

NOTES BY THE WAY.

Dressed for the Ball.

THOUGH it is difficult to think of him as a Civil Servant, Mr. George Nestle, fine sportsman and intrepid adventurer, has wisely been selected by the Tanganyika Government for the post of Game Ranger. When "George," and "Jerry" (Captain F. F.) White marched into Dar es Salaam at the end of the memorable safari during which they found Josephine, a thrill of anticipation ran through the town—or that part of it in which they liked to move—for they came like a couple of Traders Horn, bearded and brown, at the head of a procession in which Josephine, the baby elephant, trotted happily along. Though he lives most of his life in the bush, when George occasionally "comes to town," he adds zest to life in the capital.

Once invited to join a crowd of bachelors at a dance, the hint was quietly, but of course unnecessarily, dropped that it would be proper to dress. George dutifully promised, and appeared later in evening dress, a simple but skilful disguise behind which few could recognise him. His invariably smartly-trimmed moustache was artfully drooped in "Old Bill" fashion; his hair had a beautiful centre parting and a giant cow-hick, a navy's red handkerchief protruded from his pocket; an old and heavy gold watch-chain spanned his waistcoat, and he had chosen the oldest, biggest and blackest of his pipes for the occasion. Thus came the big game hunter to the "shall we say? Haberdashers' Ball." A Cambridge man, he can write in a most attractive style when the spirit moves, as it does not do sufficiently often, and his cheerful frankness makes him friends wherever he goes.

A Friend of Rhodesia.

SIR ALBERT BALL, Lord Mayor of Nottingham and father of the V.C. airman who did such fine work during the War—has long been a keen Imperialist, and, in particular, a friend of Southern Rhodesia, the sales of some of whose products—especially tobacco, have been materially helped by his personal efforts. For a long time he has practised what he preaches, providing only Rhodesian cigarettes in the Mayor's parlour. Soon he is to lay down the burden of an office which he has filled with great success, and so when the Lady Mayoress and he gave a farewell dance last week, many well-know public men, including the Lord Mayor Elect of London, went to Nottingham for the occasion. Among them were the High Commissioner for Southern Rhodesia and Mrs. O'Keeffe, who conveyed in person the gratitude of Rhodesians to one who has rendered them many useful services.

Karl Peters.

SO the Germans are making a film featuring their countryman Dr. Karl Peters, of sinister memory, who, when holding the exalted post of Imperial High Commissioner for the Kilimanjaro District, was accused by his own people and in 1897 convicted of "misuse of official power"—the word "misuse" being, as the official record shows, a flagrant euphemism. He was deprived of his High Commissionership. Now he has become a

Nazi hero. But even his bitterest enemy could wish him nothing worse than his memorial statue, the most dreadful atrocity of German art, which, after being refused with contempt by all the towns, including Hamburg, to which it was offered, was at last forced on the helpless inhabitants of Heligoland.

Lost Opportunities.

WHAT wonderful chances East Africans and Rhodesians miss of giving their adopted countries striking publicity! The territories offer unrivalled opportunities for the making of beautiful camera studies, yet among twelve hundred exhibits in the two important photographic exhibitions held during the last two weeks in London, only four are of East or Central African interest. The Royal Photographic Society has hung three studies of lion and one of zebra made in Tanganyika by Mr. Harold Evans, but, apart from a picture showing dusky hands playing the gambling game called "African Golf" on a pavement, the Salon of Photography includes not one East African or Rhodesian exhibit. Thus have splendid opportunities passed unutilised. The Salon, being situated in Pall Mall East, attracts a leisurely type of visitor, including many a wealthy potential tourist. Moreover, the Committee favours the "arty" type of exhibit, which from the standpoint of the territories which this paper serves, is ideal, for such pictures might easily attract travellers. With the Selection Committee of the R.P.S. artistic effect does not weigh quite so heavily, to them the nature studies, farm, plantation, mine and industrial scenes in which East Africa and the Rhodesias abound would undoubtedly appeal. Subtle publicity pictures illustrating East African coffee or Rhodesian tobacco might quite easily influence sales in this country.

Mothercraft at Three Cents.

IT was a happy idea to charge three cents to African mothers who wished to have their babies weighed at a mission hospital's stand at the recent Mombasa Exhibition, since that would help to convey to Native mothers some idea of the importance of keeping careful observation on the weight of their young. It would have meant nothing to them to know just how much their babies weighed, and the real lesson of the demonstration would have been lost if all comers had been told their weight free of charge. On the other hand, mothers who are expected to pay three cents of a shilling for the information must realise that there is something of importance in knowing what their children weigh. A few words of explanation, a little encouragement, perhaps a nurse's congratulations, or a piece of advice must have made of this interesting departure a really valuable lesson in child welfare for many an African to whom mothercraft is a completely unknown science, not even the word being known.

This Week's Biscuit.

MR. M. H., only son of the late T. H., who is at present in Nairobi. —An East African newspaper.

For the above reasons a serious psychological blunder was, we consider, made in announcing in Nairobi last week only the details of the taxation proposals. We have always agreed with the principle of income tax, but the brief particulars available in London and published on another page suggest that the Kenya Government will have to explain away apparent errors in detail. Sir Alan Pim advocated a non-Native poll tax on Europeans and Asiatics alike of 50s., because this is the sum now paid by Indians on account of graduated non-Native poll tax and education tax together. Yet for some unexplained reason Asiatics are henceforth to pay only 40s. In the 1933 controversy the Government was emphatic that there should be no differentiation between Europeans and Asiatics, yet here is a glaring, and quite unnecessary, racial differentiation from the outset in the poll tax on which the income tax is to be based. It is officially estimated that only 3% of the Indian population will pay income tax; in other words, 97% of the Indian taxpayers are being relieved of one-fifth of their present payments of poll and education tax. Sir Alan Pim found no justification for such a step, and we know of none. Rumour, of course, has at once got to work the innuendo being that the Indians receive this material concession for not opposing income tax. That the story may be untrue is less important than the fact of its circulation.

And why has the Government not given the widest publicity to its calculations of the incidence of the new income tax? by which it is anticipated that three-quarters of the European residents will be unaffected or benefited in the amount of their direct contributions to the State. In view of the criticisms made three years ago of the abatements allowed in respect of wives and children it might have been anticipated that publication of the proposals would have been accompanied by a memorandum explaining why such great discrepancies are maintained between Kenya figures and those of, say, Northern Rhodesia and Nyasaland. Those territories allow deduction of £60 and £60 for the first and subsequent children, whereas Kenya gives only £40 and £30, and as against the Kenya rebate of £50 for the married man, his opposite number in Northern Rhodesia deducts £420 and in Nyasaland £300 when calculating his taxable income. If such differences can be justified, the sooner the task is begun the better from all standpoints. Again, in estimating the earnings of officials, is fair account to be taken of the monetary value of their housing, medical and other privileges, which the non-official has to meet out of his earnings? It is bad tactics on the part of the Government not to face these facts. It was compelled to withdraw its Income Tax Bill of 1933 largely because some of its provisions so angered the supporters of the principle that they joined forces with the opposition. If the Government does not at a very early date begin to play its cards much more wisely than it is doing at present it will gravely risk a repetition of that occurrence.

