. Member suggests. These rough and ready methods are not always applicable when we have to consider different aspects of a matter.

**Mr. D. Wanigasekera (Wellgama):** We find it difficult to follow the arguments of the Hon. Acting Leader of the House. Supposing a plumbago miner made a profit of Re. 1 before the war, he would be paying an excess profit duty a sum of 50 cents on that Re. 1. But if to-day he makes a profit of Rs. 100,000, then at 50 per cent. he would have to pay Rs. 50,000, whereas at 30 per cent. he would have to pay Rs. 30,000.

**The Hon. Mr. Huxham:** I would like to explain, if I may, the position regarding plumbago a little further. If we take the case of a mine which was working before the war—and some mines were working and making quite substantial profits—and if we assess this mine as having made Rs. 100,000 before the war, and it is now making Rs. 200,000, it would have a sum of Rs. 100,000 as excess profits and the duty at 50 per cent. would be Rs. 50,000. Now, the owner of that mine under this Bill has to pay Rs. 50,000, or alternatively, 30 per cent. of Rs. 200,000, which is Rs. 60,000. So

the concession is of no use to him at all. If on the other hand the mine is making Rs. 300,000, and its pre-war profit was Rs. 100,000, then its excess profit is Rs. 200,000, and the duty at 50 per cent. would be Rs. 100,000. The alternative left to that mine owner is to pay 30 per cent. of Rs. 300,000 which is Rs. 90,000. So that man will get slight relief under the proposed concession.

**Mr. Aluwihare:** Supposing it is Rs. 70 and Rs. 600?

**The Hon. Mr. Huxham:** Well, Sir, you can have all sorts of cases worked out. A mine which was making Rs. 100,000 before the war and is now making Rs. 1,000,000 would get a very substantial concession, and in that case this concession would work as an inducement to produce the greatest possible quantity of plumbago. It is to some extent similar to the relief we are giving to rubber in respect of intensive production.

Now, I should like to look at the other side of the scale. Suppose a man has given up any business that he had before and is now trying his luck at plumbago mining. His standard would be what he was earning before he took to plumbago mining. Say he was a small man and his standard was Rs. 2,000. To that you have to add the allowance of Rs. 3,000. So that, if he makes Rs. 5,000, he has nothing to pay. If he makes Rs. 10,000, his excess profits would be Rs. 5,000, and on the ordinary scale he would have to pay Rs. 2,500. Alternatively, he can calculate the duty at 30 per cent. on the full profits and pay Rs. 3,000, which is more than what he has to pay on the ordinary scale. Therefore the concession is of no use to him. But if he makes Rs. 20,000, against his pre-war standard and allowance of Rs. 5,000, his excess profits would be Rs. 15,000. The duty on that in the ordinary way would be Rs. 7,500; and that is more than 30 per cent. of Rs. 20,000. So he would choose the alternative and pay 30 per cent. of his total profits.

So, Sir, the concession only helps the person who is producing heavily; and as the Ministers have pointed out, the man who is paying 30 per cent. of his total war-time profits is very heavily taxed in pro-

portion to almost any other business you could name.

I do not agree that there is no business other than plumbago which will pay more than 30 per cent. That is not so. There are a few isolated businesses which are doing so well that their excess profits duty in the ordinary way of calculation will come to more than 30 per cent. But those cases are very rare, and in 99 cases out of 100, the businesses other than plumbago which are liable to excess profits duty will pay less than 30 per cent. of their total profits. In that sense this concession to plumbago is a very limited one and it is one which the House may fairly accept.

There were one or two other points which were raised. The hon. Nominated Member argued again the case for a special pre-war standard for rubber in contradistinction to every other kind of business. That would be a severe contravention of the principles of the Bill, and I am not at all sure that an amendment to that effect moved without the sanction of the Board of Ministers would be in order. But doubtless that matter would be considered in Committee.

I would point out in that connection that there are many other persons who could claim on the same lines that they ought to have a special pre-war standard. If one considers those persons whose business depends on rubber—the rubber broker, the man who supplies acetic acid, the man who supplies manure to rubber estates—all those people can claim that their business in the pre-war period was less than it should otherwise have been because of the alleged unfair quota allotted to Ceylon rubber. If you are claiming a concession for rubber producers, you ought in fairness to go on claiming it for everyone who was affected by the alleged unfair quota that was allotted to Ceylon rubber.

The hon. Member for Galle (Mr. H. W. Amarasuriya) was anxious about the financial effects of the proposed amendments, and as the Hon. Acting Leader of the House has explained, I did not stress that point at all because the financial effect is not considerable. We expect to get an appreciably greater sum out of plumbago, but as we never expected to get an enormous amount from

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that industry, I should think we will get only Rs. 250,000 to Rs. 500,000 more.

Then, as regards coconuts, we are giving a concession in that the capital value of an acre of coconut land is raised to Rs. 500. But we are making sure that people who own both coconut and other estates will not get the duty due in respect of other estates reduced on account of their ownership of coconut estates, and it is thought that these provisions will more or less balance out. It is impossible to go into fine details of estimates in respect of a duty such as this, and I would mention here that when we come to the third reading of the Appropriation Bill I hope to give more up-to-date estimates of the probable out-turn of this year and of the outlook for next year.

To show the House how impossible it is to maintain estimates unchanged, I would mention that the Leader of the House has won his point with the Imperial Government, and has got what he asked for for tea, with the result that Ceylon tea-growers will get—I am not sure how much—at least Rs. 10,000,000 more this year than we expected them to get when the estimate for the excess profits duty was framed. That is an item which increases the estimate.

How far it will be swallowed up by extra costs of production, and how far the estimates have to be revised up or down on account of other factors are a matter that I have to ask the Income Tax Department to deal with. I will get that Department to deal with the matter and furnish me with a report.

I merely mention that point to show how, after the estimate of the yield of a duty like this is made for the current year, which is only two-thirds past, the estimate of yield may vary from week to week. As I said, I will give the House a revised estimate when we reach the third reading of the Appropriation Bill. But as regards these particular amendments, I may say that the sum total of the effects of these amendments is not large and it is not worth consideration. The hon. Member for Galle (Mr. H. W. Amarasuriya) may rest assured that there is no reduction in the estimated yield because of these amendments.

The hon. Member for Trincomalee-Batticaloa (Mr. Tambimuttu) mentioned the question of paddy, and seemed still to be labouring under the delusion that ordinary peasants may be caught by the excess profits duty. That, Sir, will never be the case, because there is a marginal allowance of Rs. 3,000. The only man who would possibly be liable is the owner of a very considerable extent of paddy. I do not think the hon. Member is seriously asking us to exempt the owner of 200 or 300 acres of paddy if, as a matter of fact, he is enjoying today sufficiently large profits to make him liable to excess profits duty in the same way as the owners of other agricultural properties.

**Mr. Parfitt:** Before you put the question, Sir, might I raise a point of order in view of what the Hon. the Financial Secretary said. He said that he doubted whether my amendment was in order. He said that my amendment would affect the revenue of this country. Against that I would say that this is a new Ordinance, and any new Ordinance for the imposition of any new tax surely can be adjusted in the Committee stage. The particular tax can be adjusted in the Committee stage.

During the debate on the second reading of the Excess Profits Duty Bill, three weeks ago, it was stated that all the points that were raised could have been raised in the Committee stage had we not referred the whole Bill back to the Board of Ministers. If you would be good enough to give a ruling on that point before the voting on the second reading takes place, it would greatly assist me and other Members of this House.

**Mr. Speaker:** I cannot give a ruling at this stage. But any proposal by a Private Member which involves an increase in the tax will not be in order.

**The Hon. Mr. Huxham:** It would be helpful if I state what I have in my mind. I do not think that any Member of the Board of Ministers will dispute the proposition that if a proposal is brought before the House to impose a tax, a Member may without the sanction of the Board of Ministers move to reduce

the rate of that tax, that is to say when we come to the special 30 per cent. on plumbago, a Member could move to make it 25 per cent. But, Sir, I understand that the hon. Nominated Member has it in mind to insert a Clause in this Amending Bill for the purpose of amending a very important Section of the principal Ordinance which is not touched upon by this Amending Bill, and I am not sure whether the right of a Private Member extends so far. I think that is a matter that must be considered.

