

1936

33008

C0533/463

38008

KENYA

ESTIMATES, 1937

REPRESENTATIONS BY EUROPEAN ELECTED MEMBERS

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Mr. Flood			

FINANCIAL.

1. GOV. KENYA..... TEL. 294 CONF..... 17.12.36.
 Trs. message from European Elected Members stating that they will not oppose proposed fiscal change provided new Govt will be instructed to explore possibilities of changes in the Constitution which would result in the unofficial community being more closely associated in responsibility of Govt. and also on other conditions indicated; comments thereon.
2. GOV. KENYA..... TEL. 295 CONF..... 17.12.36.
 Trs. message from Lord Francis Scott stating that he has persuaded the majority of his colleagues to accept principle of Income Tax on terms and conditions sent to S. of S. by Govt; requests their acceptance as the future political peace of Kenya depends on S. of S.'s decision.
3. To Kenya..... Tel. 305 Conf..... 17.12.36.
4. GOV. KENYA..... TEL. P. & P..... 17.12.36.
 Requests telegram authorising him to agree generally with proposals outlined and states that the deliberations of the Finance Committee are at a standstill & pending the receipt of the S. of S.'s decision.
5. To Govt. Kenya..... Tel. P. & P..... 18.12.36.
6. GOV. KENYA..... TEL. 296 CONF..... 18.12.36.
 (3 msg.) Invites attention to his telegram (2.1)

DESTROYED UNDER STATUTE

CONFIDENTIAL

Govt. Kenya *Tel: 294 Conf* *17.12.36*

To message from European Elected Members stating that they will not oppose proposed fiscal change provided new Government will be instructed to explore possibilities of changes in the Constitution which would result in the unofficial community being far more closely associated in responsibility of Government and also on other conditions indicated, comments thereon.

I, Sir John Maffer, for the Elected Members of the Legislative Council, in response to the message from the Government, have agreed to the following terms:

Sir John Maffer.

As the draft reply to the Government might be long, it is unnecessary to mince at length also and Mr. Flood and I have agreed on the draft reply herewith.

The compromise terms referred to in No. 1 are given in No. 4 - not a convenient arrangement as that is Private and Confidential. It is not satisfactory that the whole advantage of the better forecast of revenue should be exhausted except for a 5% grant to the Government, but it is much better to agree to this than to complicate things by continuing the discussion and the controversy any longer.

We need not worry about such things as the revision of rates and remissions in income tax under 1d. We had ourselves, at Sir H. Leggett's suggestion, proposed a reduction in the standard rate on companies so as to be no greater than one-half of the standard rate here, and this is no doubt one of the alterations made. The really important point is that, while they have given the natives relief by raising the taxable age from 16 to 18 years, they have done nothing about multiple rates. This point is dealt with at length in the draft telegram, and I do not think it is necessary to mince further.

As regards the second page of No. 4 (first paragraph) Elected Members may well pride themselves

on the way in which they are treating the natives, but I do not think that the Governor need associate himself with this feeling of self-righteousness. The Moyne point is dealt with fully in the draft telegram. I do not think that we need give the Governor any separate exposition of the True Faith.

I need not minute at length on the comments in the draft on the Elected Members' two conditions as they were fully discussed with the Secretary of State last night. But the question arises what is to be done if the Elected Members are not satisfied with the Secretary of State's reply. To that question I think that there is only one answer - that given in the draft Private and Personal telegram which I have ventured to put up.

I minute separately on 38095 (Salary levy).

W.C.S.

18.12.1936

as amended by me

W.C.S. 20.12.36

Dec 20 1936
The action proposed in these two Kenya papers (the Budget generally & the Salary Levy) must be referred to you at once. I cannot hold the papers up longer this evening than to say that I agree with the drafts. The provision achieved by these discussions represents a considerable improvement on anything we have had put before us before.

In the point of urgency stressed by Mr. J. Byrne it is very natural that he should desire to get these matters decided before he leaves. But that consideration does not give us with hasty action. I did since a I understand he is leaving on Sunday night it is hardly likely that he will be there to deal with your instructions. I rely upon you to do all that is necessary. But it is true that the members of Council assembled in Nairobi will be separating for the Christmas holidays and therefore we ought to get our reply off as promptly as possible.
J.M.W.
20.12.36

2. Extract from Kenya Review 22/12/36

7. SIR JOSEPH BYRNE (S/O)..... 7.12.36.
Comments on present position and encls. draft of
of what Wade proposes to put before the Finance
Committee when the opportunity occurs; encls.
extract from the "E.A. Standard".

8. To Kenya..... Tel. P. & P..... 22.12.36.

9. To Kenya..... Tel. 313 Conf..... 22.12.36.

10. KENYA..... TEL. P. & P..... 22.12.36.
Urges general acceptance of proposals he has
submitted, any radical departure from which will
revive political unrest so harmful to the
Colony's interest.

11. LORD FRANCIS SCOTT (S/O TO S.O.F.S.)..... 12.12.36.
Comments on proposed Income Tax, etc.

12. To Kenya — TEL. P. & P. — 23.12.36

13. Extract from "The Times" of 31.12.36

DESTROYED UNDER STATUTE

14. Extract from "Morning Post" of 31.12.36

DESTROYED UNDER STATUTE
No. 11. Now see the telegram from
the O.A.S. dated 30th December, No. 6
on 38005/36. The 194 has been
sent to Sir... (the original
should be returned to the P.O. Secy) //
The reply, if one is required,
should await the O.A.S. despite
on the Estimates

Nov 13 1936

C. J. Foxworth
1/1/37

The Times report is as usual biased. It now
tries to imagine a conflict between the elected members of the
Govt.
1.1.1. 2.1.1.37

15. MAJOR CAVENDISH-BENTINCK (S/O TO S.O.F.S.)..... 18.12.36.
Expresses sincere appreciation of courtesy extended
to him during his visit to England and gives thanks
for interviews granted to him, hoping that the future
will see less notorious bickering and more devotion
to thinking out ways and means for further development.

Mr. Flood.

Please see the attached letter to the
Secretary of State from Major Cavendish Bentinck.
Will you please put up a draft of a letter in accordance
with Mr. Ormsby Gore's instructions as in his
pencil note?

C. J. Foxworth

26th December, 1936.

Sir C. Bottomley

Drafts herewith. This appears to furnish a list
of the Kenya elected members' policy towards general East African
matters, of interest to all places. If they recognize that there are
other people than the Kenya whites that may be no harm, but the
risk is that they will expect all other places & peoples to dance to
their pipes.

12.12

I don't know whether you
will this toward for Sir J. Bentley
return tomorrow or Thursday.

Secretary of State

31/1/36

16. To Major Cavendish-Bentinck (15 ansd.)..... 31.12.36.

1740 A.G. KENYA..... TEL. 3..... 5.1.37.
Budget as agreed to by S. of S. passed this morning
with almost unanimous approval. Francis Scott and
Schwartz strongly in favour and were supported
by all the European elected members except Grogan
and Bemister; by Indian members except Shamsuddeen
and by both members representing native interests.

Action taken on 38008/36

18. GOV. OF KENYA (FILING)..... CONF. 17..... 5.1.37.
(Ref. No. B) Comments on budget as per revised and
states that S. of S.'s views have been conveyed in
full to the Elected Members' Representatives,
Lord Francis Scott and Capt. Schwartz, enclose copy
of paraphrase which he has sent to them for
purpose of publication and gives reasons for
certain omissions.

The Minister makes the point that the
scheme of the Salary Levy and
the question of relief to be
granted to Officers arising out
of the Salary Levy scheme
should be treated as distinct
and independent issues. He
reports of the message that the
Salary Levy forms part of
Emergency (Levy) but that
the part of the Emergency
Levy which was imposed on the
Federal State population (to be)
bring the department few direct
Native Levy has raised.

Even if this view is accepted
the contrast between relief
which Officers and Civil Servants
are to get in 1937 is still
unfortunate. If with the removal

J

of the Levy. So a Pin's native location
proposals could have been implemented
in fact, there would have been no
unfortunate contrast.

The Minister, like the Elected Members,
appears to regard the Moyse Formula
as the method to be employed for
all cases to assess the principle
for Native Services. He states
however that conditions are
changing and that the Formula
may have different purposes, it
has to be the Elected Members
that circumstances might well
arise, such as an increase in
population, which would make
the retention of the Formula both
unreasonable and unnecessary.

? Await the Estimates Department

C. K. Rowland
19/1/37

19. A.G. KENYA..... 5.1.37.
Enclose copy of letter received from the Chairman of the
European Elected Members' Organisation, dated 15.12.36
and states that a detailed despatch conveying his
comments thereon will follow at an early date.

S. C. Colclough

It is well understood that the
to only date, it is possible for people, and that the
he regards the levy it is gone now, it is not agreed
but I do think the native has been treated ungenerously and native
Govt. has not helped about this. What Sir A. Pin thinks
will be seen in the next week's attack.
This will be continuing over the Moyse formula.

Xen and H
the bloodsucker

The natives are overtaxed and most people believe
Kings say they are - that they get from direct taxation will
come down, but the rest of resources will not come down
It will go up. So this will be a special case the natives
are taxed for the natives on the assumption that all
taxation other than direct taxation is paid by the white
- which of course is not true from the fact that the natives pay
not? The people will go on living in Kenya they can take
the burden of the state more burden
As to 1919, it is not out of that I will say
about complaints for the natives of the white members
an opponent of direct taxation that if it is to be taken away
the burden of course will be on the white
of the facts & reported in your statements

1919

I think the answer
is that the natives are overtaxed
and that the white members
are the ones who are
opposed to direct taxation
because they are the ones
who are the main source
of the state's revenue
and they are the ones
who are the main source
of the state's revenue

Sir Alan Pim called this morning rather
perturbed at the reports he had seen in the Press
as to the decisions of the Government of Kenya in
regard to taxation. I showed him some of the
correspondence and told him what had happened and his
mind was considerably relieved. He spoke, however,
very forcibly about the failure of the Kenya
Government to implement his main recommendation in
regard to the taxation of the natives. He said that
the natives were heavily overtaxed. He did not
agree in the least with the conclusions of Mr. Walsh
and Mr. Montgomery, and he expressed the hope that
whatever happened the Secretary of State would ensure
that the further relief which he had recommended was
granted in the course of this year or not later than
the beginning of 1938. He said that a good deal of
the reluctance to give relief in regard to plural
huts was due to the missionaries. The missionaries
saw their boys at school and were anxious to get them
off taxation before the age of 18, and they regarded
the plural huts as a sort of inducement to polygamy.
For this reason they were not so keen on the
reduction of taxation in this direction as they were
on raising the age limit. Sir Alan Pim said it was
quite wrong to assume that extra huts meant in every
case extra wives. In his opinion in the great
majority of cases they did not.