The Need for Government Explanations.

Indeed, both sides appear to be playing very shakily. If the Government had been wise it would at the earliest possible moment have declared its acceptance in principle of Sir Alan Pim's recommendations; and if the elected members had been wise, they, instead of merely damning the introduction of income tax, would have put forward a constructive programme of their own. Their manifesto was a singularly unconvincing document, one which appeared entirely to overlook the necessity for the accumulation of reserve funds; blandly ignored Sir Alan's insistence that income tax must be accompanied by substantial reductions of taxation in other directions; and harked back to the old cry that income tax was iniquitous "unless and until its range and application can be controlled by the representatives of the community affected." Thus the tax — although the European elected members as a body are no longer opposed to it in principle — must not be introduced until the European unofficial community has the decisive voice in controlling its range and application. Since no Government can surrender the power of the purse, that demand is tantamount to one for a European unofficial majority in the Legislative Council, or for some other arrangement by which the European unofficial community can dictate in regard to finance. There is a strong case for increased unofficial influence in some ways, but we fail to see how either of those proposals could be granted. As to the accompanying reminder that an "uncontrolled arbitrary Government can always raise the scales of income tax," since the Government can increase arbitrarily any other tax, its oppressive powers are the same, not increased.

Good Intentions Not Enough: They Must be Declared.

The European elected members seem to have rushed unwarily to take up a position in which they are probably already feeling uncomfortable, and which will almost certainly prove untenable — unless they are saved by Government ineptitude. The Government, on the other hand, has delayed so long in declaring its intentions that many of those who would have been neutral or favourable to income tax, having now a mistaken idea of what is intended, have reinforced the opposition ranks, whose morale will depend less upon the opinion which the rank and file have of their leaders than upon the judgment of the country as to whether it is or is not being given a square deal. The elected members say that it is not; frankly, we have not yet seen any cause to doubt that the intentions of the Government are genuine. But in this world good intentions are not enough. They must be translated into action, and Kenya has so far no knowledge of the actions which the Government intends. In the name of good sense, and in order to avoid another heated controversy between officials and non-officials, we plead for an immediate clarification of the whole issue. A full, frank, and friendly statement by the Governor might still prevent renewed rancour. Further procrastination will almost certainly produce it.

Why Reduce Contributions of Asiatics?

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OR more than a dozen years we have been urging—for much of the time as a lone voice crying in the wilderness—that the German agitation for Colonies should be met with an unequivocal declaration that the subject was closed and could not be re-opened by Great Britain. A Cabinet pronouncement in which sense would, we have always been convinced, reduce the agitation in the Reich to the smallest proportions. Because successive British Governments have equivocated, the propaganda in Germany has increased enormously, particularly during the past year, and it is now officially directed by the Nazi Party. Herr Hitler, however, has so often shown himself opposed to the re-entry of Germany into the overseas Colonial field that it was clear that a firm stand by the former Allies would cause him to stamp out the agitation, or at least restrict it to an unimportant outlet for criticism on an issue which would never be allowed to embarrass him or anyone else.

The Fruits of Equivocation.

Great Britain, alone among the Allies, procrastinated and wobbled. Then a fortnight ago the Unionist Conference in the Margate Motion. Germany Shocked Margate refused to listen to the excuses of Government and pro-Government spokesmen, and by an overwhelming majority passed a resolution which said, in effect, "What we have, we hold," and was tantamount to a vote of no confidence in the Prime Minister on this particular matter. Germany immediately realised what the Imperial Government has persistently refused to recognise, namely, that a firm stand was all that was necessary to kill the German agitation. The German Press was therefore ordered not to report the Margate resolution, and the one Berlin newspaper which did report and attack it was promptly suppressed. Ironically enough, the organ which offended and was roundly castigated is that owned by Dr. Goebbels, who, as Minister of Propaganda, controls the German Press.

Hitler Canoels Colonial Rally.

Now comes news of a much more important "act of submission," as the Italians would no doubt term it. There was to have been held in Breslau this week a mammoth Reich Colonial Rally to mark the intensification of the Colonial campaign. The leaders of the movement were to make rousing speeches, and there had been nation-wide publicity for the event; in addition to turning on the Press gramophone and utilising the wireless, there have been uniformed parades in the main cities, office-to-office and house-to-house visits, and other potent forms of "persuasion." Without a word of explanation, and with orders to the Press not to mention it, the Rally has been "postponed indefinitely." Why? Because Hitler now knows that the British public will not tolerate discussion of any surrender and that if he desires to achieve an understanding with this country he must call off a campaign which he authorised against his better judgment.

His new Ambassador, Herr von Ribbentrop, is due in England very shortly, and if it be made clear to him from the outset that no British Minister is prepared to discuss this subject even in his private capacity, the anxieties which have troubled British interests and the unsubstantial hopes which have buoyed up Germans may be forgotten, with advantage to both peoples. The cancelling of this great Colonial Rally in Breslau is a triumphant justification of the Margate resolution and of all they have been distressingly few in number—who have fought German Colonial pretensions and British apathy and worse. But the campaign will break out again in Germany's own good time unless she be shown beyond possibility of doubt that nothing will shake British determination. There is one unmistakable way, and one only, of demonstrating that determination, and that is by the union of Kenya, Uganda and Tanganyika Territory. And could there be a more appropriate time than Coronation Year for such a desirable development?

East African Union to Mark Coronation?

AS a consequence to a statement as any Government could send to any public body has been made to the Nyasaland Chamber of Commerce by the direction of the Governor of that Protectorate. We have received a copy of the document by air mail, and some passages must be quoted. It having been recorded that much of the revenue of the North Nyasa district is derived from the sale of produce on the Lupá goldfields by the Ngonde tribe, that this trade is hampered by Customs duties levied in Tanganyika Territory, and that the Government of Tanganyika is not prepared to remit those duties, we come to the declaration that "since His Excellency regards them as unreasonable, he feels under no obligation to assist in stopping this form of smuggling carried out by individual Natives moving about in their own tribal area. Exactly the same form of converse smuggling takes place when the individual returns to the Protectorate, and His Excellency is prepared to condone it. It is a different matter, however, when smuggling is organised as a business. For example, if any trader bought a hundred head of cattle in Karonga and endeavoured to take them to the Lupá goldfields as a business proposition, His Excellency is quite ready to help the Tanganyika Territory Government to apprehend him on the way. Similarly, His Excellency is quite prepared to regard as a criminal act an attempt to run a dhowload of goods to this Protectorate as a commercial proposition."

Retail, Not Wholesale.

Is there a precedent for so clear and public an intimation by any senior officer entrusted with the administration of the law in any Eastern African territory of his willingness to condone smuggling? True, it is coupled with the warning that the benevolence of the Nyasaland Government will be accorded only to the retail smuggler—

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MATTERS OF MOMENT.