**Mr. Speaker:** I have already expressed my view on the point that any proposal which involves an increase in the taxation proposed would be out of order.

Question, "That the Bill be now read a second time," put, and agreed to.

Bill read a second time.

**The Hon. Mr. Senanayake:** After tea we propose to move the House into Committee to consider this Bill.

**Mr. Speaker:** The sitting is suspended till 4.30 P.M.

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

**The Hon. Mr. Huxham:** With the approval of the Board of Ministers, I move that the Bill be referred to a Committee of the whole House.

Question put accordingly, and agreed to.

*In Committee—*

MR. SPEAKER presided as Chairman.

Clause 1 ordered to stand part of the Bill.

CLAUSE 2.—*Amendment of Section 2 of Ordinance No. 38 of 1941).*

**The Hon. Mr. Huxham:** I have given notice of an amendment to Sub-clause (2) of Clause 2.

**The Chairman:** Have copies of the amendment been circulated to Members?

**The Hon. Mr. Huxham:** Yes, Sir.

**Mr. Wille:** My amendment is that the proviso to the Financial Secretary's amendment be deleted. That is practically the effect of the amendment of which I gave notice.

**The Chairman:** That is an amendment to the amendment proposed by the Fin-

ancial Secretary that is already before Members.

**Mr. Wille:** I have an amendment to this Clause, but I shall not require to move it if the matter is dealt with in this way now. I move as an amendment that the proviso to the Financial Secretary's amendment be deleted.

**The Chairman:** What is the hon. Member's amendment?

**Mr. Wille:** I am moving an amendment to the Financial Secretary's amendment that the proviso be deleted. That will have the effect of making all businesses pay a standard rate of 50 per cent.

**The Chairman:** Are there other amendments to be moved?

**Mr. Tambimuttu:** Will I be allowed to move another amendment to Clause 2, after these amendments have been dealt with?

**The Chairman:** I must know what the amendment is so that I can decide which amendment should be put to the House first.

**Mr. Tambimuttu:** My amendment is that, in Clause 2 (1A), after the words, "agricultural undertaking", the following words be inserted, "excluding paddy cultivation". The Clause would then read:

"profits arising from the business of an agricultural undertaking excluding paddy cultivation . . ."

The words "excluding paddy cultivation" should be inserted wherever the words "agricultural undertaking" occur.

**The Chairman:** Please send in the amendment in writing.

Is there any amendment proposed to Sub-clause (1) or to the earlier part of Sub-clause (2)?

**Members:** No.

**Mr. Tambimuttu:** I would like to speak on my amendment.

**The Chairman:** We will take up the amendment proposed by the hon. Member for Trincomalee—to insert after the words "agricultural undertaking", the words "excluding paddy cultivation." Can we take that up first, or does the Financial Secretary want his amendment taken up first?

**The Hon. Mr. Huxham:** The hon. Member's amendment may be taken up first.

**Mr. S. Vytilingam (Talawakele):** I wish to move another amendment to Clause 2, after the amendment of the hon. Member for Trincomalee has been disposed of.

**The Chairman:** The hon. Member will let me have the amendment in writing.

**Mr. Tambimuttu:** I do not think there will be any excess profits from paddy cultivation liable to tax but people who own other properties as well will have to include their income from paddy cultivation also, and then they will be liable to pay excess profits duty.

In the last century, when paddy cultivation was in a parlous state, the idea of imposing any sort of tax on paddy was condemned by the public, and then the existing paddy tax of 10 per cent. was abolished. The difficulty was not so much about the payment of the tax as the process of assessment of the crop. In the case of rubber, tea and plumbago, they are exportable commodities, and it is easy to find out the production of any estate. In the case of paddy where a man has, say, 100 or 50 acres—which is not uncommon in my area—the process of assessment will inflict great hardships on the people concerned and will act as a great hindrance to paddy cultivation in the Island.

The taxation of food in any form, whether by the levy of an excess profits duty or by way of income tax, should be condemned by everybody. No one will spend any money on paddy cultivation if we propose to take away half his income as tax. The idea of a tax on paddy or on any other food is revolting.

**Mr. Samarakkody:** Why not say "excluding paddy and other grains"? That would bring in kurakkan and meneri.

**Mr. Tambimuttu:** I am content with this amendment. I move that the amendment be passed.

**Mr. Abeygunasekera:** I rise to support the amendment.

Many Members are ignorant of paddy cultivation. They may eat country rice,

but they are not interested in paddy cultivation. The Minister of Agriculture and Lands has devoted much time and spent several millions of the taxpayer's money in encouraging paddy cultivation.

Some people are under the impression that owners of paddy-lands derive great profits. That is why I said that some Members are ignorant of the conditions in the paddy industry. Members who do not own paddy-fields do not know how the crop is reaped and threshed.

Out of the total crop harvested, half goes to the cultivators—the men who work in the paddy-fields. Out of the other half, so many bushels must be paid off as seed paddy; then transport charges have to be met. Then buffaloes have to be brought in, and for their use we have to pay at the rate of Rs. 2. For a pair of buffaloes, we have to give either two bushels of paddy or pay Rs. 4.

Some time ago the Minister of Health moved a resolution to the effect that the irrigation rates be waived. I do not think the Minister of Agriculture and Lands has given effect to that motion. In our part of the country—the Nuwara Eliya District—for two years they stopped collecting irrigation rates; then they started collecting the arrears as well as the rates for the current year. If irrigation rates are levied, do you expect any man to cultivate paddy? It is not possible to do so. Hon. Members of this House are only good in theory, in practice their suggestions will never work.

So, if paddy is taxed, the land will be used for planting vegetables. If a man is compelled by unlawful means to do a thing, the best and the only thing is for him to abandon cultivating paddy-lands. Instead of growing paddy, let him grow vegetables.

I would beg of hon. Members to think of the poor man who is dependent on the paddy obtained from his land. He has no tea, rubber or other lands. So, if paddy is to be taxed, the poor people will abandon the idea of cultivating their lands for paddy. Therefore, I trust hon. Members will not oppose this amendment.

**Mr. Samarakkody:** I rise, Sir, to support the amendment which is before the House. I do not think that the villagers will be called upon to pay excess profits duty on paddy at all; but, at the

same time, we cannot be blind to the fact that there are large cultivators, especially in the Eastern and North Central Provinces, who are engaged in this business as their sole occupation. Just as we have rubber and tea estates, they have large paddy-fields.

Now, the price of paddy before the war was, I think, Re 1 or 90 cents a bushel. To-day Government is prepared to pay Rs. 3 or Rs. 3.50 per bushel; so that these large paddy-owners will be called upon to pay a large portion of their income under this Bill if you do not make an exemption in their favour. I say it is unfair, because for very many years the paddy cultivator has been carrying on his business at a loss. If people are to be encouraged to grow paddy, Government should not only waive irrigation rates and provide the people with other facilities, but also give them fair prices, such as Rs. 3 or Rs. 3.50 per bushel. I do not think those prices are excessive at the moment, compared with what is being paid for imported paddy and rice.

I think every Member of the House ought to support this amendment and encourage the paddy cultivators.

**The Hon. Mr. Senanayake:** Sir, I would like to ask hon. Members to carefully consider this proposal and the effect of it. I am sure there is not one Member in this House who would like to tax the cultivator. If the cultivator is to be given a benefit at this time, it should be the desire of every Member to support the proposal.

But I ask this question: would the cultivator be benefited by the proposal? We know that there is only a limited extent of land and any cultivator could cultivate that land. I presume that there is not a single cultivator who can cultivate an extent of land which will give him such a profit as will make him liable to pay income tax, never mind the excess profits duty. Income tax is paid by people who are in receipt of Rs. 2,400 per annum. No cultivator can earn that sum of money within a year—when I say “cultivator”, I mean a person who cultivates the land.

**Mr. H. W. Amarasuriya:** What about those who own about 400 acres of paddy land?

**The Hon. Mr. Senanayake:** It is not physically possible for him to cultivate

that extent of land. Now it comes to a question of proprietors getting benefits.

