

Taxation of Commercial Crops

K. G. Sivaswamy

A GREAT deal of confusion has resulted from the halting policy of the Government of Madras in taxing the richer landlords. Agricultural Income-tax is the easiest to collect and is likely to fetch Rs. 5 crores. It has been admitted by the Special Officer appointed by the Madras Government to examine this tax as "a rational way of taxing the richer class of landowners." Agricultural income-tax was promised in the Congress Manifesto as early as 1936. It has been introduced in many States, but the Madras Ministry, under the pressure of big landholders, and owing to the lax control from the Congress High Command, is abusing its power by taxing the poorer holders. A previous Ministry introduced a Bill for agricultural income-tax which the last and the present ministry have scheduled.

The Land Reforms Committee Report recommended a standardisation of the assessment, according to which the whole resettlement enhancement and to be cancelled in fifteen districts and half the enhancement is to be cancelled in six other districts. But the Government has brought no Bill to give effect to this reform as the beneficiary will possibly be the poorer-holders. The Committee also proposed a surcharge between 1½ annas and 8 annas in the rupee on larger holdings paying an assessment over Rs. 150. The enhancement proposed thus varied between 10 and 50 per cent of the existing assessment. But, according to the Special Officer's report, the rents collected by the landlords on lands cultivated with food crops was four times the assessment, while it varied between 11 and 25 times the assessment in the case of commercial crops. Hence the enhancement would be more than (nay far less) than 3 per cent of the sum of land rent. Rental value being considered as the net income of a landholder, the enhancement would only be a similar proportion of a landlord's net income. Even this small enhancement the Government has agreed not to introduce. Landlords' agitation has so unnerved the Government. The Congress Legislature party representing big landholders has voted it down. The Government has surrendered a just proposal and withdrawn the Bill.

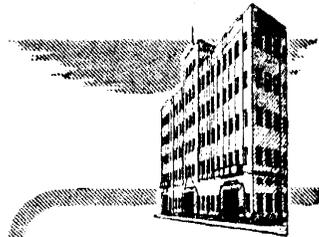
The Madras Government has also embarked on another measure of taxation, namely a tax on commercial crops. A tax on a crop is not a tax on the land, but on the crop. It is not rent collected by the State for the use of its land, but a tax towards State revenues. It is to be collected under the Bill as a certain multiple of assessment being 16 annas in the rupee (since reduced to 12 annas in the rupee), for betel vines, coeanut, citrus fruits, sugarcane and turmeric; and 8 annas in the rupee for arecanut and bananas. For certain crops, as cardomum, coffee and tea, it will be Re. 1 per acre; pepper and tobacco Rs. 5 per acre and rubber Re. 1 per acre. The maximum for any other crops, it is proposed, shall not exceed 16 annas in the rupee of land revenue or Rs. 10 per acre.

Let us examine the implications of these tax proposals.

As land revenue is calculated as rent for the use of the land, it excludes the surplus income due to the cultivator's efforts by way of permanent improvements to the land. The present proposal being a tax, naturally takes into account any income, whether due to nature or man's industry. When once we take account of incomes, the sounder policy would be to tax net incomes along with non-agricultural incomes after exempting a minimum. That, of course, would be taxing the rich and not the poor. But the Madras Government wants that the poor too should pay; so, it has fixed this tax on all holders of land after allowing an area of 25 per cent as land exempted from this tax. This tax will be levied on even those who hold one cent of land. Eighty per cent of pattadars in Madras hold about 2 acres. Most of this crop wise tax will be collected from these poor holders. It will only be a flea bite to the holders paying a land tax exceeding Rs. 10. The Land Reforms Committee has proposed the maximum exempted limit of area for collecting this tax as 3 acres, so that big holders may not get a larger exemption under the formula of 25 per cent of the area being exempted. It is not made clear whether this limit of 3 acres will be included in the Bill. But, the surcharge to be paid is small. The maximum is 75 per cent over the existing land revenue for some crops. In the case of tobacco or pepper which yield fancy profits the tax fixed at Rs. 5 per acre will not be more, than twice or thrice the existing land revenue.

The Special Officer has calculated the ratio of rents to assessment realised by a landholder from sugarcane as ranging between 15 to 26 times, from tobacco at 210 times; plantain 12 times; for all crops 9 to 13 times; paddy 9 to 16 times; for well areas 18 to 80 times and dry areas 9 to 27 times. When such phenomenal income is made by landowners and so little is paid as tax, there is certainly a case for taxing the well-to-do among the landholders. Even if no income-tax is levied, a surcharge on the acreage or assessment can and ought to be collected. Those holders whose net income from *all* sources is Rs. 2,000 to Rs. 3,000 a year may be excluded. But, the calculation of the income of land-holders from sources other than land may introduce administrative complications.

United Bank of India Ltd.



PAID-UP CAPITAL—

Over Rs. 2,64,00,000

RESERVES—

Over Rs. 1,00,00,000

Branches at all important Trade Centres of India.