THAT KENYA would expect the recommendations of Sir Alan Pim to be fairly implemented, and would not be content to see the Government evade the suggested economies while adopting more palatable portions of the report was suggested in our first leading

article on the subject. Since then we have dissociated ourselves from the assumption of the European elected members of the Legislative Council that the report would be implemented piecemeal to suit the Government's convenience. Our conviction is that an honest endeavour will be made to accept the recommendations, if not completely, at least in the spirit of fairness—which will call for public explanation of the reasons for the non-adoption of any particular proposal—and we therefore regret all the more that a clear statement of the attitude of the Administration has not been made.

* * *

This continued silence is, of course, being used by the most vocal opponents of income tax to foster the idea that the Pim Report will result solely in inflicting income tax upon a harassed country, which will receive no material relief in any

other direction. Propaganda of that sort can be effectively countered only by an immediate declaration of Government policy, which we desire to see properly and promptly expounded simply because we have reason to believe that the Government means to implement the report impartially, and because a renewed agitation, from whatever cause, is against the best interests of the Colony. Kenya should not have to wait for enlightenment until the

Legislative Council assembles a fortnight hence, by which time great damage may have been done. Failing an immediate statement from the Government side, unofficial opposition is likely to grow swiftly. If, not knowing the full truth, simply because Government has not disclosed it, many Kenyans promise to support those who would lead a renewed struggle against income tax, it will be too late for Government to show a fortnight hence that such support should not have been given. By then the battle will have been joined, and in its heat and dust cool judgment and friendly accommodation are not to be expected.

* * *

What Kenya requires above everything else is a respite from the bickerings of recent years and a common approach by officials and non-officials to the problems awaiting solution. If that diagnosis be true, then the Government should not delay in declaring where it stands. To do nothing pending the formal opportunity of the Governor's address to Council is to put a premium upon precedent that has nothing to commend it. Far better a short statement to-day or to-morrow than a lengthier one a week hence. No one will expect the Government to commit itself on every point, but by its attitude to the major proposals its sincerity will be judged. What, for instance, has it decided in principle with regard to the recommended reorganisation of the Secretariat and the creation of three Secretaries to Government? If an announcement on that and other main issues had been coupled with publication of the taxation proposals, East Africans would have been better able to judge the true position.

Government's Sincerity is Being Tested.

To Delay is Dangerous.

of gratitude to their member, Sir Robert Shaw and to Major Cavendish-Bresnack for the work they had done on the Economy Committee. Without the material and the recommendations provided by their report Sir Alan Pim's difficulties would have been vastly increased and the real value of the Pim Report was largely due to their previous work.

The Pim Report divided itself, continued Major Grogan, under two heads, namely 'expenditure' and 'revenue-eun-taxation.' It would be remembered that the Convention of Associations asked that Sir Alan Pim, who had made an exhaustive and, incidentally, a destructive analysis of the Governmental position in Zanzibar, should be invited to investigate the applicability of the standard colonial office system to the special conditions of Kenya. Sir Alan was exceptionally qualified for such an investigation. Some ingenious gentlemen, either here or in the colonial office saw the opportunity and took it. Sir Alan was sent out entrusted with the term of reference, namely, 'Expenditure' for which he had been asked but also with the additional term of reference 'revenue-eun-taxation' for which he had not been asked.

'Prejudged'

In the matter of his proper term of reference 'expenditure,' the main issue was prejudged, as it transpired in the Report, that the question of emoluments, the anomalous position of the railway defence and Police, were all excluded from his survey. Notwithstanding these limitations Sir Alan Pim had suggested how with care and time, a saving of £48,000 could be effected. This part of the Report was a really valuable document and, said Major Grogan, was evidently 'Pim's Number One.' But, as the Secretary of State had locked the gun in the cupboard and left him nothing but the water, ice and bonfire, the resultant concoction was not very stimulating.

'A Mills Bomb'

"We asked for bread, and what did we get? A Mills' bomb! because the whole substance of the Report is Sir Alan's opinion on an

Poisons in the Blood

caused by weak kidneys.

Are you losing vigour and vitality? Are nights disturbed by urgings disorders and bladder weakness? Do you have backache, painful and swollen muscles and joints? Good for you if you can answer "No," because kidney ailments are too common in this country. Much fluid passes through the excretory system in our climate helps to flush the kidneys, so that a diuretic and urinary stimulant is needed to prevent acids and waste from poisoning the blood.

Doan's Backache Kidney Pills are the tried and tested remedy; they are quite unobtainable by hand and give the strongest stimulating and strengthening help they could need. A Doctor writes:—"I have been prescribing Doan's Pills to my patients for the last twenty-five years. In my opinion Doan's Backache Kidney Pills are an excellent remedy for kidney complaints. Refuse all substitutes.

These pills—buy the largest for economy.

budget and building up reserves, quite regardless of the effects on the community that supplied the funds.

"We will concede him the principle of balancing the budget," said Major Grogan, "but must join issue in the matter of accumulating reserves. There can be no question of reserves until the exhausted agrarian and interwoven interests have had full occasion to restore stability in their own individual concerns. As it is they, their incomes, their reserves, their borrowing powers and in many cases the fertility of their farms, have been exhausted in the gigantic effort of maintaining this top-heavy overhead during the catastrophe of the last five years. This cannot and must not continue for the absurd purpose of accumulating communal balances from the bankruptcies of the basic members of the commune."

Vast Change

There had already been a vast change in the Colony's circumstances and a substantial improvement in the figures upon which Sir Alan Pim had based his recommendations. His basic figure was an assumed surplus of £10,000 for the current year, whereas it was now admitted that the surplus would be at least £100,000. He, the speaker, was entitled without undue egotism, to remind them that he had consistently, ever since 1920, warned the Colony of the inevitable fall in price level deriving from the acceptance by the Imperial Government of the deflationary recommendations of the Cunliffe Committee. That policy was reversed a few years ago and he could assure his audience that the change in monetary technique of the Imperial authority, speeded up by the recent devaluation of the franc must lead to a general and cumulative rise in price level of commodities and that therefore a rapid increase in revenue from normal as distinct from emergency sources, was assured.

Budget Control

Major Grogan pointed out that the fall in Customs receipts as between 1929 and 1936 was nearly £300,000 and the increasing mass of exports coupled with the rising price level, would soon recover that amount. He had no hesitation in asserting that the Government did in the early '30s, despite the warnings of the elected members deliberately over-budget to retain their position and were now deliberately under-budgeting in order to make a case for the conversion of temporary emergency taxation into permanent and easily extensible taxation. Without hesitation he would remit the whole of the emergency taxation including the levy, amounting in all to £150,000. A remission of £150,000 of direct taxation would certainly induce an increase of at least £75,000 in indirect revenue, because (even if the great ones did not realise the fact) the left hand and the right hand trousers pockets drew their inspiration from a common banking account. This, coupled with the £100,000 surplus

taxation' and the study of the pitiful appeal to cupiditas, the impence for fourpence touch, the suggestion that everybody will pay less and everybody else will pay more in the manifesto attached to the Income Tax Bill will induce every self-respecting member of the community to stand solid behind their Elected Members in demanding that this rushed attempt to transform emergency into permanent taxation, shall be again defeated, leaving the whole issue raised by Sir Alan Pim as to whether the ratio of direct to indirect taxation, should be altered and if so, by what measures, to the careful consideration of the community under the guidance of the Governor, who will be responsible for the conclusion and for the result."