We have heard about the necessity for encouraging cultivators. At the same time, if we heard of anybody who did work against the extensive cultivation of paddy, it was the party that has been accused of being absentee landlords. An absentee landlord owns land. He does not cultivate the land; he does not exert himself at all, but he takes his half share of the harvest. In certain instances—for example in the Galle District—the *huwandiram* tax was given up; that is, the ground tax which, I think, was given up about the time I was born or a little after that.

**Mr. Wille:** The grain tax was repealed in 1892.

**The Hon. Mr. Senanayake:** That was a little time after I was born. But up to this date the landlords take a ground tax from the cultivator; to-day they are doing it.

After all, the cultivator is the class of person who is benefited by this income tax. To-day the cultivator has to exert himself. Government is willing to pay additional money for rice. It feels that some inducement should be given to the cultivator. The cultivator makes an attempt; but who is benefited? It is not the cultivator who is benefited; it is the absentee landlord who is benefited by the sweat of these unfortunate cultivators.

We have heard it said that the irrigation rates should be given up. I would like to ask my hon. Friend the Member for Batticaloa (Mr. Tambimuttu) whether it is not the duty of the owner to pay the irrigation rates when he recovers something from the cultivator in respect of those rates? We have given up the irrigation rates, and we receive many petitions. Has the cultivator benefited to any extent by the abandonment of the irrigation rates? Except the people who are ready to kick up a row and secure this exemption, the cultivator is not benefited.

Even now no irrigation rates are charged; it is not likely that any irrigation rates are being charged. Sir, here in this Council itself there are large paddy-field owners. Can any one of them rise in his seat and say that owing to the waiving of irrigation rates, he has passed it on to his cultivator and the cultivator has been benefited to that extent? After all I

[The Hon. Mr. Senanayake.]

have been willing to give concessions for no other reason than to make these proprietors interested in paddy cultivation. But, merely to bring forward the excuse of the poor peasant is, to say the least, to exploit the situation.

With regard to the cultivator, it is not a question of the European exploiting him. This is how we, Ceylonese, exploit the under-dog; we do it now. We go to the extent of not only getting the man to cultivate our land, but we take half the profits in certain instances; in certain instances we divide the profits, say, one-fourth for this purpose, one-tenth for that purpose, one twentieth for another purpose and so on. So you will see that not only does the landlord take half the profits, but also divides them for so many purposes. When all these purposes are added together you will find that much more than half is taken away. It is exploitation of the poor, unfortunate cultivator.

Today we put that man forward and say, "Here is this unfortunate man. Are you going to tax him?" We know full well that not a single poor cultivator would be taxed; and are we going, in the hope of relieving the poor cultivator, to allow the exploiters to obtain exemption from this tax? I am for encouraging paddy cultivation, but I am not at all in favour of assisting exploiters to further exploit the poor man.

The absentee landlord does nothing more now than he did before the war, and he gets an increase of price of from Re. 1 to Rs. 3.25 per bushel of paddy. He gets that benefit because of the difficulties we are undergoing in regard to food. Although he gets only half the share of the produce, are we going to say that he should not pay even a portion of his big income by way of tax? When you speak about paddy, it sounds all right; but do you think a man who cultivates kurakkan is going to pay any tax at all? This tax is not limited to those who desire an income of only Rs. 200. We are allowing a margin of Rs. 3,000 and are levying this tax on anything in excess of that amount. I do not feel that there is any justification for exempting from this tax the incomes of those people who get large tracts of paddy-land cultivated by labourers.

**Mr. Abeywickrama:** I am in entire agreement with the Hon. Minister regarding the position he explained—about exploitation by big paddy-field owners. I must say, at the same time, that the Hon. Minister himself has failed to introduce a scheme to save the poor cultivators from the peasant landowners.

**The Hon. Mr. Senanayake:** I agree.

**Mr. Abeywickrama:** I am addressing this criticism to the Hon. Minister of Agriculture and Lands. In respect of the various other industries in this country, there is provision made for the protection of the labourer, such as a minimum wage, dearness allowance, etc. Such provision applies to the labourers employed on tea, rubber and coconut estates. What has the Minister done to protect the poor paddy cultivator from the landlord? No legislation whatsoever for that purpose has been introduced as yet by the State Council or by the various Governments that have been in existence in this country for the last so many years. Even now it is not too late for the Minister to introduce legislation to enforce that only a certain quantity of paddy could be taken over by the field-owners and in such manner as laid down by the Minister. According to the present system the cultivator gets hardly anything, except the sowing and reaping wages. And who is to blame for that state of affairs? The blame must attach to the Minister of Agriculture and Lands, for not introducing legislation to protect the cultivators from unscrupulous field-owners.

I am inclined to support the amendment for the simple reason that the Minister has failed to protect the cultivator from the landlord. [Interruption]. If the cultivator would not secure sufficient and the landowner would make a huge profit if paddy were exempted, it is the Minister and not anybody else who is to blame. The Minister should have made the position of the cultivator more secure. I would request the Minister to introduce legislation to ensure that only a certain share of the produce is retained by the paddy-field owners and that sufficient paddy is given over to the cultivators.

**The Hon. Mr. Senanayake:** The only reply I can give the hon. Member is this: I have not the slightest doubt that I re-



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ceive much encouragement from this House, but I have to gauge what is in the mind of hon. Members before I introduce such legislation.

**The Hon. Colonel J. L. Kotalawala (Minister of Communications and Works):** If they have minds at all!

**The Hon. Mr. Senanayake:** An indication has been given of the way I should tackle this question. I certainly felt like pleading guilty to the charge made by my hon. Friend, till he concluded his speech. He said that I had been at fault if I had misjudged the House and not brought in legislation, which would have been considered drastic, to stop the exploitation of the cultivator by the landlord. When I find that the very Member who blames me for neglect of duty in that respect is now ready to support the opposite side, I wonder what inducement I shall have to come forward with such drastic proposals. What share of the crop the cultivator should get should have been determined by me, the hon. Member said, and the proposal now before the House goes a long way towards achieving that object. We are trying to get a certain portion of the profits derived by the capitalists.

**The Hon. Colonel Kotalawala:** A certain portion of the excess profits.

**The Hon. Mr. Senanayake:** Yes; we are trying to get a certain portion of the excess profits derived by capitalists. There is not the slightest doubt that such a course is necessary for the purpose of inducing the cultivator to do his best, for all that money will be utilized to benefit him. We are indirectly carrying out the intention of my hon. Friend, and if he supports me in this matter, I will have more direct encouragement to improve the position of the cultivator.

**Mr. Wanigasekera:** If one just looks at the figures, one will see that nobody who owns under 50 acres would be liable to this tax. Can it be said that a person who owns 50 acres of paddy land is a poor cultivator? Normally, 50 acres would mean a sowing extent of 100 bushels of paddy, and the normal yield for Ceylon is about ten-fold. That is, a person owning 50 acres will sow 100 bushels of paddy and, with a yield of ten-fold, the produce from that land would be 1,000 bushels. If the Govern-

ment pays Rs. 3 for a bushel, his income would be Rs. 3,000.

**The Hon. Mr. Huxham:** What about the cultivators' share?

**The Hon. Mr. Senanayake:** Half of that will have to go to the cultivator.

**Mr. Wanigasekera:** In that case, it is only the man who cultivates 100 acres of paddy-land who will be liable to pay this tax.

**The Hon. Colonel Kotalawala:** A person who gets 100 acres cultivated will also have to give half the produce to the cultivators.

**Mr. Wanigasekera:** I do not think there are very many people who cultivate 100 acres of paddy-land. Paddy cultivation is not at all a paying concern. If we exclude paddy from this tax, I think we would be giving a sort of exemption that will benefit the big landowners without in any way ameliorating the condition of the poor paddy cultivators. I agree with the Minister that he should encourage paddy cultivation, but this concession, if granted, will be a sort of *santosum* given to the big landowners without the poor cultivators deriving any benefit therefrom.