He was very angry with the attitude of the
unofficials and said that they had got and were
getting very considerable concessions. Not only
have the 1933 taxes been removed and replaced by the
much lighter burden of income tax, but the recently

announced

announced reductions in railway rates, would work out almost entirely in favour of the European. I pointed out that while this was the case yet the native population had had a good share in the reduction of rates announced last year, while some of their main articles were already carried at low rates which could not well be reduced. He admitted this but said that the relief accorded to the native was not, in his opinion, adequate when compared with that given to the European unofficial and official.

He asked me whether there was any indication that increasing prosperity was being reflected in any increase in native wages, and said that wages would not go up until there came about a labour shortage.

With regard to the "Moyné formula" and the European Elected Members' interpretation thereof, he almost broke into bad language. He said that in his opinion the whole idea of the fund kept separate for native purposes was a mistake, but that in any event Lord Moyné had never dreamed of half the direct taxation being the limit for native services. He had only intended it as the lower limit, and the contention that a sum had been provided by Lord Moyné's proposal which should not be exceeded was quite wrong. In any event native direct taxation in Kenya would have to come down and therefore the "Moyné formula" would have to go by the board. In regard to the phrase used at (d) in the letter to the

Elected

Elected Members of the 30th of December, he said that the words "leading to a large increase in yield from native taxation" were very unfortunate. What the Secretary of State had said in his telegram of the 22nd of December was "native indirect taxation", and the wording used in that letter will inevitably be interpreted as meaning an increase in the yield from direct taxation, whereas what is to be expected and hoped for is a substantial decrease in that direction. He said that it would be quite impossible to carry out within a year or two years or three years, the general overhaul of native taxation which he had recommended, and he earnestly trusted that the reduction of the plural hut tax would not be deferred on that account.

20.1.37.

I think we had better wait for the Committee's resolution. It is possible we may then be able to press the Board, but one consulted - native taxation revenues without endangering the letter of the law. We must be careful not to go too far.

Wed. 20.1.37

Sape. S. G. L. Place

Let me see prepared draft reply when

It can be prepared & before
it goes.
Sir R. Brooke-Popham
should be told of Sir A. Paris
views. W.D. 20.1.37

20. GOV'S DEPUTY (FILLING)..... COME No. 9..... 14.1.37.
Comments on letter of 18.12.36 from the Chairman
of the European Elected Members Organisation
(encl. to No. 19) and recommends that no action be
taken by the S. of S. in connexion therewith but
the question of a reply is raised by Lord Francis
Scott he should then be informed that the S. of S.
had regarded his telegram of 22.12.36 (No. 9) as
ending the matter.

I submit for copy for
See also file 3809/7
J.P. Brown
8/2/37

This file has been in circulation and will be
and I have remodelled the draft
also letters to Sir R. Brooke-Popham
J.P. Brown
24/2

Secretary / tata 24/2/37

21. 2 Sir R. Brooke-Popham 25 FEB 1937

AIR MAIL 22 2 Wade - (W.C. 410) - 25 FEB 1937

AIR MAIL 23 Sir Kinnaird - Conf. (18.12.36) - 25/1/37
78/2
H.H.

100 J.P.S.
C. 100/2/10

C. O.

36008/2/36

23
AIR MAIL

Mr. Paskin. 8/2/37.

Mr. Flood. 2/2.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Boltonley

Sir J. Shackburgh

X Perms: U.S. of S. 24/2

Parly. U.S. of S.

X Secretary of State. Wg 24 2 37

C.D.
R 25 FEB
D

Downing Street,

28 February, 1937.

Sir,

I have pleasure to acknowledge

DRAFT.

KENYA (16 and 20.)

CONFIDENTIAL.

O.A.G. (19.)

the receipt of your Confidential despatches Nos. 1 and 9 of the 2nd and 14th of January, and your open despatch No. 3 of the 4th of January in regard to the taxation controversy which has now happily been settled by the adoption of the proposals recommended by the Standing Finance Committee. I desire to express my gratification on learning of the spirit of reasonable accommodation, which not only prevailed in the Committee, but also animated the Legislative Council when the proposals were submitted to it. I desire also

to

FURTHER ACTION.

to place on record my appreciation of the fact that this settlement was largely, if not decisively, due to your personal initiative in the Committee.

2. As I have accepted that settlement as a reasonable compromise in existing circumstances, and as the settlement includes the introduction of income tax (on a modified basis,) the immediate remission of native taxation to the extent of £25,000 a year by raising of the taxable age to 18, and the acceptance of the necessity for examining carefully during the current year the further suggestions as regards native taxation made by Sir A. Pim, I do not propose at this stage to comment further, beyond pointing out that the concessions made are not all on one side. The unofficial ^{European} community, in return for its acceptance of income tax, has been relieved of the alternative taxes which imposed a heavier burden.

3. There is however one matter, which has been the subject of discussion, on which

C. O.

Mr.
Mr.
Mr.

Sir C. Parkinson.
Sir G. Tomlinson.
Sir C. Dalton.
Sir J. Shackleton.
Permt. U.S. of S.
Perly. U.S. of S.
Secretary of State.

DRAFT.

FURTHER ACTION.

I feel obliged to make my views quite clear. I refer to my reputed "repudiation" of the so-called "Moyné formula." I feel under the greater necessity of doing so because I find that you share what I consider to be mistaken views on this subject.

4. It is true, as pointed out in your Confidential despatch No. 1 of (18) the 2nd of January, that Lord Moyné recommended the establishment of a Native Betterment Fund, to be financed by yearly contributions of half the average yield of direct native taxation taken over a period of six years. I cannot however agree that the acceptance of that recommendation by Government (even if such acceptance had actually resulted in the establishment of a Fund as proposed by Lord Moyné) can be regarded as having committed either the Secretary of State

or

or the Government of Kenya to the view that the expenditure on the four main native services should be limited to that amount, and still less that it can be regarded as a pledge binding for all time, regardless of changing circumstances. In fact, it is abundantly clear from the whole tenor of his report, not only that Lord Moyné himself had no intention of making such a recommendation, but that, on the contrary, his proposal was intended as a device for ensuring that the expenditure on the four main native services should not be allowed to fall below a reasonable proportion of the amount of revenue directly contributed by the African population.

5. Thus, the heading of paragraph 69 (in which he recommended the creation of the Native Betterment Fund) is "Need for ensuring minimum native services." in

paragraph

C. O.

Mr.

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Boltonley.

Sir J. Shuckburgh.

Parlt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DRAFT.

FURTHER ACTION.

paragraph 71 he refers to the justification for the fund being found in the high level of native direct taxation in proportion to native wealth and their claim to special direct services; in paragraph 79 he says "The view which has however been falsified by the event, that such arrangements will give some room for expansion of services..." and in paragraph 81 he refers to "the urgent need of a temporary guarantee that the more backward community shall get a fair share from central funds during the present period of unequal racial needs and political reorganisation."

6. It seems clear to me that Lord Moyné's observation in paragraph 80 of his report, that the establishment of the Fund should not debar the services covered from such further assistance on suitable objects as might be provided from the Colonial Development fund or other sources,

was intended to relate to special schemes of development

over and above the expenditure on

normal native services, and was not intended

to bear the interpretation placed

upon it in paragraph 6 of your

despatch of the 2nd of January, that

there should be had to such loans

to make good a deficiency in the

fund to provide for the normal

expenditure on native services in

any one year. It would be wrong to

expect any assistance from the

development fund for such ordinary

expenditure.

7. I therefore feel that the

assumption "Moyné formula" has been

misunderstood. Lord Moyné was

concerned to secure a minimum sum to

be devoted to native services

whatever the general financial

condition of the Colony and had no

intention of laying down a maximum

limit.

C. O.

Mr.

Mr.

Mr.

Sir G. Parkinson

Sir C. Tomlinson

Sir C. Bottomley

Sir J. Shackleton

Perma. U.S. 4/5

Parliament of S.

Secretary of State

DRAFT

FURTHER ACTION

limit for such services.

8. In paragraph 7 of your
despatch of the 14th of January you

(20) recommend that no reply should be

returned to the letter of the 18th of

(19) December from the Chairman of the

European Elected Members Association

unless he again reverts to the question

I have no desire to re-animat the

controversies which found expression

in that letter, and having regard to

the assurance in paragraph 7 of your

(18) despatch of the 2nd of January that the

elected members realise that conditions

are changing and that Lord Moyné's

proposal may be regarded as having

fulfilled its purpose, I am disposed to

accept your advice. In the event,

however, of the question again being

raised I request that my view of the

matter may be made clear beyond any

possibility of misunderstanding.

Apart

Apart from this I agree that in that event it will be sufficient to intimate that I had regarded these controversies as ended by my telegram

No. 313 of the 22nd of December as summarised in Mr. Pilling's letter of the 30th of December to the Chairman of the Elected Members Organisation.

(Encl. to 18)

I should however be glad if a suitable opportunity presents itself if it could be made clear that the reference in paragraph (d) of that letter to the possibility of an increase in the yield from native taxation should have been to the possibility of an increase in the yield from native indirect taxation,

which was the wording deliberately employed in my telegram No. 313 of

the 22nd of December. Otherwise I

may be misrepresented, at some future date,

(9)

C. O.

Mr.
Mr.
Mr.

Sir C. Parkinson
Sir G. Tomlinson
Sir C. Boltonley
Sir J. Shuckburgh
Permt. U.S. of S.
Privy. U.S. of S.
Secretary of State.

DRAFT.