Sir Robert Shaw

Sir Robert Shaw who followed the first speaker stated all that Sir Alan Pim had been able to do was to arrive at the very feeble conclusion that the best that could be done was to try and introduce a system of Income Tax in the country. He (the speaker) emphasised that in the report Sir Alan Pim had stated at length the immense difficulties of trying to introduce such a system, and the great care which should be exercised in framing and introducing such a measure. The Government had immediately grabbed the old Income Tax out of its pigeon hole and hurled it at the people's heads with the intention of getting it through before the end of the year.

The country was in an entirely different position from that when Sir Alan Pim made his enquiry. Revenue was flowing in once more from normal sources in a most surprisingly satisfactory manner and the indications were that the process would continue and increase in intensity as it continued. The corner had been turned as regarded the Colony's financial position. A whole series of emergency taxes were being paid which were introduced in 1933 as a result of the Secretary of State's admission that we had a right to say what form the taxation should take. These had been paid ever since and the people had not been able to make the Government remit the taxes.

Taxes Could Go

At the end of next year, continued the speaker, there would be no necessity for the taxes and they could go. Then, for the first time in all the difficult years they would be able to discuss whether or not it was desirable to introduce any manner of direct taxation as substitution for the corresponding amount of tax paid under the existing fiscal system. If all the extra taxes were incorporated with one measure the whole of the emergency taxation would be consolidated permanently and left as a permanent legacy from the depressed years. It was

Dificulties of Collecting

Sir Robert referred to the position in India regarding the collecting of Income Tax. There had been numerous problems, and roughly out of the 290,000 individuals in a taxable position 77,000 only had admitted liability and there had been nearly 30,000 prosecutions to make the people pay. This went to show the hopeless difficulties of trying to introduce the system into the country. He earnestly expressed the hope that all would support the Elected Members who were asking simply and straightforwardly in the most reasonable manner that in view of the fact that it was unnecessary to attempt any change in the fiscal status, the matter be postponed until the country was on an even financial keel and could discuss it without bias or prejudice.

A hearty vote of thanks to the chairman, and the two speakers was proposed by Captain J. C. Cornforth.

Country Club at 6.30 p.m.

The convenors of the meeting are the Ngora Settlers' Association but non-members are cordially invited. The address is, Lord Francis, which will deal with the Pim Report in general and the new taxation proposals in particular, will be the principal item on the agenda, but in view of the opening of the Convention of Associations two days later the election of four delegates, their instructions, and resolutions to be submitted at the Convention will also be discussed.

RUIRU MEETING

["STANDARD" CORRESPONDENT.]

Ruiru, October 7.

Major the Hon. G. H. Riddell will address at the Ruiru Hotel on Monday next at 10.15 a.m., a public meeting which has been convened for the purpose of discussing the Income Tax proposals and to appoint delegates to the forthcoming session of Convention of Associations.

More Support for Elected Members

STRONG RESOLUTIONS PASSED AT SONGHOR

The following resolutions were passed at a public meeting held at Songhor on October 4.

That this Meeting of Residents in the Songhor, Koru, Nandi, Mandera, and Chendidi District, heartily endorses the attitude of the Elected Members towards the taxation proposals in the Pim Report as set forth in Lord Francis Scott's recent letter to the Press. Further it deprecates the action of Government in endeavouring to rush through proposals for Income Tax at the present time, considering that such highly contentious legislation should not be introduced prior to the departure of His Excellency, Sir Joseph Byrne.

That this Meeting takes this opportunity of assuring the Elected Members of its unwavering support in their efforts to obtain a measure of control over Government expenditure, and considers the time is now ripe to press on Government the determination of the European community of this Colony to resist further taxation until such control is granted.

The voting on the first motion was 36 for and one against. On the second, the voting was 35 for and two against.

It had been gathered that there was a considerable amount of support for Income Tax in the Songhor District but as in the case of Makuyu, the detailed examination of the position not only clarified the minds of the electors but also resulted in support for the policy of the Elected Members.

Future Meetings

A Public Meeting will be held at Backwash Hotel, Lamu, on Wednesday, October 14 at 4 p.m. when Major J. Riddell, M.L.C., will address the meeting.

Thomson's Falls

["STANDARD" CORRESPONDENT.]

Thomson's Falls, Oct. 2.

We are to have the pleasure of hearing the Hon. Major Grogan, M.L.C., the Hon. Mr. E. H. Wright, M.L.C., and Sir Prys Maitlyn, at a public meeting on Friday, October 9, the subject being the Pim Report, and its taxation consequences.

Thika

Thika District Association will hold an important general meeting on the morning of Wednesday, October 14, when the Hon. Sir Robert Shaw, Member for Ukamba will speak on the recommendations of Sir Alan Pim.

In view of the forthcoming Session of the Convention of Associations, this meeting will also be the occasion for electing delegates from Thika and the framing of resolutions for Convention. The meeting is called for 9.30 a.m. at the Blue Panta Hotel.

Opposition to Taxation Proposals

MAKUYU OBJECTS TO RUSH TACTICS

And Threat to Privilege of Choice

Sir Robert Shaw, M.L.C., for Klamba and Major E. S. Grogan, member for the Coast addressed a large meeting in the Makuyu District on Saturday evening. The meeting had been called by the local Association and the Maragna District Association and took place in the Makuyu Club. The subject under discussion was the Pim Report with special reference to the problem of taxation.

A unanimous resolution was passed, proposed from the body of the meeting at the end of the speeches and questions, pledging the district's support to the European Elected Members of Legislative Council in their determined opposition to the application of income tax and against any attempt on the part of Government to rush the Bill through the Council.

Mr. L. Evans presided and welcomed the two speakers on behalf of the District. He recognised the ready willingness of Sir Robert Shaw to listen at all times to the opinions of his constituents, and said that the District was fortunate in having him as their representative (applause). Mr. Evans added that Major Grogan had been in the forefront of all the struggles in the Colony's cause for many years with indomitable spirit and unflinching energy.

Major Grogan's Speech

On rising, Major Grogan reminded the audience of the great debt of gratitude which the Colony owed to their member, Sir Robert Shaw and to Major Cavendish-Bentinck for the work they had done on the Economy Committee. Without the material and the recommendations provided by their Report Sir Alan Pim's difficulties would have been vastly increased and the real value of the Pim Report was largely due to their previous work.

The Pim Report divided itself, continued Major Grogan, under two heads, namely 'expenditure' and 'revenue-cum-taxation.' It would be remembered that the Convention of Associations asked that Sir Alan Pim, who had made an exhaustive and, incidentally, a destructive analysis of the Government's position in Zanzibar, should be invited to investigate the applicability of the standard colonial office system to the special conditions of Kenya. Sir Alan was exceptionally qualified for such an investigation. Some ingenious gentlemen, either here or in the colonies,

issue which we had never confided to him, namely, 'revenue-cum-taxation'. In effect the whole thing is a first-class, if somewhat discreditable, leg-pull. Fortunately, as soon as the extended terms of reference were published, the Elected Members officially repudiated any consequential responsibility for Sir Alan's views on matters which we had not entrusted to him.