**Mr. Tambimuttu:** Any proposal to tax paddy is repugnant to me. It was in 1849 that, for the first time, rice was imported into Ceylon from India. From that time onward, paddy cultivation in Ceylon has degenerated to such an extent that any idea of taxing paddy was opposed by the people. The ancient tax on paddy levied by the Dutch, called the tithe was exacted by the British Government till George Wall and other leading men of the day agitated in the matter and had the tax on rice abolished.

My own opinion is that there should be no tax whatsoever on paddy. The day they impose the excess profits duty or income tax on paddy should be considered the most unfortunate day for Ceylon. My hon. Friend here (Mr. Abeygunasekera) spoke of the cultivator. We all speak for the poor cultivator. I am in sympathy with him. I am in agreement with what was said in this House, that the cultivator does not get his proper share of the produce.

As suggested by the hon. Member for Udugama (Mr. Abeywickrama), we

[Mr. Tambimuttu.] should bring in legislation to ensure for the cultivator a proper share of the fruits of his labour. [Interruption]. My hon. Friend asks me, "Who cultivates 300 acres?" There are several others who own large estates which they cannot cultivate by themselves. My hon. Friend made a sort of sneering remark when he asked whether the big land-owners cultivated the lands themselves for them to be excluded from this tax. Are the owners of big tea and rubber estates cultivating their estates personally? But they gather in large receipts. And so is the plumbago-mine owner. He does not go down the pit and dig the plumbago out, although he gathers in the receipts.

**The Hon. Mr. Senanayake:** But you levy the excess profits duty in his case.

**Mr. Tambimuttu:** That is so. You cannot compare the man who cultivates paddy with those big estate-owners. The bigger men should take to rice cultivation. That is how India became self-supporting. In India some rich men are engaged in producing rice. In Burma rice is not produced by the small cultivator alone. He is only a paid man. There you find peasant proprietors with 200 or 300 acres of paddy-land each.

However, the big men in Ceylon will not take to rice cultivation. They did take to paddy cultivation in 1919, after the last shortage of rice, but gave it up because Government did not help them to carry on paddy cultivation. The better price now offered for paddy will induce many of the richer folk in the North-Central Province and the Eastern Province to take to paddy cultivation. It is the bigger man who can do it on a large scale, and not the small man.

**The Chairman:** Shall I put the amendment?

**Mr. S. Natesan (Kankesantural):** I am surprised that the Hon. Minister of Agriculture and Lands, of all persons, should be the exponent of this theory of exploiting with regard to paddy cultivation. He is the person who goes about the country asking people to cultivate paddy on a large scale. This time we want paddy to be cultivated wherever possible throughout the country, and I should like to ask him the simple question whether this proposal is going to

promote paddy cultivation on a large scale in this country.

One should have a sense of proportion. The Hon. Minister of Agriculture and Lands spoke about the theory of exploitation and it was well that my hon. Friend from Trincomalee (Mr. Tambimuttu) pointed out that exploitation goes on in an unrestricted way in so many industries, especially in regard to plumbago-mining. Do the people who work in the mines receive a proportionate share of the enormous profits? There should be a sense of proportion, even granting that people who are going to cultivate paddy are going to get a little profit at the present time. Does that bear any proportion at all to the other industries which we are contemplating? This is the time that we should give relief to the cultivators.

**The Hon. Mr. Huxham:** I think the hon. Member who last spoke has lost his sense of proportion. He asks this House whether, if the tax is imposed, it will produce more paddy. Of course, it would not. The question the House has to decide is whether this Bill as it stands will result in the production of less paddy; and I say emphatically that that would not be the result.

The only persons who can be affected by the taxation of paddy fall into two classes: one of them, the hon. Nominated Member has spoken of; that is, the large estate proprietor who is liable to excess profits duty in any case and has a small area of paddy within his estate. If by any chance that paddy does make a substantial profit, he may have to pay a few rupees on it. It will be merged in his general excess profits duty. I do not think we need worry about him.

The other person it would touch is the agriculturist, mainly in the Eastern Province, who has really large extents of paddy. I cannot myself imagine such a person, depending solely on paddy, who would be liable to the tax, unless he receives as owner's share at the very least 3,000 bushels of paddy a year. An owner who receives that quantity is in a fairly large way of business and as the Hon. Acting Leader has explained, is not a person with whom this House would ordinarily have any very special sympathy. He is out to make his profits quite justifiably, to the greatest extent possible, just as much as the man who

owns tea and rubber, and he is not going to give up paddy cultivation or produce a single bushel of paddy the less because he may be charged a few hundreds of rupees excess profits duty. I do suggest to the House that it would be a great pity to spoil this Bill as now amended, by introducing an exemption of a particular kind of business which will serve no useful purpose.

**Mr. H. R. Freeman (Anuradhapure):** The danger is that if we do not exempt paddy we shall knock on the head the idea of a food "drive", and if the facts are as stated by the Hon. the Financial Secretary what is all the fuss about?

**Mr. Aluwihare:** There is one aspect of this matter which has been overlooked. I think everybody will be agreed that it is necessary to exempt paddy up to a certain extent. I believe in the first place, that Rs. 2,000 is the exemption in regard to income tax. Then you get Rs. 3,000 in regard to excess profits. So that you get an exemption of Rs. 5,000. You again get another 10 per cent. of the capital value of your holding. Let us work that out. Rs. 5,000 exemption at Rs. 3.25 a bushel would give you about 1,250 bushels.

**The Hon. Mr. Huxham:** The exemption is Rs. 7,000; the minimum standard of Rs. 4,000 plus an allowance of Rs. 3,000.

**Mr. Aluwihare:** Well, the Hon. the Financial Secretary says that it is Rs. 7,000. Will you work the rest of the sum out? Now Rs. 7,000 will actually give you 2,000 bushels at Rs. 3.25 a bushel. In our part of the country I believe the landlord's share will come to about twenty bushels an acre; I believe in the Eastern Province it is ten bushels an acre. So that, in the Eastern Province, it will be an exemption up to about 200 acres and, in our part of the country, it will be an exemption of 150 acres. The figure of 150 acres, in our part of the country, is fantastic. I do not think anybody except perhaps the Ratwattes, own 150 acres.

**Mr. Wanigasekera:** Is it each one, on his own?

**Mr. Aluwihare:** Anyway, the hon. Member does not know the Ratwattes. I believe that in our area the position is rather different. So that you come to the position that you get a very high exemption limit of 200 acres of paddy.

I would ask hon. Members to consider the other aspect of the question. You are raising the price of paddy to Rs. 3.25; you are exempting it from taxes.

Is it not likely that a good deal of capital will go in and buy up all the holdings of small landowners and form big paddy estates in every part of the country? That is the point. It is no use shaking your heads about it. That is the point that I would submit to hon. Members.

I have always felt that the time has come when there should be a prohibition against the sale of paddy land, and I am not at all certain that unless you couple this exemption with the prohibition of the sale of paddy land, you will not find the small paddy holdings round villages going into the hands of people like the European Nominated Member (Mr. Griffith) or somebody else. That is a point which I would submit to the House for consideration.

I must confess that with an exemption limit of 200 acres of paddy, it is very difficult to see how one can plead for an exemption from excess profits duty.

**Dr. M. C. M. Kaleel (Colombo Central):** I should like to ask one question of the Hon. Minister of Agriculture and Lands. If the excess profits duty is going to affect paddy cultivation, I wish to know whether the landowners would not pass it on to the cultivator. The Minister has already told us that the land owner for various reasons takes a portion of the paddy from the cultivator. For instance, it was said that the landowner takes a one-fifth share for one purpose; a one-tenth share for another purpose; and a one-twentieth share for yet another purpose. Now, the landowner would have another reason for taking a certain proportion of the cultivator's share. He will say that there is an excess profits duty being levied now, and that he is entitled to a further one-tenth share or some other percentage. Even if the landowner has not got to pay excess profits duty, he will make it an excuse to take as much as he can from the cultivator.

The Hon. Minister of Agriculture and Lands has also told us that a certain tax which was abolished during his childhood is still being levied by certain landowners. The Hon. Minister is now giving another

[Dr. Kalleel.]  
opportunity to the landowner. I therefore support the amendment, so that the cultivator will not be denied any benefits that he is going to receive. I also do not wish to give the absentee landowner any excuse to take a further share of the income of the cultivator.