FURTHER ACTION.

date, as having envisaged an increase in the expenditure on native services only in the event of an increase in the total yield of native taxation, or even of native direct taxation, which would clearly be inconsistent with a further remission of such taxation as recommended by Sir A. Pim, should such a course prove possible after the full consideration which will be given to it. If, however, as a result of the

I have etc.
full investigation of ^{all} native taxation which Sir A. Pim recommends, some other matter than that of a ^{direct} ~~direct~~ but a poll tax is eventually decided upon it is obvious that the upper proposition to be regarded as earmarked for native services will require to be reviewed also. Sir A. Pim has expressed the view that an investigation of the sort he has in mind would be a difficult task occupying at least two or three years so that there will be ample time to consider this aspect of the question.

(Signed) W. ORMSBY GORE

C. O.

38008/2/46.

AIR MAIL

15

Mr. Flood. 242

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Permt. U.S. of S.

Party. U.S. of S.

Secretary of State.

Wfy 24.2.37

Ann. (2)

387 2/27

DOWNING STREET.

25 February, 1937.

Dear Wade,

You may like to see the enclosed copy of a letter which I am sending to Sir Robert Brooke-Popham. It was written as the result of a long talk with Pim which I reported to the Secretary of State. Pim is almost incendiary in the views he expresses as to Kenya not having adopted his proposals for the reduction of native taxation immediately. However, he was going on what he had seen in the newspapers, and I explained to him that that was not the most reliable source of information, at which he calmed down. But he does feel very strongly on the subject, and I think you can take it from

DRAFT AIR MAIL

A. de V. WADE, Esq., C.M.G., O.B.E.

FURTHER ACTION

me that two things will have to be done during the present year - (1) the question of reducing the tax on plural huts will have to be done into, and (2) apart from this, the general investigation and overhaul of native taxation which Mr. Parkin recommends will have to be set on foot. If you don't do this, there will be trouble with Mr. and Mrs. Kenya, as you may be well get the head of the billings turned up and I asked him for his views about native taxation. As you will see from the enclosure, he thinks the native is not over taxed, so there really is a danger of the customs disappearing, and it is one of the matters on which the new Governor will have the job of making up his mind. I am glad that I have not got to do it for him, because honestly, the question beats me.

Yours sincerely,

FLOOD

C. O. 38009/2/36

Mr. Flood 4-2
 Mr.
 Mr.
 Sir C. Parkinson
 Sir G. Tomkinson
 Sir C. Dutton
 Sir J. G. G. G.
 Sir J. G. G. G.
 Secretary of State

DOWNING STREET
 25 February, 1937

Dear Sir Robert,

There is one question arising out of Sir Alan Pim's report on Kenya about which the Secretary of State has asked me to inform you. That is the various implications arising out of native taxation in Kenya. As you know, Mr. Kenyan recommended that the Government fund should be set up which was to be financed by half the proceeds of native direct taxation (averaged over a period of six years) and out of which was to be found the expenditure on the four principal native services - medicine, education, agriculture and public works.

DRAFT

MR. CHIEF MARSHAL
 MR. HON. MEMBER PARLIAM.
 MR. HON. MEMBER PARLIAM.

AMBASSY

FURTHER ACTION

Copy to be made

Owing

Owing to the crisis in Kenya's finances, it was never possible actually to start the native betterment fund, and further, there were all sorts of absurd questions as to what might legitimately be charged against native services, and what should not, and in any event, if the fund had been set up it would have been on paper, and Kenya would not have been known as being the fund something each year. However, as it turned out, the expenditure on the four native services was pretty close to half the average of taxation, so no great harm was done.

Pim, however, in his report, has recommended the reduction of native taxation in two directions, the first by raising the age of tax from 16 to 18, and the second by reducing the tax on additional huts after the first. In conversation here, Pim has stated that, in his opinion, the native population of Kenya is very heavily over-taxed. He did not agree in the least with a local Commission

in

C. O.

- Mr.
- Mr.
- Mr.
- Sir C. Parkinson.
- Sir G. Tomlinson.
- Sir C. Ballantyne.
- Sir J. Stickleburgh.
- Permt. U.S. of S.
- Parly. U.S. of S.
- Secretary of State.

DRAFT.

FURTHER ACTION

in Kenya which had come to the conclusion that exemption from taxation was too freely granted and that the natives could easily contribute as much as they did at present, and he hoped that we would insist upon further relief being given if not during 1937, at any rate in 1938. He added that a good deal of Kenya's reluctance to give relief in respect of extra huts was due to the missionaries who, subjecting to polygamy as they did, regarded extra huts as a sort of inducement to extra wives. Hence remarks which you will see about "encouraging licentious old savages to keep a few extra ladies". The missionaries, on the other hand, like to keep their boys on at school and so view with favour the increase in the age from 16 to 18. Pim said that

It was quite wrong to assume that extra
huts always meant extra wives.
While I am on this topic I think
I ought to tell you that I asked Pilling
for his views, and he said that in his opinion
the native population was definitely not
overtaxed. So you will see that the doctors
differ. On the one hand Lord Moyne and Pim
say they are over-taxed, and on the other,
Pilling, Wade, and the local officials and
unofficials take the view that they are not.

Pim also pointed out that recent
changes in the railway tariff had resulted in
benefit to the European and to the European alone.
These changes took the form of lowering the
rates on the most expensive articles and reducing
the rate on petrol. It is, of course, true
that the benefits will go to the European
population and not to the native, who does not
consume brandy and champagne, but it is only
fair to point out that last year the natives
had the benefit of reductions on a good many
of their things, most of which are, in fact,
carried

C. O.

Mr.
Mr.
Mr.
Sir C. Parkinson.
Sir G. Tomlinson.
Sir C. Boltonley.
Sir J. Shuckburgh.
Permt. U.S. of S.
Parly. U.S. of S.
Secretary of State.

DRAFT.

FURTHER ACTION.

carried at the lowest rates. Pim

admits this, but still says that more
relief in this direction should be
accorded to the native.

He expresses the opinion
that prosperity in Kenya will come

about with a rise in wages paid to
natives, but hinted that he had little
hope of seeing that unless and until
there was an actual labour shortage

leading to competition.

With regard to the contention

that when Lord Moyne recommended half
the yield of direct taxation be put

into the betterment fund, Pim's view

is that it is quite absurd to regard

this as it is regarded in certain
quarters in Kenya as a maximum limit.

In Pim's opinion the whole idea of setting

up such a fund was a mistake, though

Lord Moyne had fastened upon it as the
only method he could think of for

answering

ensuring that the native was not unduly starved. In his opinion native taxation ^{will} would have to come down, while native services would have to go on expanding, and therefore this so-called "Moyné formula" ^{will} would have to go by the board. He is very anxious to see his recommendation for a general overhaul of native taxation adopted and carried out, though he recognizes that it would be impossible to do this within the space of one year or two years or three years. If any satisfactory solution is to be reached, and he hoped that the excuse of a Belgian revision would not be allowed to defer consideration or adoption of his other proposal for the reduction of the tax on plural huts, which ^{personally} he regards as an urgent matter.

Yours sincerely,

W. F. O. O. O.

AIR MAIL

KENYA

No. 9

CONFIDENTIAL



GOVERNMENT HOUSE
NAIROBI
KENYA

9
20

RECEIVED

22 JAN 1937

C. G. REGY

14 January, 1937

Sir,

19
I have the honour to refer to my despatch No. 3 of the 14th January transmitting a copy of a letter of the 10th December from the Chairman of the European Elected Members Organisation on the subject of the proposals for the settlement of the taxation controversy recommended by the Standing Finance Committee and to address you as follows.

2
Since the letter was merely an amplification of the views of the European Elected Members that had already been communicated to you in Sir Joseph Byrne's Confidential telegram No. 294 of the 17th December I decided to defer offering any comments thereon until I could do so in the light of your reply to this telegram and of subsequent events. I must however express my regret that owing to preoccupation with other work I inadvertently overlooked the desirability of sending a copy of the letter for your information by the earliest opportunity.

THE RIGHT HONOURABLE
W. ORMSBY GORE, P.C., M.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET,
LONDON, S.W.1.

AIR MAIL

KENYA
No. 9

CONFIDENTIAL



GOVERNMENT HOUSE
NAIROBI
KENYA

19
29

RECEIVED
22 JAN 1937
C. O. REGY

14 January, 1937

3

Sir,

19
I have the honour to refer to my despatch No. 3 of the 14th January transmitting a copy of a letter of the 18th December from the Chairman of the European Elected Members Organisation on the subject of the proposals for the settlement of the taxation controversy recommended by the Standing Finance Committee and to address you as follows.

2
Since the letter was merely an amplification of the views of the European Elected Members that had already been communicated to you in Sir Joseph Byrne's Confidential telegram No. 29 of the 17th December I decided to defer offering any comments thereon until I could do so in the light of your reply to this telegram and of subsequent events. I must however express my regret that owing to preoccupation with other work I inadvertently overlooked the desirability of sending a copy of the letter for your information by the earliest opportunity.

THE RIGHT HONOURABLE
W. ORMSBY GORE, P.C., M.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET,
LONDON, S.W.1.

2a

The letter itself is now past history and no useful purpose would be served by discussing the pros and cons of the various proposals constituting the settlement since they have been accepted by you and the Report of the Standing Finance Committee recommending their adoption has been approved in Legislative Council almost unanimously.

4. The Report was debated in Legislative Council on the 4th and 5th of January. As time has not permitted of the transcription of the official records of the debate I attach for your information a copy of the account of the proceedings which appeared in the East African Standard of the 6th January. From the record, which though slightly abridged is a substantially accurate account of what occurred, you will observe that the debate was conducted in a friendly atmosphere and that even those few members who opposed the motion were more restrained than I was inclined to believe at one time would be likely. I have already in the first paragraph of my despatch of the 2nd January expressed my deep gratitude for your acceptance of the compromise. The proceedings in Legislative Council have confirmed my opinion that your acceptance has gone a long way to restore better relations between officials.

officials and unofficials.

5. There is one portion of the letter which appears to call for an explanation from me. In the third paragraph it is written that I informed the European Elected Members that you had stated it was your intention to implement the recommendations of Sir Alan Pim on Native Taxation in full. I am not quite clear as to the incident or incidents to which this statement refers. I had a number of conversations with Lord Francis Scott and Captain Schwartz and to them I explained, as I did also in Standing Finance Committee, that there was no doubt that it was your earnest wish that effect should be given to those recommendations in 1957 and that I considered that if a compromise could not be reached covering the whole financial controversy, which Sir Joseph Byrne would feel justified in recommending for your acceptance, Government would have no alternative but to proceed with the proposals for reduction of native taxation as recommended by Sir Alan Pim, and to introduce them if necessary by the use of the official majority in Council.