Continuing, Major Grogan said that careful perusal of his handling of the wider terms of reference did not lead to the conclusion that Sir Alan had any special qualifications for such an enquiry. For example, in section 14 of his Report, he had stated: "Before the War the local currency was based on the Rupee, not on sterling." It was incredible, the speaker continued, that Sir Alan Pim should not have known that the Rupee was based on sterling and that therefore, the local currency being the Rupee, was based on sterling. Sir Alan's angle of vision was the characteristic 'bureaucrat's' outlook—"the udder must fit the pail, not the pail must fit the udder."

"If the udder will not fill the pail, put on two more teats and if they won't function, tap the jugular vein!"

Reserves

In his analysis of the Kenya budgetary problem Sir Alan Pim had laid down the normal orthodox principles, namely, balancing the budget and building up reserves, quite regardless of the effects upon the community that supplied the funds.

"We will concede him the principle of balancing the budget," said Major Grogan, "but must join issue in the matter of accumulating reserves. There can be no question of reserves until the exhausted agrarian and interwoven interests have had full occasion to restore stability in their own individual concerns. As it is they, their incomes, their reserves, their borrowing powers and in many cases the fertility of their farms, have been exhausted in the gigantic effort of maintaining this top-heavy overhead during the catastrophe of the last five years. This cannot and must not continue for the absurd purpose of accumulating communal balances from the bankruptcies of the basic members of the commune."

Vast Change

already assured, would balance the budget and provide a surplus over and above the assured increase of revenue from normal indirect sources.

"Why then, all this how-dye-do about a trivial margin of a few thousand pounds, especially in view of the fact that we have £472,000 on deposit in our Number Two Account (the Railway) which, of course, should be distributed by way of dividends to the owners, namely Kenya and Uganda, or if we must be foolishly orthodox, borrowed by Number One Account from Number Two Account as suggested by Sir Alan Pim.

Constitutional Issue

"The real issue ladies and gentlemen, is not a financial or budgetary issue at all. It is a vitally important constitutional issue. The obscuration of income tax does not derive from the Colonial Office but from our present Governor. On the last occasion we did, by our united stand, make one step forward in our constitutional rights, in that the then Secretary of State accepted the principle that we should decide how any agreed amount of revenue should be raised. I have made it clear that the necessary amount of revenue is assured from the normal sources. Are we then going to submit to our last step in constitutional advance being locked from beneath our feet by a departing Governor who has already been twice convicted of exceeding his constitutional powers and limitations for no clearly expressed or in fact, imaginable purpose?"

"If every European and Indian member of the community will invest 50 cents and buy a copy of the "Gazette" and realise that he will be at the mercy of arbitrary assessment tempered only by costly appeal we shall hear no more about 'the fairest form of taxation'; and the study of the pitiful appeal to cupidity, the menace for forcement touch, the suggestion that everybody will pay less and everybody else will pay more in the manifesto attached to the Income Tax Bill will induce every self-respecting member of the community to stand solid behind their Elected Members in demanding that this pushed attempt to transform emergency income to permanent taxation, shall be again defeated, leaving the whole issue raised by Sir Alan Pim as to whether the ratio of direct to indirect taxation, should be altered and, if so, by what measures, to the careful consideration of the community under the guidance of the Governor, who will be responsible for the conclusion and for the result."

Sir Robert Shaw

Sir Robert Shaw who followed the first speaker stated all that

neither right nor fair for the Government to attempt to fust all the extra taxes on to the country. He urged everyone, even those who were of the opinion that Income Tax would be a good thing, to oppose the Government in its 'indecent haste' to get the matter through.

There had been no time to consider the Pim report, and he assured those present that the Elected Members were not opposing the Government's proposals in any spirit of blind opposition or opposition to Income Tax. They had made it quite clear that they recognised that the Budget position must be maintained and that the emergency taxation should be maintained for another year. Then, the Members said, they thought it would be possible to remit a proportion of these taxes for the following year.

Fiscal Reform

It was clear also that Sir Alan Pim had made out a case for a careful enquiry. That the country would be back on an even financial keel was inevitable for they had been told that there would be at least a £100,000 surplus this year and it was quite obvious that at the end of 1937 there would be an enormous surplus balance. There was no reason why an un-considered measure should be forced upon them before they had had time to consider the thing.

He asked the supporters of the principle of Income Tax to realise that if they wanted fiscal reform, agreeing with the proposed imposition at present would prevent any kind of fiscal reform. The country was in a difficult but now, by the simple returning of prosperity the mess would clear itself.

Difficulties of Collecting

Sir Robert referred to the position in India regarding the collecting of Income Tax. There had been numerous problems, and roughly out of the 290,000 individuals in a taxable position 77,000 only had admitted liability and there had been nearly 30,000 prosecutions to make the people pay. This went to show the hopeless difficulties of trying to introduce the system into the country. He earnestly expressed the hope that all would support the Elected Members who were asking simply and straightforwardly in the most reasonable manner that in view of the fact that it was unnecessary to attempt any change in the fiscal status, the matter be postponed until the country was on an even financial keel and could discuss it without bias or prejudice.

A hearty vote of thanks to

PIM REPORT MYSTERY

Copies of the Pim Report will not reach Kenya for nearly another fortnight.

They will not be here in time for the meeting of the Convention of Associations on 10th instant—at least not in time to enable the delegates from all over the Colony to study them at their leisure—and they will only arrive about ten days before the opening of the session of Legislative Council at which the Government's Income Tax proposals will be the chief topic of debate.

Nobody here seems to know why the printed copies of the Report have been delayed.

They were issued in London, the Press on September 6 for publication on the following day but the bulk of the copies sent out by sea mail for public sale were not despatched from London until nearly a fortnight later, namely on September 19.

As a result of that unexplained delay they will not arrive in Mombasa (on the s.s. "Mantola") until 17th instant.

LORD FRANCIS SCOTT

To Address Njoro Meeting

Lord Francis Scott, who is at present in South Africa, where he has made and is making many valuable contacts, and where the Union Government has placed an aeroplane at his disposal for touring the country, is expected to return to Kenya about October 15. He will take the first opportunity of addressing his constituents and on Saturday, October 17, there will be a meeting at the Njoro Country Club at 6.30 p.m.

The convenors of the meetings are the Njoro Settlers' Association but non-members are cordially invited. The address by Lord Francis, which will deal with the Pim Report in general and the new taxation proposals in particular, will be the principal item on the agenda, but in view of the opening of the Convention of Associations two days later the election of four delegates, their instructions, and resolutions to be submitted at the Convention will also be discussed.

RUIRU MEETING

["STANDARD" CORRESPONDENT.]
Ruiru, October 7.
Major the Hon. G. H. Riddell will address at the Ruiru Hotel on Monday next at 10.15 a.m., a public meeting which has been convened for the purpose of discussing the Income Tax proposals.