**Mr. R. Sri Pathmanathan (Mannar-Mullaattivu):** I come from a paddy-growing area myself, and I entirely support the hon. Member for Trincomalee (Mr. Tambinuttu) in his sentiments.

The Hon. Minister of Agriculture and Lands has always had as one of his chief planks in his food campaign the cultivation of paddy, and the encouragement of such cultivation to make this country self-sufficient in the matter of its food supply. He has done so in a manner deserving praise, and he has always come to us for money for irrigation works. If he now introduces this tax, it will set back the hands of the clock rather than encourage paddy cultivation.

The history of taxation in this country provides interesting reading. From the very beginning of the British occupation, the people of this country have opposed taxation of paddy with the same spirit, with the same vehemence as they fought against the poll tax. It was after a very big fight that the late George Wall and Sir P. Ramanathan got the tax abolished. You will find that the old tax is going to be revived. I do not think it is in the interests of the country to do so, especially as Burma is no longer sending us rice.

The Hon. Minister of Agriculture and Lands in a conversation with me regarding a motion that was before this House in regard to giving a subsidy to paddy cultivators—to encourage paddy cultivation—spoke in sympathy of the cultivators. To-day he is reversing gear and wants to do the cultivators in. If anything, plumbago should be taxed and taxed to the hilt.

**The Hon. Colonel Kotalawala:** There is no plumbago in Mannar.

**Mr. Sri Pathmanathan:** Plumbago is being mined in large quantities. I understand that plumbago-mine owners are having about Rs. 6,000 to Rs. 7,000 put into their pockets daily for doing nothing, and it is they who should fill the coffers of the State and not the poor cultivator who works from morning till

late in the evening. Of course, the cultivators are not so rich as the Hon. the Financial Secretary says they are. He would like to go to his own country and cultivate wheat, but the poor people here have no hope.

**The Hon. Mr. Huxham:** On a point of order. Is the hon. Member really speaking about the Excess Profits Duty Bill—poor cultivators?

**Mr. Sri Pathmanathan:** Yes, Sir; he does not understand.

**The Chairman: :** Order, please! The hon. Member will please go on.

**Mr. Sri Pathmanathan:** Yes, Sir.

The first elementary profit is out of the cultivation of paddy. Then you come within the other taxation, of excess profits, if you are able to increase cultivation. That is the elementary principle of the excess profits tax. It does not require very much understanding or understanding of a financial nature.

That is why I say if we had fields of hop we could have had breweries. All the brewers in England are millionaires. The Financial Secretary is thinking of that. There is no alcohol to be got out of paddy. It is the poor man's food, and you are taxing the poor man's breakfast table. Already he hardly makes any money at all to be able to live. This is the only time you can cultivate your fields and you must encourage the cultivation of paddy so that each person can have 100 or 200 acres.

There is one thing the Hon. Minister has forgotten. He ought to import labour from South India. The labour in the Wanni is not sufficient. It is dwindling away as a result of malaria, and the only people who are able to show how paddy ought to be cultivated are the South Indian labourers. If you give them a free ticket to come and cultivate paddy, they will make this country self-supporting in a very short time. I oppose this increased taxation.

**Dr. A. P. de Zoysa (Colombo South):** I believe that in this matter of taxation, if relief is granted there will be all types of relief asked for, for paddy cultivation, vegetable cultivation and so on, and there will be no end to it. If subsidies are necessary, they should ask for subsidies in the proper manner. Legislation in regard to this taxation, which is taxation of excess profits, should be

without any discrimination, and it should be left to the Minister of Labour, Industry and Commerce to entertain applications for subsidies.

With regard to the question of plumbago—

**The Chairman:** We are on the amendment of the hon. Member for Trincomalee.

**Dr. de Zoysa:** Even with regard to the amendment, the excess profits duty is a duty on all traders and businesses, that make profits; and I think we should make that the principle, and give subsidies when required.

Question put, "That the words 'excluding paddy cultivation' be added after the words 'agricultural undertaking,' in line 3 of Sub-section (1) (A) proposed in Sub-clause (2)."

The Committee divided—Ayes, 23; Noes, 17\*.

#### AYES.

Abeysunsekera, Mr. E. W.	Natesan, Mr. S.
Abeywickrama, Mr. Simon	Pereira, Diwan Bahadur
Amarasuriya, Mr. H. W.	I. K.
Amarasuriya, Mr. Thomas	Ponnambalam, Mr. G. G.
Dharmaretnam, Mr. S.	Rajapaksa, Mr. D. M.
Freeman, Mr. H. R.	Ratnayake, Mr. A.
Gunasekera, Mr. D. D.	Ratwatte, Mr. H. L.
Gunawardana, Mr. R. S. S.	Razik, Mr. A. R. A.
Hanganthilleke, Mr. J. H.	Samarakkody, Mr. S.
Jayab, Mr. T. B.	Sri Pathmanathan, Mr. R.
Kaleel, Dr. M. C. M.	Tambintutu, Mr. E. R.
Kularatne, Mr. P. de S.	Vytillingam, Mr. S.

#### NOES.

Senanayake, The Hon. Mr.	Aluwihare, Mr. E. H.
D. S.	De Silva, Mr. G. R.
Kannangara, The Hon.	De Zoysa, Dr. A. P.
Mr. C. W. W.	Griffith, Mr. F. H.
Coreas, The Hon. Mr.	Hewavitarne, Mr. Rajah
G. C. S.	Newnam, Mr. H. E.,
Kotalawala, The Hon.	C.M.G., Y.D.
Colonel J. L.	Parfitt, Mr. H. F.
de Silva, The Hon. Mr.	Senanayake, Mr. Dudley
G. E.	Wanigasekera, Mr. D.
Mahadeva, The Hon.	Whitby, Mr. G. R.
Mr. A.	Wille, Mr. G. A. H.

*It being 5.30 p.m., proceedings on business under consideration were interrupted under Emergency Standing Order 2 (4).*

Committee to report progress, and ask leave to sit again.

**The Hon. Mr. Senanayake:** I move that Council do now resume.

*The Council having resumed—*

MR. SPEAKER took the Chair.

Committee report progress; to sit again.

**The Hon. Mr. Senanayake:** As we have agreed to allow Private Members' motions to be moved from 2 p.m.

tomorrow, I move that Emergency Standing Orders 2 (4) be suspended to enable the Council to proceed with and conclude the consideration in Committee of the Excess Profits Duty (Amendment) Bill this day.

Question put, and agreed to.

**The Hon. Mr. Senanayake:** I move that Council do go into Committee—

*In Committee—*

MR. SPEAKER presided as Chairman.

**The Hon. Mr. Huxham:** I move the following further amendment to Clause 2 (2):

In the new sub-section (1A), for all the words from "excess profits duty of an amount equal" to the end of the sub-section, substitute the following:—

"excess profits duty of an amount equal to fifty per centum of that excess:

Provided, however, that in the case of any business of mining plumbago, the amount to be charged, levied and paid as excess profits duty in respect of any accounting period shall, if the taxpayer so elects, be an amount equal to thirty per centum of the total profits arising from that business in that accounting period, the amount of such total profits being determined in accordance with section 4, but without regard to the provisions of section 11."

**Mr. Vytillingam:** I want to ask the Financial Secretary why he wants this accounting period—

**The Chairman:** Is the hon. Member moving an amendment?

**Mr. Vytillingam:** Before I move the amendment, I want to know from the Financial Secretary why excess profits arising on and after 1st January, 1942, should not be made liable to the tax? According to the draft Bill any profit arising during the accounting period ending any day after 1st January is liable.

**The Chairman:** Will the hon. Member let me know where those words occur?

**Mr. Vytillingam:** In Clause 2 of the Amending Bill.

**The Hon. Mr. Huxham:** I explained this point when the main Bill was introduced.

There are two different methods of assessing excess profits duty. One is to deal with the accounts of the taxpayer for the periods for which he makes them up, and the other is to impose the duty arbitrarily from a certain day in the year. The second method inevitably involves

\* See also page 2106

[The Hon. Mr. Huxham.]  
arriving at a totally artificial profit where the taxpayer does not make up his accounts for the period you have chosen.