6. When the circumstances in which the letter was written are taken into consideration I feel that no real importance need be attached to this protest or to the other paragraphs in which vent is given to rather...

rather intemperate expressions. At the time feeling was running extremely high between the two parties in the European Elected Members Organisation. Lord Francis Scott and Captain Schwartz, with whom I had personally carried out the negotiations which resulted in the agreement, were placed in a difficult position vis-a-vis their colleagues. It was only after long deliberation and much persuasion on their part that they were able to carry the day and gain support for the settlement from all quarters with the exception of the three who have departed their dissent in the last paragraph of the letter. I have little doubt that a proposal to draft some such letter as that under reference, of which Members would if necessary make political capital in their constituencies, was one of the compensating factors on which ultimate agreement to accept the compromise was reached.

In the circumstances and since a paraphrase of your telegram No. 317 of the 22nd December has already been communicated to the press by the European Elected Members I am inclined to the view that it may be advisable that no action should be taken by you in connection with the letter, and in the event of the question of...

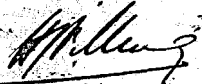
9

of a reply being raised by Lord Francis
Scott that you should then inform him
that you had regarded the matter as ended
by your telegram of the 22nd December in
reply to the European Elected Members
telegram.

I have the honour to be,

Sir,

Your most obedient humble servant,



ACTING GOVERNOR'S DEPUTY.
(Draft by Mr. Wade)

(Continued from page 5.)



Your call...

VAT 69 that's fine!

It's a convention now to call "VAT 69"...

The Finest Blend of SCOTCH WHISKY

THE AFRICAN MERCHANT CO. LTD.

101, The Strand, London, W.C.2

E.A. STOCKS AND SHARES

Following is a list of the leading stocks and shares in the East African territories, as published in the "Financial Review" for the month of November, 1963.

Company Name	Share Price	Dividend
Africa World Bank	2 1/4	2/6
British South Africa Corp.	3 1/4	2/6
East African Airways Corp.	1 1/2	1/6
East African Tele. & Radio Corp.	1 1/2	1/6
East African Trading Co.	1 1/2	1/6
East African Stores	1 1/2	1/6
East African Transport	1 1/2	1/6
East African Waterworks	1 1/2	1/6
East African Wool	1 1/2	1/6
East African Zinc	1 1/2	1/6
East African Iron	1 1/2	1/6
East African Copper	1 1/2	1/6
East African Silver	1 1/2	1/6
East African Gold	1 1/2	1/6
East African Platinum	1 1/2	1/6
East African Nickel	1 1/2	1/6
East African Uranium	1 1/2	1/6

FOUR

BROWNS

THE

WHISKY

OF

CROWN

THE OLD

YEAR

OR

THE NEW

YEAR

spoke of the two vital conditions contained in the compromise, "I believe the terms of this compromise are fully carried out. That this will be welcomed by the whole country. I believe it carried out to the full and I am certain they will be it will mean that once and for all we will work together for the benefit of the Colony. What we want is economic advancement.

"I know that the non-natives members of the Standing Finance Committee will be severely criticized and I think it is unwise that some of us should sit back and say nothing. We were behind them and we should say 'no back' the unofficial members of the Standing Finance Committee."

Col. Kirtwood's Hopes

The Member for Nyasa Ncain (Lieut. Col. J. C. Kirtwood) said he rose to his feet very reluctantly. While most opposing to Income Tax personally he had objected to it because it should not be applied to the whole of the Colony. He said that he had many friends who were not in favour of it. He also said that he would support a constitutional amendment which would allow the Government to vary the tax in certain circumstances. He also said that he would support a constitutional amendment which would allow the Government to vary the tax in certain circumstances.

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Committee Responsibilities

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Comparisons

The Native taxation was being introduced at a time when the non-Native taxation was being re-organized and that had resulted in the argument that non-Natives were being brought to bear the cost of Native services. The need for expenditure on Native services was admitted by everyone. The Native had been heavily taxed in proportion to his income and he admitted that the adjustment that the Native was too heavily taxed had been made time and time again by many different people, while impartial observers had recognised that the Europeans in Kenya were very lightly taxed in proportion to their income.

Major Grogan's Amendment

Major E. S. Grogan (Member for the Coast) stated that he found it rather hard to follow the position. It was quite obvious that in any ordinary sense there was in effect no Government of the Colony at all. He referred to the haphazard way in which Government was carried out, pointing out that estimates for revenue and expenditure had been made at totally different times. He said that he was deeply concerned that the agreement would break down because it was based on neither logic, reason nor anything else.

"Ludicrous Position"

The member said he did not expect to get a second, but he thought that his amendment would have been an easy way out of the controversial matter. It would, however, be much too sensible and simple a proposal to attract much attention.

Disappointment

Although he was not one of the anti-income tax fanatics he would like to express his profound disappointment that Income Tax should have been thrust upon them by the Secretary of State. It was a source of regret to him and to those who he represented that Income Tax was not the subject of a debate during the past few days in the debating chamber of the House of Commons and the fact that the House of Commons had not taken the time to discuss it was a source of disappointment to him.

Indian Views

The Hon. Dr. de Souza, in congratulating the member for Rift Valley on "his very good speech," expressed the hope that it would help to bring about the new era in the relationship of Unofficial Members on the side of the House. He said that he was very disappointed in the compromise. He said that he was very disappointed in the compromise. He said that he was very disappointed in the compromise.

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THE EASIEST

SHAVE YOU'VE

EVER HAD

You've a pleasure in store if you've not used Scrubbs for shaving. Add a few drops to your shaving water and note the difference. The beard

AIR MAIL

KENYA

No. 3



GOVERNMENT HOUSE

NAIROBI

KENYA

RECEIVED

16 JAN 1937

O. O. P. C.

January, 1937.

Sir,

I have the honour to refer to your telegram No. 313 of the 22nd December, 1936 on the subject of the settlement recommended by the Standing Finance Committee and in connection therewith to forward the attached copy of a letter on the same subject received from the Chairman of the European Elected Members Organisation.

A detailed despatch concerning my comments thereon will follow at an early date.

I have the honour to be,

Sir,

Your most obedient humble servant,

Ad. M. G.
 ACTING GOVERNOR.

THE RIGHT HONOURABLE
 W. ORMSBY GORE, P.O., M.P.,
 SECRETARY OF STATE FOR THE COLONIES,
 DOWNING STREET,
 LONDON, S.W.1.

ELECTED MEMBERS ORGANIZATION.

P.O. BOX 825.

NAIROBI.

KENYA COLONY.

18th December, 1936.

The Hon'ble the Colonial Secretary,
Nairobi.

Sir,

I have the honour to confirm herewith the following cable which I handed to you personally on the morning of the 16th December, 1936, for transmission to The Rt. Hon'ble the Secretary of State for the Colonies.

"After the most careful consideration and because of their earnest desire to bring finality to political strife, majority of European Elected Members are prepared to accept the compromise terms agreed to by the Kenya Government and will not oppose the proposed fiscal change provided that assurances on two points are given by the Secretary of State. Firstly they request he gives an assurance that the new Governor will be instructed to explore the possibility of changes in the Constitution which would result in the Unofficial community being far more closely associated in the responsibilities of Government. Secondly, that some safeguard be forthcoming so as to ensure no further departure from the Moyne formula resulting in increased Non-Native direct taxation to support increased Native Services. Lastly, they stress most strongly their conviction that unless an income tax is imposed on the adjoining territories this measure must necessarily bear unfairly on and to the detriment of Kenya."

I have also to inform you that I have been requested by the European Elected Members to amplify their views contained in this cable, with the request that these be forwarded to the Secretary of State.

European Elected Members must protest most emphatically against the manner in which the Secretary of State appears to have prejudged the whole position in spite of his assurance that he would await the Report of the Standing Finance Committee. Their attitude has been brought about by the fact that they have been informed by you that he has stated his intention of implementing the recommendations of Sir Alan Pim in reference to Native Taxation in full. Such implementation entails the consequent imposition of an Income Tax, the burden of which will fall almost exclusively on the Europeans who are either resident in the Colony or who have invested money here for the development of the Country. In brief, Native Services are to be continued and even increased, whereas Native Taxation is to be reduced, and the resulting difference is to be borne by the Non-Native population, the Moyne formula being thereby rendered entirely inoperative.

-2-

They hold that as a result of the deliberations of the Standing Finance Committee no case can now possibly be made out from a financial point of view for the imposition of an Income Tax in view of the fact that the revenue from such a source is unnecessary for Budgetary equilibrium. The revenue accruing therefrom can only be regarded as a gratuitous gift to the Native population in spite of the fact that the most experienced Officers of Government have given their carefully considered opinion in the Report on Native Taxation that the Natives are not over-taxed and can reasonably and fairly produce the amount of taxation estimated for in the 1937 Budget. Should the Moyas formula be continued, and any departure from it has never yet been suggested, and should the Fin recommendations be implemented, the corollary must necessarily be a considerable reduction in Native Services. If, however, this policy is not adhered to, the European Elected Members are most apprehensive as to the ultimate results, should Native Services be increased indefinitely, Native Taxation reduced and the balance found by increased taxation on the Non-Native community. They maintain that they have adequately proved their case, that they have put up a soundly reasoned proposition, and they are still prepared to have the whole question of the proportion between direct and indirect taxation thoroughly examined at the earliest opportunity. It appears, however, that logic and reasoned arguments no longer prevail, Elected Members are therefore reluctantly prepared to go as far as possible to meet the difficulties of the local Government in an earnest attempt to bring this ever present political controversy to finality. They insist, however, that some measures of security for the people they represent must be forthcoming. They state that they are prepared to accept the compromise terms agreed to by the local Government which may be summarised as follows :-

1. That Native Taxation be reduced by £25,000.
2. That the Non-Native basic Poll Tax be reduced by Shs. 10/- per head (i.e. basic Poll Tax for Europeans to be Shs. 40/- and that for Indians to be Shs. 30/-), thereby reducing the estimated revenue from this Tax by approximately 212,000.
3. The reduction of 10 cents per gallon on Petrol, and
4. The imposition of an Income Tax to produce £42,000 per annum.

with a proviso that they receive assurances from the Secretary of State on two points. Firstly, that the new Governor will receive instructions to explore alterations in the present Constitution in such a way as to associate the Unofficial community far more closely in the responsibilities of the government of the Country. Secondly, that some assurance be given with regard to the question of Native Services and Taxation in relation to Non-Native Taxation whilst being desirous of assisting in

every way towards the betterment of Native Welfare, they insist that some safeguard is necessary to prevent the Non-Native community from bearing an undue proportion of Taxation for the purposes of supporting increased Native Services, and urge that there be no further departure from the Moyne formula in this respect.