...show that the Government will be in a fairly comfortable position at the end of this year and that the revenues of next year will be even larger. Nothing as a rule becomes greater and more immediate in a community with an immovable form of government. The feeling that constitutional powers are used like a steamroller, when there is no necessity. At the meeting at Makuyu great stress was laid on the most vital fact in the present position—the constitutional character of the controversy. In a country where the public are placed in a permanent minority, every constitutional privilege is jealously cherished. The most important political victory the public in this Colony ever won was the announcement by the Secretary of State for the Colonies, during the last taxation dispute, that provided the amount of revenue agreed upon was forthcoming, the taxpayers as a body had the right to choose the type of taxation they preferred. That is the nearest attempt at a solution of the traditional claim of "no taxation without representation" which has ever been made under a Crown Colony constitution. It is so important that on this occasion of its first and greatest test, the Government and people of Kenya, trustees of all unofficial opinion similarly situated throughout the Colony, inspire, must stand with the greatest ardour, must see that the principle, gained either by a struggle or not, should not be weakened or destroyed. All that is brought about a change in the constitution which leads to the growth and exercise of a common responsibility for public policy that principle enunciated by the Secretary of State is the only means whereby public influence can be exerted effectively. In the nature of things an Income Tax in the ease through which it can be increased and raised is largely destructive of the principle of public influence. It immensely strengthens the powers of a Crown Colony Government whether their times are good or bad. And there are two further points which bear on the question. One is that the new proposals are intended to add permanently to the revenue already over two millions a year, which the community has to find. The second is that temporary sacrifices, willingly offered and made by a distressed community to help its Government to avoid further retrenchment, are now to become permanent and irremovable burdens, even when the necessity for them has passed. People see in the proposals now made a welcome reduction in the cash amount they have been paying in respect of those special sacrifices, but many of them tend to overlook the prevailing fact that they are just meant to be a temporary addition to taxation and that it was always hoped and expected that the time would come when, as is already happening, the need for these heavy direct cash payments would disappear altogether, except with the approval of the people after full and careful consideration of all the facts. The case for delay in the changed conditions of Kenya, is unanswerable, in order to give the Secretary of State's principle of the right of public choice a fair chance to act.

...the one thing for which no provision can be made and which has rarely been more strikingly exemplified than in the race which ended, as Mr. Rose himself describes it, as "a bit of a fizzle." In Europe, provided to-day with all the latest equipment and organization to make regular air services as safe and as certain as human ingenuity can assure, a large proportion of the pilots experienced absurd little mishaps which put them out of the race. In Africa, where the strain is greater and where the element of mischance is a more potent factor in success or failure, fatigue played its part in elimination, helped by the risks taken, probably a little foolishly, to try to achieve, just that little more that was too much for men and machines alike. Even now, when aviation has advanced so far, it is not sufficient to have fast and reliable machines piloted by men with skill, judgment and more than the usual allowance of courage and daring. There must also be that little spot of luck which is indispensable. Mr. Rose's own experience is a ready example of the truth of his philosophy of flight. He made a perfect landing at Cairo and, as he was taxiing, a sheared bolt or something equally small but important, permitted one leg of his machine to retract when it was not intended to do so. The pilot, as he himself admits, was the most surprised man in Africa at that moment and before he could recover the damage was done and he was out of the race. A share in £10,000 had gone. What he or anybody else might justifiably have said in the heat of the moment made no difference and does not matter. The element of mischance, not provided for in the Aero Club's rules of the Race, had gone into action. Of human life, as a factor, it is less easy to be philosophical. As Mr. Rose declares, a few hours sleep would probably have made a difference to the result and at least one gallant attempt might have been rewarded. But one of the strangest facts about this remarkable race was the apparent inability of any of the pilots, particularly those in the lead, to obtain any reliable information of the position of other competitors. If and when there is another scurry through Africa some thoughtful person may try to arrange for information to be sent ahead, making it unnecessary for tired pilots to fly blindly to their goal, risking their lives and their machines unnecessarily at a stage when the margin of fitness of both has been reduced to a perilously narrow compass.

THE BRITISH LABOUR PARTY The Problem of The Defence

(Thursday, October 8th).
The Labour Party Conference at Edinburgh has reached one of the most momentous decisions in the history of the Party. It has decided that in the light of the international position, the policy of the National Government of Britain to rearm the nation and safeguard the security of the Empire must be supported by Labour. The Conference accepted the view that if the Party came into power tomorrow it would have no alternative but to carry on the rearmament

...most protective against high money can afford, and invention can provide it is a question of the no less well armed forces of aggression which know no moral restraints, as the use of gas in Abyssinia and the destruction of treaties in Europe has so clearly proved. Force is being advocated to-day as an instrument of national policy. It is being worshipped by the devotees of political creeds which are the antithesis of individual freedom. Nationalism, narrow, vicious, bigoted, aggressive and unrestrained has taken the place of the broad-based, idealistic, peace-loving internationalism which was once the hope and the aim of all good Socialists. In the past the Labour Party placed their faith in the willingness of the working classes of all nations to work together for a common ideal, free of gether of national prejudices. But Labour has seen the German working man and the Italian labourer swamp his ideal of brotherhood in the grimy basins of aggressive nationalism, backed by armed force. It is not so many years since the Labour Party, stirred by the emotionalism which arose from the unsettled state of Europe, denounced war and refused to participate in it. To-day, faced by the realities, aware at last of the fact that peace itself is threatened, that the ideal of the League of Nations has been shaken and that in short, if peace is to be assured it can only be armed and logical though it may seem, by the threat of the use of force, to preserve it, the Labour movement has been brought by the circumstances of the world, to consider from a new angle and with a new and more urgent resolution what are the things in life that may need a struggle to preserve them from destruction. They are, of course, peace, liberty, the freedom of the individual, government by the people for the people and all the great principles and privileges that go together to make up what we call Democracy. The real problem is whether it is possible to have peace without a struggle for freedom and that is precisely the problem which in the Labour Party, consciously or unconsciously, has faced and solved by a resolution which frankly recognises that all parties in the State have a common task and a common interest in working together, in the new conditions of the world, by new methods for the proper use of organised strength to withstand aggression and ensure liberty for Socialist and Conservative alike.

FREIGHT RATES

The Nairobi Chamber of Commerce has received the following letter dated October 3 from the East African Conference Lines:—
"Kindly note the following additional rates fixed by the Lines in respect of cargo consigned to non-berth ports:—
Additions:
Coffee to Kolding (Denmark), £1.5 weight.
Dry Hides to Memel (Klaipeda-Baltic) 1/6 lb meat.
Alteration:
Copa to Casablanca by direct call in parcels not less than 500 tons and not over 750 tons, 7/6 weight.
Copa to Casablanca by direct call in parcels over 750 tons, 5/6 weight."

...Neva Scotia has not wrecked my nerve. I'm thankful to say.
In French Air Race
"I know I said I would never fly the Atlantic again, but that was soon after I arrived in the United States, and you may imagine what sort of state of exhaustion and fuss I was in just then.
"But I have a great hope of flying from New York to France next May in an air race which the French Government is sponsoring. I may do it solo, but it is more likely that I shall go as co-pilot with someone.
"What I am most anxious to do right now is to see the start of the London to Cape air race. My plane is coming back from New York to be repaired, and I intend to fly by easy stages to Johannesburg."