For instance, if we tax from the 1st of January, 1942, we have to arrive at the profits for the calendar year, 1942, and if the taxpayer makes up his accounts annually to 31st March, as many taxpayers do, we are driven to taking one-fourth of one year's account and three-fourths of another year's accounts and adding them together and saying that that is the profit he made in 1942, knowing in many cases that the profit he made in 1942 is something quite different, because actually the one-fourth you bring in out of the whole year's accounts is most unlikely to represent the actual profits of those three months. He may have made a very big profit or he may have had a loss in that period.

Taxation by reference to a fixed date is so unsatisfactory and involves so much administrative difficulty in practice in the matter of ascertaining capital, and matters of that kind, that Government adopted the accounting-period system, and it was approved in the main Ordinance. As it is a feature of the main Ordinance, any amendment of the Ordinance must retain that system.

**Mr. Vytilingam:** Can the Hon. the Financial Secretary tell us whether the same procedure is not adopted in the Income Tax Department? When a new business is started and income tax has to be paid, an estimate of the income of the accounting year is taken for part of the other year; whether it is 4 months, 5 months or 6 months, the estimate is made, and income tax collected on that.

**The Hon. Mr. Huxham:** No; the same principle is adopted as regards income tax; that is to say, assessment is made on the profit of the year for which the taxpayer has made up his accounts prior to the year for which the tax is being levied. If he makes up his accounts to 31st December, that year is taken for the assessment of the following fiscal year, although that fiscal year starts on 1st April.

In the case of a new business, if it starts on, say, 1st January, it is liable to a quarter of a year's tax in the year in which it started. But when making a complete year's assessment, if you

were to take one bit from one account and another bit from another account and add them together, the result may not have any relation to actual profits.

**The Chairman:** In the light of the Financial Secretary's statement, is the hon. Member pressing his amendment?

**Mr. Vytilingam:** No, Sir.

**The Chairman:** The question is that the words proposed to be deleted from Clause 2 (2) stand part of the Clause.

**The Hon. Mr. Senanayake:** What is proposed to be deleted?

**The Chairman:** In the new sub-section (1A), for all the words from "excess profits duty of an amount equal" to the end of the sub-section, the substitution of certain other words.

**The Hon. Mr. Senanayake:** That is, the amendment proposed by the Financial Secretary. I only asked the question because the hon. Burgher Nominated Member (Mr. Wille) said something about it.

**The Chairman:** We will come to that.

The question is that the words proposed to be deleted stand part of the Clause. If the House decides in the affirmative then the Hon. the Financial Secretary's amendment will be lost.

**The Hon. Mr. Senanayake:** Actually, with regard to this amendment itself, the hon. Burgher Nominated Member made a certain proposal.

**The Chairman:** He has another amendment to insert certain words. I will come to that if this amendment is defeated. If this question is negatived, I will then put the question that these words be inserted; at that stage the hon. Nominated Member can move to insert certain other words. That will be an amendment to the amendment.

**The Hon. Mr. Senanayake:** I quite realize the procedure, but what I want to say is this that the proposal of the hon. Member is in effect to increase the taxation.

**The Chairman:** I will come to that point later.

Question, "That the words proposed to be deleted stand part of the Clause", put, and negatived.

**The Chairman:** The question that certain words be added in place of those words deleted is now before the Committee. Does the hon. Member want to move an amendment to that?

**Mr. Wille:** I move that the proviso be deleted.

**The Hon. Mr. Senanayake:** I rise to a point of order. I say that it is not in order to move the deletion of the proviso, because if the proviso is deleted, you will increase taxation.

**The Chairman:** Is that so?

**Mr. Wille:** It has been argued that this proviso would mean more taxation according to certain combinations that were adduced to illustrate it. So I do not see how the deletion can be said to increase taxation.

**The Hon. Mr. Huxham:** The deletion of the proviso will in no circumstances decrease taxation, but in many cases it would have the effect of increasing taxation. If the hon. Nominated Member's proposal was accepted, it would have the effect of increasing taxation in a number of cases.

**Mr. Wille:** And decrease it in certain other cases.

**The Hon. Mr. Huxham:** No, it will not decrease taxation. It is a proposal to increase taxation.

**The Chairman:** The amendment is not in order.

**Mr. Natesan:** The Amending Bill proposes some alternatives. The hon. Nominated Member wants one alternative. How does it increase taxation?

**The Chairman:** It is not for me to say.

**The Hon. Mr. Senanayake:** You have already given a ruling on that point, Sir.

**The Chairman:** The question is that the following words be added to the clause.

**Mr. Wille:** I want to say a word or two about that amendment.

**The Chairman:** I have already ruled that the hon. Member's amendment is out of order.

**Mr. Wille:** I am now speaking on the merits of the Hon. the Financial Secretary's amendment. I just want to call attention to one fact, as illustrated by the muddy waters we get into when we think of concessions, exceptions, and so on. Now, if we have a straight course through

one fixed rate, whatever the business concerned is, then we shall steer clear of all these invidious discriminations. The Hon. Acting Leader himself said, with regard to paddy cultivation, that he had no sympathy with absentee landlords. I want to know why there should be so much sympathy with absentee plumbago owners?

**The Hon. Mr. Senanayake:** There is no sympathy—[*Interruption.*]

**Mr. Wille:** They are very much present in this House but absent from mines and pits.

I am arguing against the discrimination that is shown because, as I said, the discussion we had with regard to paddy illustrates this point that when we begin to make exceptions and exemptions, we do not know how they will work. There was so much difference of opinion about it that the safest course is to adopt one standard rate for all businesses.

**Dr. de Zoysa:** I support the view that the same rate should be adopted in the case of all excess profits, because I remember the Financial Secretary bringing forward certain arguments that in England, for instance, coal-mining is exempted. I feel, however, that in the case of coal-mining, a subsidy is given by Government for that purpose. There is a vast difference between coal-mining and plumbago-mining. Coal is necessary for the people in England, firstly, to keep themselves warm; and secondly various industrial establishments need coal, whereas plumbago is an article which is sold purely for the purpose of producing war materials. I can understand it if the Minister says that all mining should be exempted, not only plumbago-mining but mining for gems as well.

**The Hon. Mr. Senanayake:** Gems are excluded.

**Dr. de Zoysa:** According to this Bill it is only plumbago. Are excess profits to be charged on gem-mining as well?

**The Hon. Mr. Senanayake:** No.

**Dr. de Zoysa:** Even then there is no reason for the discrimination. I can understand a certain consideration being shown to say, food production, but in the case of an industry like plumbago which is making large profits it is not quite correct to levy a lower rate. I know, for instance, some friends of mine who are

[Dr. de Zoysa.]  
making as much as Rs. 5,000 a day, not by mining plumbago, but by exporting it.

**The Hon. Mr. Senanayake:** They are taxed.

**Dr. de Zoysa:** But with regard to this discriminatory taxation of 30 per cent., it has not been shown whether the expenses of mining for plumbago are rising or whether the industry is losing. Nothing has been told us about it.

With regard to coal-mining in England coal is a necessity for the people. I cannot imagine an English winter without coal, let alone industries. But we cannot say the same thing with regard to plumbago.

Then, there are other industries in which people have to work very hard; and where they earn a certain profit they ask why they should pay excess profits when certain other industries are exempted. You are thereby creating dissatisfaction among people who are willing to pay. But if they see that this is a tax which everyone has to pay, then they will know that it is the duty of every citizen to pay it and they will take pleasure in paying it. But if certain industries are to be exempted, then there is bound to be dissatisfaction.

I would, therefore, beg of the Ministers to reconsider this matter, and I hope the House will agree to making all industries pay 50 per cent. excess profits tax. But if a certain industry wants a subsidy or some help, then it should apply to the Minister of Labour, Industry and Commerce. Even in this matter of plumbago there has been no information whatever from that Ministry to say whether the industry is losing or not. In the absence of any such report, the only thing the House should do is to see that 50 per cent is obtained from the plumbago industry as well.