In conclusion, they feel most strongly that unless an Income Tax is imposed simultaneously on the adjoining Territories it must necessarily, for the reasons contained in my Despatch dated the 31st October, 1955, to the Secretary of State for the Colonies, bear unfairly on, and to the detriment of, Kenya. Should such assurances not be forthcoming, I regret that the European Elected Members will have no alternative but to oppose the Government's proposals, and I trust that in view of the reasonable attitude set out in this letter, their proposals will receive your sympathetic support.

Major the Hon. W.S. Grogan, The Hon. S.H. Mwangi and the Hon. F.A. Bhalal wish to have their dissent recorded by the cable cited in this letter and to the conclusions on the following grounds -

1. That no stability in political controversy can be achieved by agreeing to equitable proposals without first and foremost arguments no longer prevail against the dissenting party.
2. No assurance from a Secretary of State has my Government received as envisaged by the present Secretary of State's resolution of (a) the agreed Moyne formula (b) Lord Grimston's statement "that the dissent also between alternative means of raising the higher portion of the assembly tax should be left to the discretion which is the right of the Government" (c) the fact that the graduated Poll Tax was agreed to as a substitute for Income Tax on the grounds that the imposition of such additional taxation was temporary and only for the purpose of meeting the then emergency.
3. The proposal to superimpose Income Tax on the existing system and incidentally the proposal to reduce the Tax on petrol and the basic Poll Tax are not in conformity with Sir Alan Pim's proposals and arguments in Paragraphs 382, 383, 384 and 385.
4. The suggested compromise represents a complete stultification of the local Government, of the attitude hitherto adopted by the Elected Members and, incidentally, of Sir Alan Pim.

I have the honour to be,
 Sir,
 Your obedient servant,

David Scott

Chairman.

R/MS.

AIR MAIL

KENYA
No. 1



GOVERNMENT HOUSE
NAIROBI
KENYA

CONFIDENTIAL

2nd JANUARY, 1937

Sir,

I have the honour to refer to your telegram No. 315 of 22nd December which I received with much satisfaction and relief, as I know Sir Joseph Byrne would have done had he not left the Colony before it arrived. I am very grateful that you have found yourself able to agree to the compromise recommended by the Standing Finance Committee as I am sure that your concurrence has prevented a very serious political crisis in Kenya while I am satisfied, as was Sir Joseph Byrne, that the Budget ^{as} now revised is not unreasonable or unfair to any one section of the community.

2. I appreciate your regret that the Standing Finance Committee were unable to recommend the immediate adoption of Sir Alan Pim's proposal for relief in native hut tax by halving the tax on multiple huts but I find it difficult to understand your conclusion that there is an unfortunate contrast between the position on this native question and the relief of officials from salary levy. In my view the issues are entirely distinct and independent of each other. The question of the continuance or discontinuance of the levy in 1937 was a question whether or not conditions ^{are} justified.

THE RIGHT HONOURABLE
W. ORMSBY GORE P.C., M.P.,
SECRETARY OF STATE FOR THE COLONIES
DOWNING ST.
LONDON, S.W. 1.

justified the removal of an emergency tax imposed on one section of the community and created to meet a crisis which has now passed. The question of granting relief in respect of taxation on multiple huts was a question whether or not the established fiscal system (of which the levy on official salaries had never formed a part) needed alteration. The alteration suggested had nothing to do with the removal of extra taxation imposed to meet a crisis. (Indeed so far as the general native population was concerned there had been no additional direct taxation during the years of depression but there had been reductions and remissions on a generous scale) but was concerned solely with the problem of the proper amount of direct taxation to be contributed by the native communities in normal times. If it had to be conceded that the State was extracting from these communities more than was equitable then surely any adjustment that was called for should be made not at the expense of one profession (the Civil Service, European Asian and African) but at the expense of the general population.

3. I should be very distressed if you were to hold that legitimate native interests had been subordinated to selfish demands of Civil Servants. I know that it is Sir Joseph Byrne's firm opinion that the Civil Service has loyally accepted the levy so long as it was necessary to meet the crisis (it has contributed by way of levy £255,018 to the Colony's Revenue) and that now that the crisis has passed to maintain the levy would have been an act of real injustice.

4. I can not think that the natives have been treated ungenerously or unjustly in the Budget as revised. We have allowed for £16,000 worth of

- 3 -

direct native services over and above the amount required by the Moyne Formula on the expenditure side and now we are giving them £25,000 relief on the revenue side.

5. Your stipulation that this matter of relief in taxation on multiple huts will be taken up next year will of course scrupulously be observed. I feel however that I should point out that local opinion is not by any means unanimous in supporting this particular form of relief recommended by Sir Alan Fin. There are critics with whom I have no little sympathy, who say that the proposal is in effect an encouragement (even though a small one) to polygamy and they do not see why it should be made easier for the African old savages in Native Reserves to add to their collections of wives, particularly in view of the fact that for years these collections of wives have constituted one of the major social evils in native life.

6. I note that in your opinion Elected Members appear to have misunderstood Lord Moyne's proposal. I have to confess however that I have always been of the same opinion as the Elected Members namely that the intention of Lord Moyne was that the direct native services should as a general principle be financed by half the average direct taxation taken over a period of six years. This seems to me to be plain from paragraphs 71 - 76 and from the recommendation on page 61 of his report "The Native Betterment Fund should be financed by the grant of 50% of six years' average yield of native hut and poll tax or any future substitutes", while in paragraph 80 he says :-

"80. Although the grant of 50 per cent of the yield of direct native taxation should cover ordinary expenditure on the betterment services, cases may arise in future where provision of loan money from the Colonial Development Fund or other sources may be justified. The establishment of the Native Betterment Fund should not debar the services covered from such further assistance on suitable objects."

From these paragraphs the conclusion seems irresistible that Lord Moyne intended that native direct services should be provided from half the direct taxation; not for one year only but over a period of years, and that if in any one year the available money in the fund should prove inadequate the deficiency should be supplied not from revenue but from loans. For reasons of which you are aware we have not established a Betterment Fund separate from the Colony's accounts but we have scrupulously observed the principle, and in passing I should like to say that in my opinion this so-called "Moyne Formula" has proved to be of the greatest value; not only did it ensure that the natives should receive an adequate return for their taxation but it put an end to the annually recurrent controversy as to whether or not Government was exploiting the native for the benefit of other races. It has in fact been generally accepted as providing an equitable basis for the allocation of the proceeds of native direct taxation between direct and indirect native services.

I realise, however, that conditions are changing and that the "Formula" valuable as it has been, may have fulfilled its purpose. Elected Members also realise this, and the increasing contributions by natives to indirect taxation was one of the arguments which made it easier to obtain agreement to the raising of the taxable age and consequent reduction in the total of direct taxation. Elected Members, however, are afraid that Income Tax may be used to cover ever increasing services to natives which may

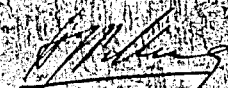
may by annual expansion grow out of all proportion to the native contribution to revenue, and they ask that some assurance or guarantee may be given that this will not happen. I do not know that any assurance can be given other than that Government recognises its obligation to see that every community receives a proper return for its taxation and that in this respect no particular community will be given preference over any other.

Sir, I have conveyed your views in full to the Elected Members representatives, Lord Francis Scott and Captain Schwartze and for purposes of publication I have sent them a paraphrase of which a copy is enclosed. With this you will see that I have made no reference to the contrast between the relief of officials from the salary levy and the native taxation question, or to the misunderstanding of the Lyons Report. These omissions were deliberate as I was unwilling to excite unnecessary controversy in the Press.

I have the honour to be,

Sir,

Your most obedient, humble servant,



GOVERNOR'S DEPUTY.

(Draft by Mr. Wade)

35
30th December, 1936.

The Chairman,
Elected Members Organisation,
P.O. Box 825,

NAIROBI.

My Lord,

With reference to your telegram of 17th December to the Secretary of State, I have the pleasure to inform Your Lordship that the Secretary of State has replied to the effect that

- (a) He has agreed to the arrangements recommended by the Standing Finance Committee;
- (b) In connection with Native Taxation he recognises that revision of the age minimum is an important step, but regrets that the Committee have not found it possible to preclude the acceptance of Sir Alex. Sims's recommendation regarding multiple rates, and stipulated that the matter must not be lost sight of and must be taken up again and fully considered in 1937 with a view to the reforms being brought

into...

into operation a year hence if the general overhaul of native taxation advised by Pim cannot be carried out by then;

(c) He had already intended that the new Governor should be asked to consider how Executive Council could be made more convenient in working and more useful as a means of association with unofficial opinion. It should be understood, however, that the responsibility of the Government of Kenya must be through the Secretary of State to the Imperial Parliament and he is not prepared, and indeed is unable, to agree to anything which would be inconsistent with that responsibility. He does not propose to make any changes in the composition or powers of Legislative Council.

(d) In regard to the Elected Members' representations on the subject of Lord Moyne's formula, they may be assured that their point of view will be borne in mind as the question arises regarding provision for native services, but he trusts that they will

not press for a new hard and fast limitation on this subject. They will recognise

that circumstances might well arise, such as an increase in prosperity leading to a large increase in the yield from native taxation, which would make such a limitation of native services both unreasonable and unnecessary.

(c) He will not fail to give weight to the Elected Members' views that Income Tax in Kenya should be followed by Income Tax in the adjoining territories. No change, however, can now be made which would affect the budgets of those territories for 1957. Moreover, the enactment of Income Tax in those territories must depend on local conditions. Their Governments have undertaken to take such steps as may be necessary to prevent evasion of Kenya Income Tax.