...continued I thought it is now but a bang of the double line, like the lines of a light train. That is how she described it.
"But she disappeared," she said, "it is disappearing." "It is." There is only a little loop now.
Film Contract
Mr. Markham may graduate from being a flying star to film star.
"I have signed a three expensive contract to make a film in Hollywood with flying as a theme. I suppose—and there is an option on either side," she said.
"The first thing when I get to London," she added, "is to telephone my little son, Gerald. He is only seven and cannot read, but I have brought him back a couple of specially printed in New York of the plane."

CLOVE STATISTICS

Exports to Britain from Zanzibar
The Clove statistics for June and July 1936 have been issued by H. M. E. African Dependencies Trade and Information Office and disclosed that out of the total importation of clove products into the United Kingdom in June, Zanzibar and Pemba supplied over half, while in July their contribution figures are as follows:—June 1936 total 1,329 cwt. valued at £3,890 of which Zanzibar and Pemba supplied 704 cwt. (£2,114); Federated Malay States, one cwt. (£8); France, 346 cwt. (£81); and Madagascar and Dependencies 279 cwt. (£790). In July the imports totalled 869 cwt. valued at £2,407 of which Zanzibar and Pemba supplied 507 cwt. (£1,491); Windward Islands, 1 cwt. (£3); Madagascar and Dependencies, 301 cwt. (£913).
Of the total re-exported from the United Kingdom in June the Netherlands took the greatest share, as they did in July also. In June the Netherlands imported from Britain 55 cwt. valued at £140 and in July, 299 cwt. (£797). Other countries who took appreciable quantities were Sweden, Morocco, India, Brazil, Portugal, Germany and the Irish Free State.

FARMERS' DAY

Lectures Planned for Nanyuki
[FROM A CORRESPONDENT.]
Nanyuki, October 5.
The Department of Agriculture and the Royal Agricultural and Horticultural Society of Kenya announce that a Farmers' Day will be held at Nanyuki on Monday, November 2, at the Silverbeek Hotel.
The day will be primarily devoted to Animal Husbandry. Mr. D. C. Edwards, the Agricultural Officer in charge of grassland improvement, will speak on pasture problems and Mr. R. S. Ball, the Agricultural Officer, Njoro, will speak on: (a) Ranching or intensive dairying as suited to the different areas, and the economic land averages that should be arrived at; (b) Use of portable milking outfits or permanent buildings; (c) Provision of concentrated foods; (d) Provision of suitable forage crops and roughages; (e) Feeding of rearing and milking stock; (f) General herd management.
A number of other lectures will also be arranged and the full programme will be published in due course.

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The quinine of exceptional purity and unflinching reliability.

'TABLOID' QUININE HYDROCHLORIDE

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Plain or sugar-coated. Bottles of 25 and 100 products from all Chemists and Stores.

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six years cannot be adjusted to a few months. Every member of the community took a shock now so strong that the improvement has set in a fundamental change in the system of gathering State revenues, and particularly by preparing to add one more to the burden of that sector who by reason of their positions and interests, public and private, have special responsibilities in a growing country, might easily involve a setback in the rate of the return to the conditions of prosperity which existed prior to the depression. We are no longer pressed for time, but if the taxation measures come before the next session of Legislative Council it is a matter that within a month or less a decision will be taken. The atmosphere is at least parched by hostility, which is very difficult to reverse or to mend. The Legislative Council meets for the Budget session on the 28th of this month. The Government will have to place its taxation measures before the Council for approval early in the session in order to legalise them by inclusion in the Budget. During that time of intense pressure the machinery there will be added weight of the knowledge, so far as Government is concerned, that the Budget itself must be approved by Christmas. In consequence, either the discussion of controversial tax measures will be hurriedly rushed, or the country's financial programme for the coming year will not receive the careful scrutiny it deserves. It is true that the Colonial Government is equipped with full powers to pass its own plans through Legislative Council. But no Government which exercises these powers wisely will do so to the detriment of public welfare or the distribution of public goods. If there was an emergency case could be made out for the safeguarding of the public revenue. But all the indications go to show that the Government will be in a fairly comfortable position at the end of this year and that the revenues of next year will be even larger. Nothing as a rule presses greater and more immediate amendment in a community with an immovable form of government than a feeling that constitutional powers are used like a steamroller, when there is no necessity. At the meeting at Makuyu great stress was laid on the most vital fact in the present position—the constitutional character of the controversy. In a country where the public are placed in a permanent minority, every constitutional privilege is jealously cherished. The most important political victory the public in this Colony ever won was the announcement by the Secretary of State for the Colonies, during the last taxation dispute, that provided the amount of revenue agreed upon was forthcoming, the taxpayers as a body had the right to choose the type of taxation they preferred. That is the nearest attempt at a solution of the traditional claim of "no taxation without representation" which has ever been made under a Crown Colony constitution. It is in the

Air Race Reflections

(Wednesday, October 7th.)
 Kenya had the unexpected pleasure this week of welcoming Tommy Ross, the well-known air pilot. Twenty-one years ago, like many other members of His Majesty's Forces, he made a temporary acquaintance with war-time aircraft. His preoccupation then was the assumed car-purport of the four-seater tank—and it is very doubtful whether his imagination had been fired by the romance of flight which in recent years has given him a place among the world's famous pilots. He has been chiefly impressed, for the moment, by the changes in Nairobi in two decades and intensely has jotted back over the years to the old McEwan's Temporary camp on the Hill, the weary stretch of Sixth Avenue, the few shops where one could buy a new shirt free from the less kindly qualities of the official pattern, and the recollection of not-too-dull nights in Nairobi's 1916 centres of social life and entertainment. There are many still here who share with him the memory of war-time experiences which had their own aura of happiness. But there are a great many more of a later generation who will read with keen interest the story he tells, this morning, of the lessons of the recent Air Race from Portsmouth to Johannesburg. He speaks with experience and authority of the practical and philosophical sides of these stirring adventures in search of the great prizes of modern aviation and prints out, just what the layman suspected, but is glad to have confirmed, that the fact of the machine finishing-out of nine entrants is no reflection on the quality of British aircraft but is explainable by the series of mischances which, if encountered, are called misfortunes but if avoided are put down to luck. That undeniable qualification of success in any venture is the one thing for which no provision can be made and it has rarely been more strikingly exemplified than in the race which ended, as Mr. Ross himself describes it, as "a bit of a fizzle." In Europe, provided to-day with all the latest equipment and organisation to make regular air services as safe and as certain as human ingenuity can assure, a large proportion of the pilots experienced absurd little mishaps which put them out of the race. In Africa, where the strain is greater and where the element of mischance is a more potent factor in a success or failure, fatigue played its part in elimination, helped by the risks taken, probably a little foolishly, to try to achieve, just that little more that was too much for men and machines alike. Even now, when aviation has advanced so far, it is not sufficient to have fast and reliable machines piloted by men with skill, judgment and more than the usual allowance of courage and daring. There must also be that little spot of luck which is indispensable. Mr. Ross's own experience is a ready example of the truth of his philosophy of flight. He made a perfect landing at Cairo and, as he was taxiing, a shower of rain