Head. Office :

4, CLIVE GHAT ST., CALCUTTA

Foreign Agents and Correspondents all over the world.

B. K. Dutt, K. C. Neogy,
General Manager M.P. Chairman

For the present, we may restrict ourselves to the proposed methods of surcharge on assessment or per acre for commercial crops. Why not then limit the collection from those who pay a land revenue of Rs. 150 and above, and increase the rates of surcharge for them? We can increase these rates to such a figure as not to exceed the present income-tax rates for different slabs of non-agricultural incomes. Certain principles of increase can be laid down. The landholders may be classified into four groups; those paying between Rs. 150 and Rs. 250; between Rs. 250 and Rs. 500; between Rs. 500 and Rs. 1,000 and above Rs. 1,000. The surcharge may be increased for these four groups in the same ratio as for different slabs of incomes in the collection of income-tax. Secondly, the rate of surcharge should bear an increased proportion to the acreage or the assessment than that proposed in the Bill.

Mr Raghavendra Rao, the Special Officer, says in his report that the ratio of assessment to net income of food crop lands is 1:4; and of lands under commercial crops is 1:15. These calculations are underestimates and extremely modest. In the ryotwari areas Government is entitled to half the net income as land assessment. It will not be unfair therefore to collect 7 times the existing assessment as special assessment from lands growing commercial crops. It should be remembered that this increased rate is proposed only for those landholders paying between Rs. 150 and Rs. 250. This sum of 7 times the assessment may be progressively increased in the case of owners paying over Rs. 250. It may be fixed at nine times for the excess land revenue over Rs. 250 and up to Rs. 500, and 12 times over Rs. 500 up to Rs. 1,000; and 15 times over Rs. 1,000.

The increased rates will be in the ratio of income-tax rates for higher slabs of incomes. This proposal is sure to bring to the State more income than a uniformly low rate of surcharge on all holders, small and big.

If Government sticks to taxation of commercial crops, this is the minimum it ought to do. The original proposal included a tax on mangoes, onions, cotton and groundnuts, but excluded a tax on arecanuts. The new proposal excludes a tax on the former and includes a tax on the latter. The result is that this proposed taxation of mil-

lions of small and uneconomic holdings will just provide Rs. 25 lakhs, while the original proposal budgeted for Rs. 100 lakhs. By fixing no minimum limit of income for collecting this tax, it will act as a crushing burden on the poor; and the amount realised will be a drop in the ocean and will in no way contribute to the prevention of deficit financing.

Another feature of this levy is its unequal incidence. If turmeric, sugarcane and bananas are raised on dry lands, the surcharge will be low, as dry lands pay a low tax of about Rs. 2 per acre. If these very same crops are raised on wet lands, the owners will pay more as the wet land assessment is not a mere tax on the land, but also includes the irrigation fee. The surcharge therefore becomes an extra levy not on the crop but on the use of water. Calculating Rs. 7 as the minimum water rate per acre, a surcharge of 12 annas on the assessment will become not less than seven-fold in the case of irrigated wet lands paying a water rate.

Yet another burden has been laid on the Malabar and South Kanara cultivator. The land tax on gardens in Malabar and South Kanara is a tax on the crop and not on the land, as in other parts of the State. The Land Reforms Committee excluded these two districts on this ground, but in the Bill, this is not the case. This means that the cultivator of these districts will be paying once over what the cultivators of other districts are asked to pay.

Further, any tax on commercial crops will be passed on to tenants-at-will, so long as rents have not been statutorily fixed. The small owner-cultivator will have to pay it as he cannot let out his land; nor has he any wages to pay which he can reduce. He and his family work on the land. But the big landholder will only pass it on to the tenant or the labourers by taking a proportionately increased rent, or lowering the wages.

As regards plantation areas, the Land Reforms Committee proposed that an Agricultural Income-tax Act should be passed and applied to the plantations in the first instance. They estimated that a revenue of Rs. 7 lakhs could be derived from 1,70,100 acres of plantations from this tax. But without sticking to their own proposal, the Land Reforms Committee preferred instead certain special levies. Shri Raghavendra Rao proposed Rs. 5

per acre; the Board of Revenue Rs. 3 on tea and coffee and Rs. 2 on rubber; and the Land Reforms Committee agreed to the figures of the Board of Revenue, but reduced the tax on rubber to Re. 1 per acre. The original Bill followed these latter proposals. But possibly being frightened by the criticism of the planters, the Government now proposes Re. 1 per acre for *all* plantations which will yield a return of Rs. 1.70 lakhs. And these petty amounts which could be paid off as a gift by half-a-dozen planters and big holders, are to be collected because, according to the Minister for Revenue the State is a welfare State! The Minister does not seem to understand that the basis of Welfare State is maximum direct taxation of the rich and not of the poor.