2. This Government has no objection to your publishing this letter should you wish to do so.

I have the honour to be,
Your Lordship's obedient servant,

H. G. PILLING

ACTING COLONIAL SECRETARY.

Orig. reg. no. 38008/36

Telegram from the Office Administering the Government of Kenya
to the Secretary of State for the Colonies.

Dated 5th January 1937. Received 2.37 p.m. 5th Jan. 1937.

No. 3.

Your telegram No. 313 of 22nd December, 1936 Budget as
a Grant to by you passed this morning with almost unanimous
approval. Francis Scott and Rohrwitz strongly in favour and
were supported by all the African elected members except
Ogden and Lemster; by Indian members except Shamundeen
and by both members representing native interests.

C. O.

Mr. Flood 28/12

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

* Sir C. Bottomley 29/12

Sir J. Shuckburgh.

Permi. U.S. of S.

Early. U.S. of S.

Secretary of State.

For the Secretary of State's signature.

Downing Street,

31st December, 1936.

Dear Cavendish-Bentinck,

It was with very real pleasure

that I received your letter of the 18th
of December written from the steamer.

Believe me it was no trouble to me to

see you and I think that you and

anybody else will always find me ready

to listen to people who have a

reasonable point of view and are able to

express it reasonably. As you say,

the great thing is to get rid of the past

if we can and start with a clean slate,

taking as broad a view as possible of

the various problems which arise. Most

of these are, of course, peculiar to

Kenya, but with the signs of returning

prosperity which we see around us it is

not

DRAFT.

MAJOR F. CAVENDISH-BENTINCK.

WJ 30-12

16
39

FURTHER ACTION:

in East Africa

not too much to hope that Kenya's difficulties

will become less as time passes and I think you

will agree with me that when people are contented

then it is easier for the Government and the

unofficial community to pull together for the

common good. [I am quite sure that you can

Francis Scott would say the same.]

I think, however, you would yourself

admit that in the past in Kenya, owing to anxiety

to make debating points and a tendency to lose

sight of the wood for the trees so as to attach

too much importance to an immediate issue instead

of looking to the future, there has been too much

of what you describe as acrimonious bickering.

Not that I think that everybody should always be

agreed. After all, the unofficial opinion has a

perfect right to be heard, and, as the American

philosopher said, "to a certain amount of fleas are

good for a dog, they keep him from worrying too

much on his condition". But the theory that a

Legislative Council is a miniature Parliament

with a Government and Opposition is not one which

much away

more acrimoniously

*I omit this rather
an echo of C. O.'s letter*

perhaps

broadly

C. O.

Mr.
Mr.
Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Robinson.

Sir J. Shuckburgh.

Perms: U.S. of S.

Perly: U.S. of S.

Secretary of State.

should always be pressed. Colonial

Legislative Council is a Council where

all alike are assembled with a view to

the greatest good of the greatest

number and to settle how the necessary

measures of government can be carried

on with the least possible disturbance

to the Government. If that is borne

in mind then I think things will become

smoother.

I am glad to see that you

think well of your Governor designate.

He will have a difficult task but it is

not insuperable and I am quite convinced

that he will face it and surmount it.

He and his wife will, I am sure, win

the esteem of everybody in Kenya.

Lastly, may I wish you and all

my friends in Kenya a happy and

prosperous year in 1937 - and may it

prove to be but the forerunner of many.

DRAFT.

*Looking to the future
I am always apprehensive
of the increasing
of friction and
public opinion between
Government and
unofficials will have
a really bad
effect on the attitude
of Indians & natives
to Europeans generally
And, I think I add, if
trusteeship for natives*

FURTHER ACTION.

*It is our policy
that acceptance cannot
be confined to official
agents of the Home Government
but must be part of the
unofficial white man's
burden also. A generous & progressive interest
in native advancement on the part of the white*

Continuity will be more
as it has done in Southern
Rhodesia to bring British home
British settlers down into hatway
after years of mutual suspicion

Perhaps the main reason for the
influence which I have had is
my efforts to help the
better relations between the
Kwena of the Kwena
and the Tswana by their
handwritten correspondence which
has been a very interesting
material for study

Yours truly
H. H. H.

Community will do more
- as it has done in Southern
Rhodesia - to bring British home
& British settler opinion into harmony
after years of mutual suspicion.

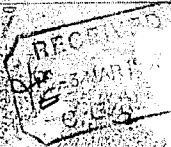
Perhaps the most recent step
in this direction is the offer of
help to help better relations
between the Kenya
settlers & the Tribes by the
hand of a certain number of
bedeviled and controversial
nationalist movements.

Yours sincerely
W. H. G. Jones



S.S. MATIANA.

18/12/36.



P.O. Box 825

Nairobi.

Dear Mr Ormsby Gore,

I write to express my very sincere appreciation of the courtesy you extended to me during my visit to England, and to thank you for the interviews which you granted me - at a time moreover when you had many other far more important and worrying matters to consider.

It is very heartening to feel that East Africa's destinies are being guided by one who has your personal knowledge of the Territories and of their problems as I would assure you that we who live there (even though we may seem tiregoma at times) do try and take a broad

view and our one ambition is to see our Territories develop and go ahead. If this is to be achieved there must be a greater degree of cooperation between all within the territories than there has been during the last few years (especially in Kenya), and anything I can do in this direction will be done. I know that Francis Scott feels as I do on this, as no doubt he has told you.

We all realise how much thought you have given to the selection of our next Governor, and if you will forgive my presumption for saying so you could not have made a happier choice. We will, I am sure, do all we can to help him in his difficult task, and I sincerely hope that during the next few years we shall waste less time in acrimonious bickering and devote ourselves more to thinking out ways and means for further development. Possibly your suggestions for a reorganised Executive Council may contribute not a little to this happier state of affairs.

Again thanking you

Yours Sincerely

F. Courdell Butler

32281 / 36 Kaye
32008 / 36

12
43
124

C. O.

- Mr. *Hand* 25.72
- Mr.
- Mr.
- Sir C. Parkinson
- Sir G. Tomlinson
- Sir G. Bottomley 23.12.36
- Sir J. Shuckburgh
- Parly. U.S. of S.
- Parly. U.S. of S.
- Secretary of State

coded & sent
7.0 pm
23.12.36
7 AM

Dec. 1936

DRAFT

Governor
Nauru

22 Dec. last - contents of ...
(7 Dec)
... considered ...
... and to ...
... already ...

FURTHER ACTION

C O P Y.

DE LORAINÉ

HONGAI.

December 12th, 1936.

Dear Billy,

We finished our deliberations on the estimates of expenditure and revenue yesterday in the Standing Finance Committee with the result that we have increased expenditure by about £11,000 chiefly for medical, military, agricultural, and P.W.D. requirements. This leaves native expenditure on direct services about £19,000 over the Moyné formula on the original estimate of native direct services. The revenue we found ~~unanimously~~ had been under-estimated by about £100,000 chiefly customs and excise taxes. This year customs will probably bring in £795,000, and we have estimated £810,000 for 1937 which must be an under-estimate under the improving conditions which are continuing here. The net result is that we are now £90,000 better off than before we went into Standing Finance Committee, and the contentions of us elected members has been admitted by the Government members. Now it would seem on all logical and reasonable grounds, that the problem was solved, income ^{tax} could be completely wiped out, and we should have an increased surplus without it. Incidentally the surplus for 1936 will be much more than anticipated, probably over £130,000, which puts our surplus balances in a respectable condition once more. What I had hoped was that you would accept this position, leave over income tax for this year and immediately refer the question of ratio between direct and indirect taxation to be threshed out in committee, with a view to the taxation basis for 1936. Our local Government were prepared to accept this, but Wade tells me that they have had despatches from you more or less insisting on the principle of income tax being incorporated, and definitely insisting on

some

45

some relief being given to native direct taxation, in spite of the fact that the authorities on the spot, i.e. our local Government, are definitely of the opinion that the natives are not overtaxed and that the present assessment is a reasonable and fair one. I understand that your argument is that the Pim report must be carried out in toto. Of course that is not possible in 1937, as the majority of his recommendations for economy cannot be brought into effect in 1937, and so equally all his recommendations on taxation also cannot be done in 1937. However I admit that if income tax is washed out, the European and Indian communities will gain considerably, and not the natives. Wade is now putting up proposals for a compromise which will admit the principle of income tax on a really moderate basis, on the lines of Rhodesias, and framed only to catch shareholders in companies, etc., overseas mortgages, and the few (very few) men with high incomes. A reduction in basic poll-tax. This is chiefly to please the Indians. A reduction in our heavy petrol tax, and relief to the Natives by raising age from 16 to 18, which would give them about £25,000. I have promised to put this before my colleagues on Monday, and let Wade know what their attitude will be, when he can cable to you. You can leave over the multiple hut question for another year, or could meet it by borrowing as proposed by Pim. Actually it seems extremely illogical when you are urging income tax so as to make richer people pay more than the poorer ones, that you should urge that richer natives (i.e. those owning more than one wife and so extra huts) should be let off and brought down to the level of the poorer natives who can only afford one wife

However

20
However logic seems to be completely ignored in all these matters. Now you must admit that it is manifestly unfair to let the natives off £80,000 or so, and put that all on the shoulders of the Europeans and a very few Indians, especially when people like the O.N.C. and Treasurer who are much better informed on this subject than I am, state definitely that the natives are not over-taxed, and further shunt the case diametrically against the Moyne recommendations and formula. Personally I consider we have an irrefutable case for our contention that income tax is not necessary under present circumstances, and as you know, I do not believe that income tax is suitable to such a young developing country like this, especially when our neighbouring territories are exempted, which must cause unfairness in the detriment of the people of Kenya. Yet, as I am so very anxious to get on the end of these political controversies, I am prepared to urge my colleagues to accept Wade's proposed compromise. I cannot say whether I shall succeed or not, and know I shall have much opposition. But my condition is that the compromise is on the lines proposed by Wade and not on any lines still more to our disadvantage. As you stick so literally to Pim, let me remind you that he states definitely that income tax should be on a very moderate scale and anyhow not worse than in other adjacent countries. Rhodesia is the nearest country on similar lines to ourselves, and so our income tax should not be any more severe than theirs, on Pim's own recommendation. It was also for this reason presumably that he put forward the suggestion for the loan scheme. You have now before you a chance of

approving

approving this proposed compromise and making sure of political peace and co-operation here when the new Governor arrives. If you try to enforce anything more severe on us, then we shall be in the strongest position we have ever been of stirring up the whole country against the dictatorship of the Colonial Office, and this time we have the agreement of the Indian members, not that they count for much. I have put these arguments very plainly because I want to impress on you that I have gone to my utmost limit now to work for peace, and I cannot go a step further. I have no doubt you will see the reasonableness of these proposals, and will gladly accept them, as I hear from Gladys and others how anxious you are to help us out of our difficulties and how you have the chance. Of course you can promise if you so will that the question of multiple trusts will be dealt with during 1937, so that it can be incorporated in the 1938 budget. No one will object to that provided it is done on practical and not merely sentimental lines. In return for our efforts to be helpful now, I hope you will on your part do what you said you would and instruct the new Governor to explore the constitutional question on the lines of a reformed Ex- Council. Forgive me for bothering you with so many long letters but I do so with one object only, and that is to achieve a peaceful and acceptable solution of our troubles.