**The Hon. Mr. Senanayake:** May I just mention one thing? As has been pointed out, the proposal to delete the proviso to increase taxation is not in order.

With regard to the suggestion made by my hon. Friend the Member for Colombo South if he had been here when the question was considered to-day, he would have realized that the charge on plumbago is much greater than the charge on any other industry. The 30 per cent. tax

that is to be charged is to be charged, not on the excess profits, but on the total profits.

Question put, "That the words proposed to be substituted be inserted."

The Committee divided (under Standing Order 68): Ayes, 15; Noes, 4.

Clause 2 as amended ordered to stand part of the Bill\*.

**CLAUSE 3.—(Amendment of Section 3 of the Principal Ordinance.)**

**The Hon. Mr. Huxham:** I move that Clause 3 be amended as follows:

(1) Add the word "and" at the end of paragraph (b).

(2) Insert the following new paragraph (c):—

'(c) by the substitution, for the words "purposes of this Ordinance", at the end of that sub-section, of the following:—

"purposes of this Ordinance, so, however, that an agricultural undertaking for the production of coconuts shall not be deemed to be of the like nature as an agricultural undertaking for the production of tea, rubber or any other agricultural product.";

Amendment agreed to.

Clause 3, as amended, ordered to stand part of the Bill\*.

**CLAUSE 4.—(Amendment of Section of the Principal Ordinance.)**

**The Hon. Mr. Huxham:** I move that Clause 4 be amended as follows:

(1) re-number Sub-clauses (1) and (2) as Sub-clauses (2) and (3), respectively;

(2) insert the following sub-clause immediately before the re-numbered Sub-clause (2):—

'(1) in paragraph (g) of that sub-section, by the substitution, for sub-paragraph (i.), of the following:—

"(i.) the pre-war standard of profits is taken to be the percentage standard as hereinafter defined or to be an amount specified in any of the provisions of section 6 (5); and"

**Mr. Wille:** I want to move to delete Sub-clause (1) which deals with the way profits are determined. I wish to say a word about this amendment. This is one of the Clauses which I characterized as fancy provisions intended to whittle down the effects of this Bill. Why this special concern should be shown to plumbago-owners in contravention of all rules with regard to ascertaining profits, I do not understand. Here some capital expenditure is going to be deducted from profits.



**The Hon. Mr. Senanayake** As it is, we have agreed to 30 per cent. being charged. Sub-clause (l) deals with the other method, the method that is provided for all; that is, for purposes of capital expenditure, a certain amount is to be deducted. This is an alternative proposal. The one that is proposed is the one that is common to all other businesses.

**The Hon. Mr. Huxham:** No, Sir. This Clause contains a very small concession to plumbago-mine owners, namely, that the cost of looking for plumbago and the cost of actually sinking a pit until one gets down to the plumbago shall be allowed as an expense to the person who is liable to excess profits duty. I think that in view of the special nature of plumbago-mining that concession is reasonable. A person who has a plumbago mine will be prospecting in neighbouring lands to see if he can find more plumbago. We want to encourage him to do so. If a man sinks a pit, I think we ought to allow him to deduct the expenditure incurred in doing so whether he finds plumbago or not.

**Mr. Wille:** The point is whether in any accounting system, this, being part of the capital expenditure, would be allowed to be deducted from profits.

**The Hon. Mr. Senanayake:** The pit has to be sunk to a certain depth before you can get plumbago. It is therefore legitimate expenditure that the man incurs on his business.

**Mr. Wille:** If ordinarily this expenditure is deducted for the purpose of ascertaining profits, why should you make special provision for it?

**Mr. H. W. Amarasuriya:** In regard to rubber, the owner has to clear jungles and prepare the ground for planting, and he incurs a certain amount of expenditure in doing so. But this concession is not given to rubber.

**The Hon. Mr. Senanayake:** It is given.

**Mr. H. W. Amarasuriya:** No capital expenditure is allowed to be deducted. I think if you grant this concession to plumbago, you will find plumbago-mine owners digging daily for new mines, and in the end the Hon. the Financial Secretary will get no duty from plumbago.

**The Hon. Mr. Senanayake:** Does the hon. Member think that people, merely to evade paying excess profits duty, will

go on digging holes everywhere prospecting for plumbago? This is the way that geniuses argue matters!

Question put, "That Sub-clause (2) (l) be deleted."

The Committee divided (under Standing Order 68): Ayes, 5; Noes, 11.

Sub-clause (2) (l) ordered to stand part of the Clause.

Amendment agreed to.

Clause 4, as amended, ordered to stand part of the Bill.

Clause 5.—(Insertion of new Section 4A in the Principal Ordinance: Relief in respect of intensive production of rubber.)

**The Hon. Mr. Huxham:** I move that Clause 5 be amended as follows:

In the sub-section (4) of the new section 4A, for the definition of "standard production", substitute the following:—

"standard production", when used with reference to a year of control—

(a) means the amount of the standard production of the estate for the year as determined under the aforesaid Ordinance; or

(b) in any case where any area or areas on the estate have been replanted, and the quantity of rubber (hereinafter referred to as "the first quantity") produced from such area or areas in that year is less than the quantity of rubber (hereinafter referred to as "the second quantity") which, in the opinion of the Commissioner, fairly represents the amount included in respect of such area or areas in the standard production of that estate for that year as determined under that Ordinance, means the amount of the standard production so determined reduced by the difference between the second quantity and the first quantity.

**Mr. Wille:** May I move the deletion of the whole clause? My amendment is to delete the whole of Clause 5.

**The Chairman:** We will come to that later.

**Mr. Parfitt:** I withdraw my amendment to Clause 5 in view of the Financial Secretary's amendment.

**Mr. Wille:** I want to say a word on the amendment. This is on the same plane as the other concessions, which are not really called for. This is a Bill dealing with excess profits, and when we are dealing with excess profits, I do not know why so much tenderness is shown to those who plant rubber. The underlying reason for this Clause seems to be that if

[Mr. Wille.]

the whole of the excess profit is not allowed in respect of the extra area of rubber planted, rubber planters will not go to the trouble of carrying on the intensive production of rubber. That argues against human nature. So long as they will have at least 50 per cent. of the profits left in their pockets, they will certainly produce as much rubber as possible. This amendment is not called for, and it is an objectionable feature of the Bill.

**Mr. Parfitt:** If the hon. Nominated Member (Mr. Wille) had a deep knowledge of rubber planting, he would know that an extra concession is due to the rubber planter who is actually taking capital out of his trees, who is damaging his trees, to produce sufficient rubber for the war effort.

**The Hon. Mr. Senanayake:** Perhaps the hon. Member does not understand that the concession made will be of no use if this provision is not included. Although some parts of the estate may have been replanted, the standard production was fixed at a figure which represented the possible yield of the whole estate, including the area that has been cut out for replanting. If you are going to allow an excess over that, the estate owner will not have the other concession at all. He cannot produce in excess of the standard production. He will have to produce 20 per cent. in excess of the standard production to obtain the yield as assessed for the area that has been cut out, which is an impossibility. I am sure my hon. Friend the Nominated Member (Mr. Wille) will realize that his principles are not acceptable to the House.

**Mr. Wille:** There must be something wrong in the method of ascertaining excess profits. So long as there are excess profits in respect of the extra area, I do not see why they should not be taxed.

Amendment agreed to.

Clause 5, as amended, ordered to stand part of the Bill.

#### NEW CLAUSE.

**Mr. Parfitt:** I have an amendment to move to Clause 6 (1):

In Section 6 (1) of the main Ordinance, para. 1—add the further words, "except that, as regards rubber the pre-war standard shall be taken as any one year of the three last pre-war trade years."

**The Chairman:** Yes, the amendment is before the House.

**Mr. Parfitt:** I have no desire to detain the House unnecessarily. I do not wish to reiterate all I said at the second reading debate. But I would like to impress on Members that the amendment I place before the House is in the interests of the rubber industry.