The fact is, the Madras Government is frightened by its own proposals and has gone on defying con-

Only Standard gives you ALL 4 big advantages

- 1 Lower cost
- 2 Longer life
- 3 Best guarantee
- 4 Finest manufacture

... always replace with a **Standard**

sistently the instructions of the Congress High Command which enjoined on all Congress governments as early as 1937 to introduce Agricultural Income-tax. The Government originally proposed a petty surcharge on land assessment for the richer landholders. Even that it withdrew. Subsequently the Government brought forward a resolution in the Madras Legislative Council for supporting the levy of Estate Duty by the Government of India, but withdrew it in the Assembly without assigning any reasons. The latest is the special assessment for commercial crops, which now excludes cotton and groundnut, the chief commercial crops, which could very well bear a levy. However, Government has stuck to it for other crops, because it is to be collected from the poorer cultivators to a larger extent than from

richer landholders. As regards the planters, the demands have been reduced from Rs. 7,00,000 to Rs. 1,75,000. The Bill which was brought forward to raise, a land tax of Rs. 1125 lakhs is to yield in the end only Rs. 25 lakhs. Even this proposed tax of Rs. 25 lakhs will fall mostly on the millions of smaller cultivators. The public cannot forget the great crime of this Government in not introducing agricultural income-tax as in other Congress States, which could easily give it five crores; while at the same time pampering these landholders with higher and higher prices, land revenue remissions for crop failure the burden of which does not fall on them, but on the tenants, and by permitting unrestricted exploitation of the competition among tenants for land and the collection of rack-

rents and hence should be altogether dropped. In items, 6 and 7 some details of wage rates, and wholesale and retail prices of consumer goods, are asked for. As this information is required to be obtained from the village officials, it is bound to be of a very average type. We feel that if this information is to be collected, it should be done from the families themselves. Question 8, referring to the systems of forced labour, if any prevalent in the village, is of course important. In fact, it is this question combined with the first question relating to tenancy, that should enable us to group different villages in different groups and study the conditions prevailing in these groups.

The object of the General Family Questionnaire is to ascertain the employment and income structure of all families in the village, so as to enable the investigator to confine the intensive enquiry to those families for whom earnings from farm labour form a source of income. For this purpose the questionnaire asks for the approximate annual net income of the family during the previous year from various sources, such as from land owned, land taken on rent, land obtained free of rent, etc. It appears to us that this part of the questionnaire is much too detailed for the object in view, namely, to detect the families of agricultural workers. It would suffice, for instance, to ask whether any members of the family worked as a farm labour during the year under survey and if so the approximate wage receipts of the family during the year. The detailed distribution of the annual income of all families by various sources, appears to be irrelevant. Further, such information as is likely to be collected on annual net incomes will be of very little use in itself, judging from its very approximate character. Other items of information in the questionnaire, such as, details of size and earning strength of all families in the village, also appear to be of little use in the study of conditions of agricultural workers' families. It would be an advantage therefore if the schedule could be reduced to the minimum with the sole purpose of detecting agricultural workers' families for intensive study.

The Intensive Family Schedule is to be filled in for the agricultural workers' families. The questionnaire forms the main core of the survey and is designed to secure requisite material for the purpose of wage fixation. The questionnaire

Conditions of Agricultural Workers

V. M. Dandekar

(Continued from page 899)

We shall first examine the General Village Questionnaire. As explained earlier, this questionnaire is intended to supply the general economic background of the village. Such information is of course very necessary for the interpretation of the results. Nevertheless, there, is an important difference between the uses that can be made of such background information, when a research worker surveys a single village and analyses the material with considerable local interest and when an agency of the Union Government surveys several hundred villages distributed all over the country in order to obtain country-wide estimates. In the latter case, the so-called background information does not really provide much background. Almost the sole use that it can be put to, is to divide the villages into several groups according to the principal socio-economic factors, and study the results of the several groups of "villages separately. Though in theory the villages might be grouped and regrouped in several ways, by taking into account several factors, either one at a time or in several combinations, in practice such analysis can at most be extended to one or two factors. Examination of village conditions as influencing the economic life of the resident families presents considerable difficulties, and not much can be done in that direction. In large-scale sample survey, it is advisable

therefore to restrict the village information only to such items as will enable us to group the villages in a number of groups showing different socio-economic settings, and to study the several groups separately.

From this point of view, the first item, namely, Land Tenure appears to be appropriate. The second item, where Populations in 1931, 1941 and 1948 are noted, seems of little practical use. At most the population in 1948, that is at the time of survey might be noted. As to the third item, where a broad occupational distribution, particularly into agricultural and non-agricultural is asked for, it is not clear where from this information is to be sought for. In the instructions to this questionnaire, it is stated that this questionnaire is to be filled in from the official records with the help of village officials. It is obviously not possible to get the information required in item 3, from the village records. Presumably, the information is to be summarised from the results of the General Family questionnaire. In that case, the item is of course appropriate, but we could as well spare the investigator some clerical work.

As to items, 4 and 5 where details of land utilisation and of crop acreages are required, it appears to us that this information can be of very little use in the ana-