Wishing you and Lady Mina and your family a very Happy Christmas.

Yours

(Sgd) Francis Scott.

32
10
COPY FOR REGISTRATION

48

(10) Telegram from the Officer Administering the Government of Kenya to the Secretary of State for the Colonies.

Dated 22nd December 1936. Received 4.58 p.m., 22nd Dec.

IMMEDIATE.

Private and Personal.

(2) +
(3) on 38095/36
I fear that I shall now have sailed before a reply is received to my two private and personal telegrams of 17th December. Might I most respectfully urge the general acceptance of the proposals that I have submitted. Any radical departure from the suggested taxation agreement will revive political unrest so harmful to the Colony's interest.

C. O.

Mr.
Mr.
Mr.

223EC
D 24 3 8

Answer (17)
See (6) - 38008/26

Added to serial 22/4/56
22/1/56

No. 313 Confidential.

Sir C. Parkinson.

Sir C. Parkinson.

Sir C. Bullock.

Sir J. Shubhrajit.

Private Office of S.

Private Office of S.

Secretary of State.

3/10/52
13/1/50
10/1/50

DRAFT: Telegram.

GOVERNOR

NAIROBI.

I have considered your telegram No. 292 Confidential and the list of information which you have given me separately as to the nature of settlement recommended by Standing Finance Committee. *to that* and this settlement *and* need only refer to native taxation. *which* recognize that taxation of *the* minimum is an important step. I regret that Committee have not found it possible to propose acceptance of *the* *the* recommendation regarding multiple rates. The contrast between the position on this native question and the relief of officials from salary levy is unfortunate, but as the Members of Council representing native interests have agreed I do not

FURTHER ACTION

press

at this moment
press the point, but I must stipulate that

this matter should not be lost sight of and
that it should be fully considered in 1937

with a view to the reform being brought
into operation a year hence, if the

general overhaul of native taxation
advised by FIM cannot be carried out by

then
I should be glad if my views

on this point were conveyed to Elected
Members.

As regards the assurances which
they desire

I had already intended that the
new Governor should be asked to consider

how the Executive Council could be made
more continental in working and more

useful as a means of association with
unofficial opinion. But it should be

understood that the responsibility of
the Government of Kenya must be through the

Secretary

C. O.

Mr.
Mr.
Mr.

Sir G. Parkison
Sir G. Thompson
Sir C. Bottomley
Sir J. Glubb
P. M. M. M.
Secretary of State

DRAFT

FURTHER ACTION

50
Secretary of State to the House of

Parliament

Commons and that I am not prepared,

and indeed am unable, to agree to
anything which would ^{be in conflict with} undermine that

responsibility. I do not propose to
make any change with regard to the

Legislative Council.

Elected Members appear to
have misunderstood Lord Moyne's

proposals. He did not lay down
a hard and fast formula for the amount

to be debited to native services. In
paragraph 15 of his Report he did not

more than indicate that the figure
given by his formula would provide for

the coming year a reasonable
settlement having regard to the

existing serious financial difficulties
of the Colony. Elected Members may

be assured that their point of view
will be borne in mind as questions

arise regarding the provision for
native

native services, but I trust that they will
not press for a hard and fast safeguard on
the subject. - They will recognize that
circumstances might well arise, such as an
great increase in prosperity leading
to a large increase in native indirect
taxation, which would make such a limitation
on native services both unreasonable and
unnecessary.

(iii) Finally, I shall not fail to
give weight to their view that income
tax in Kenya must be followed by income
tax in ~~the~~ ^{the} territories, but I
have assured those Governments that the

change will not be made so as to affect
their budgets for 1937 which are already
settled. They have undertaken to take
such steps as are necessary to prevent the
legal evasion of income tax in Kenya,
and, subject to that, I feel that the

introduction

C. O.

Mr.
Mr.
Mr.

Sir C. Parkinson.
Sir G. Tomlinson.
Sir C. Boltonley.
Sir J. Shuckburgh.
Perth, U.S. of S.
Paris, U.S. of S.
Secretary of State.

DRAFT.

Enactment
introduction of income tax in those
countries must depend on their own
circumstances ~~as they~~ *after the*
consideration in consultation
with their officials.

FURTHER ACTION.

38008/236
39201/138

38008
Booked - sent
7:10 pm
22/12/36
test

C. O.

22 EC
124236

Mr.
Mr.
Mr.

Sir C. Parkinson

Sir G. Tomlinson

Sir C. Ecclesley

Sir J. S. ...

Party U.S. of S. 18/21

Party U.S. of S.

Secretary of State

DRAFT

TELEGRAM

GOVERNOR

NALHOBI

PRIVATE AND PERSONAL

Your telegram private and personal 17th December. See my

official telegram of to-day in reply to your telegram No. 291. Confidential.

I am not prepared to meet the Elected Members further than I indicate in the

telegrams and if they decide to contend against the Budget as modified by

the Standing Financial Committee, you should not hesitate to use your

influence to secure a budget

I have ^{just} received your letter of 7th December and will telegraph

further if, on receipt, it seems to

affect what I have said in either of my telegrams of to-day.

Attention sent 27/12/36
Bel

FURTHER ACTION

AIR MAIL
PERSONAL AND PRIVATE

RECEIVED
KENYA
GOVERNMENT HOUSE
NAIROBI

EAST AFRICA

Dec 27 1963

Dear Mr. Crumbly, Corp.

I have had a most troublesome
month or two, but I have written letters. I have
been fully informed as to what is taking place
and I know that no doubt let me have a list of names
before I leave to ever, I must tell you so.

I am for your cessation in regard to Crumbly Corp's
letter, and for your personal and private letters of
the 23rd December which was a reply to my personal and private
letter to you of the 28th November. These have eased
the situation considerably. If I am advised, the decision
is admirable and it should knock the bottom out of the
whole class of agents which have been in the past
by the little clique in personnel position in the
Government.

It is in your own interest according to the
law of the country and never reckon on any certainty in the
Government. I have discussed this matter with
official.....

official members of the Standing Finance Committee and their policy on the Committee will now be to press for both of Pim's recommendations, namely, Income Tax and the dual relief in Native Taxation. We have been accused of desiring to pick those bits out of the Report which are pleasing to Government - i.e., Income Tax - and of ignoring the other recommendations. Now, for all practical purposes, we will be implementing all the major recommendations, including reorganization of the Secretariat and the Agricultural Department. Fortunately, the unexpectedly large surplus removes the necessity of borrowing from the Treasury, which is an advantage. There is also a possibility, if the surplus will stand it, of giving further relief in the way of a reduction in the Petrol Consumption Tax. I hope that the Indian member of the Committee, Mr. Pandya, will vote with the Government members, and Dr. Wilson, representing Natives, will certainly do so. Thus we will, I foresee, have a majority of five against the three European Unofficial members. The Government will then be justified in moving the acceptance of the majority report - which we have done on previous occasions - and forthwith proceed with the Income Tax.....

GOVERNMENT HOUSE,
KENYA,
EAST AFRICA.

Income Tax Bill.

The reactions to your despatch of the 20th November which was published on Friday last (the 4th) have not yet become apparent. The "East African Standard" has kept discreetly silent and has devoted most of its space and its leading articles to the unfortunate Constitutional crisis. The position should soon become clearer as the Standing Finance Committee has re-assembled this morning after a week's adjournment necessitated by the session at Entebbe of the Railway Advisory Council. I shall report developments to me, when I will continue this letter and make you acquainted with the attitude adopted by Francis Scott and Schwartze towards the Government's proposals.

Tuesday, 8th December:

Before attending the Committee meeting, I had discussed the procedure with me. He showed me a draft of what he proposed to put before the Committee when the opportunity occurred. I readily agreed with this, for it is in conformity with the policy I have outlined above. A copy of this draft is enclosed herewith.

Later.....

Later in the day he came to see me and informed me that he had launched the proposals this morning and, strange to say, they had been more quietly received by the Unofficial Europeans than he had expected. What I mean by quietly is that there was not the usual outburst of uncontrollable temper on the part of Francis Scott. His long years experience has shown him the utility of mild opposition. He was very helpful in discussing our difficulties and quarrelling with the then Secretary of State during the past years and he will not be a quarrelsome man who were he to be our next good friend. He is in addition of the Treasury view as indicated in your telegram No. 277 of 25th November and in reply to his argument that any reduction in Native taxation would reduce the formal Reserve. He recently told me that conditions in the Reserve had been easily improved since Moyne was here, with the result that Customs receipts from Native sources had correspondingly increased. Francis Scott then asked whether I could consult his colleagues who would be in Nairobi on Monday.....

Monday (the 14th) the day of the Legislative Assembly and was told that he had been told that the proposals for the reduction of the Native Tax would have to be viewed as a matter for the country as a whole. He said by certain remarks made, that the proposals to occur on the following lines:-

- (a) To accept Income Tax, but to be paid, reduced so as to reduce the value of the tax to about 20,000;
- (b) To implement the proposal of the 1st only, leaving the reduction of the 2nd as a further consideration. This would mean that the 1st would be reduced to 20,000 and the 2nd to 20,000. The total tax would be about 40,000;
- (c) To reduce the 1st and 2nd to the extent of about 20,000.