In the matter of restriction, this industry has been unfairly assessed. It was given only 80,000 tons as the standard production, whereas it was accepted and pressed by this House—by the Minister of Agriculture and Lands, by the Minister of Health and by the Member for Galle (Mr. H. W. Amarasinghe)—that that was an unfair assessment. Eventually we were given 106,000 tons, and I asked for this best year to counteract the unfairness to the rubber industry caused by imposing an excess profits tax on an assessment of 80,000 tons.

I stated so in the Committee stage, when this Bill was discussed; and to show how unfairly the rubber producers were affected, I read out extracts from the Administration Report of the Rubber Controller where it was said that estates of from 10 acres to 100 acres in extent were put up from 308 lb. to 328 lb. per acre, and in the case of the larger estates it was put up from 400 to 442 lb. If my amendment is not accepted, it would mean that the whole of the rubber industry would be assessed on the lower basis which would mean that the industry would be unfairly taxed. I ask for that adjustment.

Sir, the Hon. the Financial Secretary made a point by saying that if this basis was accepted every undertaking would ask for the same concession. The position is that no other undertaking has asked for that concession, and, in practice, it would be difficult for any particular firm to ask for it.

I would plead for the whole of the rubber industry as one of the major industries of this Island. I plead for fair treatment as compared with other industries such as coconut and so on. I ask that fair treatment be accorded to rubber by allowing that the pre-war standard be taken as any one year of the three last pre-war trade years instead of the average

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**The Hon. Mr. Senanayake:** Sir, I am very sorry to oppose my hon. Friend. I do so for this simple reason: his argument was that owing to the action of Government, or because of the International Agreement, we were granted an assessment which was considered to be less than our due; in other words, we might say that the income had been curtailed owing to a certain agreement or because of the action of Government.

We must admit, however, that if that action had not been taken, by the Government, the price of rubber at that time would have been very much less than it was. It was to our advantage that we came to that agreement; it might not have benefited us to the same extent as it benefited other countries, but it did benefit us and we got the income. Suppose, for instance, every industry told us, "You imposed a duty on certain imports which was higher than it is to-day, and because of it we were unable to make more profit. Therefore, on account of your action, which you subsequently modified, we should be able to obtain certain concessions". Am I to take it that such a request will be entertained by this House?

There are many things that might happen which would prevent us from making the profits that were made previously. Now, it will be argued—take, for instance, textiles—that certain firms were unable to make profits during certain years because of the quotas that were introduced. They may have been dealing with other countries, and it may be that those very people are making huge profits to-day because textiles are scarce. Merely because there is some reason which is good, I do not think we should make an exemption which is not applicable to an industry.

This would mean a loss of Rs. 3,000,000 and the result would be that we will have to think of other means of taxation which will not be so good as taxing the rubber industry itself.

Question put, "That the following new Clause be read a second time:

"6. Section 6 of the principal Ordinance is hereby amended in Sub-section (1) thereof by the insertion, immediately before the concluding paragraph of that sub-section, of the following:—

"Notwithstanding anything in the preceding provisions of this sub-section the pre-war stand-

ard of profits of any agricultural undertaking wholly or mainly for the production of rubber shall, if the taxpayer so elects, be taken to be the amount of the profits raised from that undertaking during any one of the three last pre-war trade years."

The Committee divided (under Standing Order 68): Ayes, 11; Noes, 10.

New Clause read a second time.

Question put, "That the new Clause be added to the Bill."

The Committee divided (under Standing Order 68): Ayes, 14; Noes, 15.

**CLAUSE 6.—(Amendment of Section 10 of the Principal Ordinance.**

**The Hon. Mr. Huxham:** I move that Clause 6 be amended as follows:

(1) Clause 6 (2)—

In the new sub-section (1A), for paragraph (c), substitute the following:—

"(c) where the area is planted with coconut, of five hundred rupees per acre,".

(2) Add the following new paragraph at the end of the Clause:—

(3) in Sub-section (5A) of that section—

(a) by the substitution in paragraph (b) of that sub-section, for the words "during the last pre-war trade year", of the words "in respect of the last pre-war trade year"; and

(b) by the substitution in paragraph (c) of that sub-section, for the words "during the last pre-war trade year or the first accounting period", of the words "in respect of the last pre-war trade year or during the first accounting period,".

Amendment agreed to.

Clause 6, as amended, ordered to stand part of the Bill.

**CLAUSE 9.—(Insertion of new Section 16A in the Principal Ordinance: Relief in respect of additional export duties on tea, rubber and plumbago).**

**Mr. Wille:** This Clause deals with relief in respect of an additional export duty on tea, rubber, and plumbago, and the method of relief provided is unduly unfavourable to the tea, rubber and plumbago owners—unfavourable to Revenue.

In speaking on the second reading of this Bill the other day, I explained that the profits of the businesses are taken as a basis; that from the profits 50 per cent—

**The Hon. Mr. Senanayake:** If the hon. Member says that this Clause is unfavourable to Revenue, his amendment must be presumed to mean that it will affect Revenue. As it deals with an increase of taxation, the amendment, I submit, is out of order.

**The Chairman:** The amendment is not in order.

**Mr. Wille:** This is one of those vitiating concessions.

**The Chairman:** Order.

Clause 9 ordered to stand part of the Bill.

Clauses 10 and 11 ordered to stand part of the Bill.

Enacting Clause and Title ordered to stand part of the Bill.

#### CLAUSES 2 AND 3.

**The Hon. Mr. Huxham:** Before the Council resumes, I would like to mention that I have a drafting amendment to move regarding the concession to paddy which the House approved. Under Standing Order 84 I move,—

That the amendment made to Clause 2, Sub-clause 2 (1a) on the motion of Mr. E. R. Tambimuttu be deleted and that Clause 3 be further amended by the addition at the end of paragraph (b) in Clause 3 (1) of the words

and the substitution of the following:—

(c) an agricultural undertaking for the production of paddy.”

put, and agreed to. Clauses 2 and 3 were ordered to be further amended accordingly.

This amendment has the same effect.

**Mr. Aluwihare:** Will it have the same effect?

**The Hon. Mr. Huxham:** The Legal Draftsman says so.

Amendments agreed to.

Clauses 2 and 3, as amended, ordered to stand part of the Bill\*.

**The Hon. Mr. Huxham:** I move that Council do now resume.

*The Council having resumed.*—

MR. SPEAKER took the Chair.

**The Hon. Mr. Huxham:** I move that the amendments passed in Committee be accepted.

Amendments accepted.

**The Hon. Mr. Huxham:** I move that the Bill be now read the third time.

Question put accordingly, and agreed to.

Bill read the third time, and passed.

#### ADJOURNMENT.

**Mr. Speaker:** The Council will now adjourn till 2 P.M. to-morrow.

**The Hon. Colonel Kotalawala:** We can adjourn till the 22nd, Sir. There is no other business.

**Mr. Samarakkody:** The Hon. Acting Leader gave us an assurance that the Council will sit to-morrow.

**The Hon. Mr. Senanayake:** You will remember, Sir, that at the beginning of to-day's sitting a bargain was struck between Private Members and myself that we take up Government business to-day and give them to-morrow for private business. But if hon. Members do not want to meet to-morrow, as far as I am concerned I have no objection to the Council being adjourned until 22nd September.

**The Hon. Colonel Kotalawala:** They do not want to meet.

**Mr. Parfitt:** The question may be put to the House.

**Mr. Speaker:** Will the Hon. Leader move the motion.

**The Hon. Mr. Senanayake:** I move that we meet to-morrow at 2 P.M.

**Mr. Speaker:** That will not do.

**The Hon. Mr. Senanayake:** As far as we are concerned, we are bound to agree to come here to-morrow because we have taken up the time of Private Members. If they do not want to meet to-morrow, we will be very happy to be relieved. The Ministers will not vote on it if you put the motion to the House.

**Mr. Aluwihare:** Surely that is not keeping faith with the Private Members, because otherwise we would have insisted on taking up Private Members' motions to-day.

**Mr. Speaker:** Yes. Does the House agree to meet at 2 P.M. to-morrow?

Members: Aye.

**The Speaker:** The Council is adjourned till 2 P.M. to-morrow.

Adjourned accordingly at 6.25 P.M. until 2 P.M. on Thursday, September 3, 1942.

\* See also pages 2099 and 2102.