The total tax would be about 40,000 but it is probable that the 1st and 2nd would be reduced to 20,000 each. It would be an immense advantage if a reduction of 20,000 could be presented but I do not know what the Government would regard to temporarily dropping this recommendation to reduce the 1st Tax. My own feeling is in favour of accepting.....

agrees such a compromise: It would mean merely a
renewal of the High Tax recommendation. All my such
and such as I have noted have to be taken to be
indications of a desire to help themselves.

On the other hand, the majority of elected members
has refused to support me and decided to fight in which case
the Government are as I see it, under bound to force
through the proposals put to the Committee by me.

I do implore you, Sir, to insist on getting this
Income Tax question settled now and not to tolerate any
unreasonable delay. Never again will you get such a favour-
able opportunity.

The difficulties of this Colony during the last six
years are outlined in my numerous personal letters to
Borlough and to your predecessors. Throughout, in these
letters, it will be found that the main cause for the alleged
"friction", "non-co-operation", "hostlessness" etc. was the
inflexibility of the Government in the demands of the elected
members in this or that particular occasion. In other matters

we have

we have as yet not reached a friendly agreement: on this
matter Mr. B. has done every possible for the project
to be balanced and the structure of the roads to be
earned.

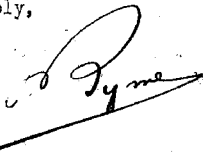
My heart is gradually returning to normal and
I believe, the specialist, tells me that by the first of
June, towards the end of April, I should be able to do all
that is required of me as regards my work.

I would like to tell you that a further step has
made has been to me during these past months. His job is
heavy, one and I think, like all of us, he sometimes feels
the strain. In fact he is to be retired next year.
He will be a real loss to the Colonial Service. I contacted
him for a while and I hope he will be considered for the
post. Mr. K. has made a list and resorted to proposals
and ideas and has included a few of the exceptional
the man who is worth as much as he is. I have done and
as a Colonial Secretary.

I hope.....

I hope I may be permitted to come and pay my respects to you when I reach London. I should like to tell you how greatly I value the support and encouragement you have invariably given me, not only while you were Secretary of State, but while you were Under Secretary of State. As regards the Colonial Office officials, I cannot thank them enough - during my 14 years as Governor I cannot recollect any single occasion on which they have not been most fair and helpful.

Yours sincerely,



The Right Honourable J. Ormsby Gore, P.C., M.P.,
Secretary of State for the Colonies,
Colonial Office,
Downing Street, S.W.1.
L O N D O N.

*Dec 10th Still no reference whatever to
your hospital in the E.A. Standard.*

*Send me a cutting from this issue
of the 4th December*

10/12/44 

DRAFT PARAGRAPH PROPOSED FOR CONSIDERATION
IN CONNECTION WITH THE STANDING FINANCE
COMMITTEE REPORT ON REVENUE. 257

While we readily admit that there are in Sir Alan Pin's Report recommendations to which some of us find it difficult to subscribe, ~~we~~ ^{the majority of us} nevertheless, realizing that no proposed solution is likely to command unanimous support and believing that we could render no greater service to the Colony than by resolving the doubts and uncertainties and ending the discussions which, during the last few years, have disturbed its economic life to the detriment of its general welfare, have decided that the reasonable and statesmanlike course to pursue is to surrender our individual and divergent opinions to the common good, and to accept Sir Alan's Report in its entirety, at least insofar as its major recommendations are concerned. This course, moreover, is consistent with common ^{finance} procedure, which normally demands that the advice of an expert invited to advise should be

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IN CONNECTION WITH THE STANDING FINANCE
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prudence procedure, which normally demands that the
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adopted in toto and not in part. Sir Alan's

major recommendations include proposals for the introduction of an income tax and for relief

in daily taxation by

- (a) raising the taxable age from 16 to 18, and
- (b) by reducing by half the net tax payable on additional income. The combined relief is estimated to amount to £60,000.

At the same time it is proposed to give relief to the general taxpayer by reducing the consumption tax on petrol from cents /36 per gallon to cents /20, a relief which is estimated to amount to approximately £30,000.

C. O.

*Cover & Seal
V. O. P. M.
18. 12. 36
(2)*

Mr.

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Permt. U.S. of S.

Party, U.S. of S.

Secretary of State.

*John 16/12 when
in line J. N. P. G. S. instructions*

PRIVATE AND PERSONAL.

Following from Maffey, begins

your private and personal telegrams of

17th December to Secretary of State about

financial position and salary levy being

referred to Secretary of State who is in

country and who had seen your confidential

telegram No. 294 before he left. I am

telegraphing to let you know that it is

not likely that he will be able to let

you have an answer before Monday.

E. W. S.

DRAFT.

TELEGRAM.

CODE.

GOVERNOR NAIROBI.

FURTHER ACTION.

COPY FOR REGISTRATION

60

TELEGRAM from the Governor of Kenya to the Secretary of State
for the Colonies

Dated 17th December, 1936. Received 6.5 p.m. 17th December.

Private and Personal

Reference to my personal and private air mail letter to you dated 7th December. result of Standing Finance Committee's deliberations has been to increase revenue estimates by about £100,000 and expenditure by about £10,000 leaving balance of about £100,000 on basis of draft estimates. Committee is unanimous in believing these revised figures to be justified by increased and increasing prosperity particularly in view of anticipated value of domestic exports for 1937 now valued at about 4,000,000.

Committee now propose to budget for a surplus of £8,000 leaving £92,000 to be allocated to relief approximately as follows on basis of draft estimates.

- (a) non-native poll tax to be 4s/- for Europeans 20/- for Asians and 20/- for Arabs, repaid relief of £12,000. In this connection please see your telegram confidential No. 252 of 7th November.
- (b) reduction in petrol consumption tax amounting to £15,000.
- (c) reduction in land tax and poll tax amounting to £25,000 to allow raising of tribals age from 15 years to 18 years.
- (d) revision of rates and reimbursements in income tax amounting to roughly £40,000.

The above represents a compromise to which the Standing Finance Committee which includes Chief Native Commissioner and Dr. Wilson unanimously subscribe, as do also Burns representing Native interests eight out of eleven European members and all Indian members. The three dissentients oppose Income Tax on any terms.

I do most earnestly trust that you will be able to accept this although it means postponing for further consideration Pim's recommendation for relief in taxation of extra huts and although I should have preferred greater reduction in petrol tax and less reduction in Income Tax. The reduction in Income Tax will however be considered in Select Committee. Elected Members represent with justice that Natives are being treated with great generosity in being allotted (a) £16,000 more than Moyne's formula in draft estimates for direct services and (b) £25,000 relief in direct taxation. I agree and submit that this is as much as I can reasonably be expected to do in one year.

This agreement has been reached as a result of difficult negotiations and concessions all round and I trust that you will appreciate the immense advantage of securing Income Tax plus your reduction in Native taxation by agreement rather than by forcing measures through the Council in the face of bitter opposition. If you insist on immediate acceptance in full of Pim's recommendations on Native taxation there will be no hope of agreement, and opposition will be determined and clamant.

European Elected Members are conceding a great deal in agreeing to this compromise and I wish to add two riders (a) that the new Governor shall investigate constitutional position. To this I see no objection whatever and (b) that there shall be some safeguard that expenditure on the services for Natives shall not by continual expansion get out of all proportion when their contribution to general revenue entitles them. To the general proposal I see no objection but I do not see how this is to be secured except by some such formula as that advocated by Moyne or by the return of some definite proportion of revenue to local Native administrations.

The Elected Members' apprehension is that Income Tax may be used by increasing rate to finance Native services to an

unlimited

62
unlimited extent.

In view of urgency of determining next year's budget I shall be glad to receive your telegram authorising me to agree generally with the proposals outlined above. The deliberations of the Finance Committee are at a standstill pending the receipt of your decision.

BYRNE.

38008/2/p
~~38264/1/36~~

33

Mr.
Mr.
Mr.

Mr. Bottomley 17.12.36

Kenya (Ho)

collected & sent
7.0/36
17.12.36
1/12

C.D.
R 18DEC
D.

Sir E. Harding
Sir J. Strickburg
Sir G. ...
Sir S. Wilson
Mr. Ormsby-Gore
Mr. ...
Mr. ...

N^o 305 Confidential

(1)

You tel. no. 294 Confidential

What are the ...

... standing

... ?

DRAFT

Yorkshire
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~~...~~
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~~...~~

Tel.
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R later

COPY.

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Original decode of a telegram from the Governor of Kenya
dated 17.12.36. Received in the Colonial Office at
11.20 a.m. on 17.12.36.

Following Mr. Lord Francis Scott personally by Mr.
Ormsby Gore begins:-

3 With the utmost difficulty have persuaded the majority
of my colleagues accept principle of income tax on the
terms and conditions sent you by the Government. Earnestly
implore you accept those terms and conditions as the future
political peace of Kenya depends on your decision. Ends.

COPY FOR REGISTRATION

17 DEC

C. C. F.

Telegram from the Governor of Kenya to the Secretary
of State for the Colonies.

Dated 17th December, 1936. Received 11.20 a.m.
17th December, 1936.

-----006-----

No 294. Confidential.

Following from the European Elected Members, begins:-

After most careful consideration and because of their earnest desire to bring finality to the political strife the majority of the European Elected Members are prepared to accept compromise terms agreed to by the Kenya Government and will not oppose the proposed fiscal change provided that assurances on two points are given by the Secretary of State. Firstly they request that he gives an assurance that the new Governor will be instructed to explore the possibilities of changes in the Constitution which would result in the unofficial community being far more closely associated in the responsibility of Government. Secondly that some safeguard be forthcoming so as to ensure that no further departure from Moyne's formula resulting in increased non native direct taxation to support increased natives services. Lastly they stress most strongly their conviction that unless an income tax is imposed on the adjoining territory this burden must necessarily bear unfairly on and to the detriment of the

Reference statement that Kenya Government has agreed it is true that official members of the Standing Finance Committee agreed as did all unofficial members also but although I am prepared to agree I have not signified my concurrence pending the receipt of your authorisation.

In this connection please see my private and personal telegram of today.