programme, first of all for the security of the action and secondly to enable Great Britain to discharge her obligations as a Member of the League of Nations. The only other method is an agreement on general disarmament or limitation of arms. The National Government which has worked for that aim has as sincerely as the British Labour Party, will meet the Socialists on common ground in agreeing that an international disarmament contest is the best and only alternative to the present unworkable policy. As the Chancellor of the Exchequer pointed-out in his address to bankers this week, the effect of the heavy expenditure on arms forced upon Great Britain by the action of Continental powers will be a budget deficit next year when, but for the necessities of the times, the nation had every right to expect the improvement in the financial position to be maintained in the hope of eventual relief in taxation. The Labour Party has had to face a difficult problem which cuts directly across its political principles. Not only has it been necessary to jettison, for the time being, the insistence of Socialism on the worthy ideal of pacifism, but it has also been necessary to compromise on the subject of what the more extreme members of the Party are fond of calling, in a derogatory sense, British Imperialism. The external force which has brought the ideas and the ideals of Labour more closely into alignment with the times is Fascism. In that creed they see, quite properly, the negation of Democracy and to them it has become World Enemy No. 1. Labour's belief in Internationalism, in the brotherhood of mankind through Socialism, has been seriously shaken. According to the Edinburgh Conference—and it is the lesson of modern days—moral force needs something more than the shining armour of its own rectitude; it has to be clothed in the stoutest protective armour that money can afford and intention can provide if it is going to resist the no less well armed forces of aggression which know no moral restraints, as the use of gas in Abyssinia and the destruction of Yugoslavia in Europe has so clearly proved. Force is being advocated to-day as an instrument of national policy. It is being worshipped by the devotees of political creeds which are the antithesis of individual freedom. Nationalism, narrow, vicious, bigoted, aggressive and unrestrained has taken the place of the broad-based, idealistic, peace-loving internationalism which was once the hope and the aim of all good Socialists. In the past the Labour Party placed their faith in the willingness of the working classes of all nations to work together for a common ideal, irrespective of national prejudices. But Labour has seen the German working man and the Italian labourer swamp his ideal of brotherhood in the stormy floods of aggressive nationalism, backed by armed force. It is not so many years since the Labour Party, stirred by the emotionalism which arose from the unsettled state of Europe, denounced war and refused to participate in it. To-day, faced by

Life Member of East African Aero Club

MRS. BERYL MARKHAM "HAPPY AND PROUD" TO ACCEPT HONOUR

Mrs. Beryl Markham, who recently returned to England from New York on the "Queen Mary" after her east-west flight over the Atlantic, has been made a life member of the East African Aero Club.
 Mrs. Markham, who, as is well known, was taught to fly in Kenya by the late Mr. Tom Campbell Black, sent the following telegram to the Club at Nairobi.
 "Thanks your congratulations. Very happy and proud to accept life membership."

["STANDARD" CORRESPONDENT.]

London, September 29.
 Mrs. Beryl Markham landed at Southampton yesterday from the "Queen Mary" after a voyage of a little more than four days across the Atlantic, which she flew solo early this month in just under 22 hours.
 Covers of cameramen, anti-graph hunters, and crowds of the just-curious and admiring flocked around her as she made her way to the liner's library to receive the congratulations of the Mayor of Southampton, Alderman T. H. Sanders.

Later, talking to a newspaper representative on the train on the way to London, she said:
 "It had been known the Atlantic was as big as it seems from a liner. I wonder if I would have had the courage to fly across."
 "But that kind of thing I don't like to talk about. I don't like to talk about a crash—when I landed in that fearful bog in Nova Scotia has not wrecked my nerve. I'm thankful to say."

In French Air Race

"I know I said I would never fly the Atlantic again, but that was soon after I arrived in the United States, and you may imagine what sort of state of exhaustion and fuss I was in just then."
 "But I have a great hope of flying from New York to France next May in an air race which the French Government is sponsoring. I may do it solo, but it is more likely that I shall go as co-pilot with someone."
 "What I am most anxious to do right now is to see the start of the London to Cape air race. My plane is coming back from New York to be repaired, and I intend to fly by easy stages to Johannes-

burg to see the great exhibition there."

New York's Kindness

Mrs. Markham was very proud of her smart New York clothes. "I landed in a pair of old flannel slacks and a woolly jumper," she told me, "but if I had accepted all the clothes people wanted me to have, I should have had 50 trunks."
 "New York was wonderful to me. I do not much care for being a celebrity, but they were so sincerely kind that I just could not help letting their back-slapping, and even the people who 'gated' crashed into hotel to kiss the flying girl."

A moment of the flight which might have been perilous, is the scar on the aviator's forehead, the result of the deep cut she received when she tumbled forward landing. As things have turned out, it is only going to be temporary.

She is a daughter of when she is provided with. Although it is very fat, a faint, delicate double line like the lines of a slight frown. That is how she describes it.
 "But it is disappearing," she said. "It is disappearing. I don't see it. There's only a little bump now."

Film Contract

Mrs. Markham may graduate from being a flying star to film star.
 "I have signed a contract to make a picture in Hollywood—with flying as a theme. I suppose you'll have an option on either side," she said.
 "The first thing when I get to London," she added, "is to telephone my little son, Gerald. He's only seven and cannot rise much of what this is all about, but I have brought him back a picture specially painted in New York of my 'plane'."

CLOVE STATISTICS

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The clove statistics for June

FARMERS' DAY

Lectures Planned for Nanyuki

INCOME TAX.

GOVERNMENT MEMORANDUM.

90% OF FARMING COMMUNITY TO PAY NO MORE; 8% TO PAY LESS.

The Government has issued a memorandum on the proposed new Poll Tax and Income Tax Ordinances, certain parts of which we publish herewith.

Provisions of new Bill.

The Income Tax Bill now published for introduction into Legislative Council follows very closely the provisions of the Income Tax Bill which passed its second reading in 1923.

Deductions from income for Taxing Purposes.

Both measures provide for the following deductions from incomes before the figure representing "chargeable income" is reached—

- one-tenth of that part of the income which is earned income, subject to a maximum deduction of £200;
- a deduction of £150 in the case of residents in the Colony or British subjects;
- a deduction of £50 for a wife or wives;
- a deduction of £40 for one child and £30 for each subsequent child, subject to a maximum of £100;
- a deduction in respect of any life insurance premia subject to a maximum of one-sixth of the chargeable income and to a maximum amount of £200.

In addition, provision is made, subject to certain conditions in respect of—

- interest payable by a borrower on capital employed by him in acquiring the income;
- rent payable by any tenant on land or buildings used by him for the purpose of acquiring the income;
- replacement of obsolete plant and machinery used in acquiring the income;
- maintenance and repairs of plant and machinery and repairs to premises employed in acquiring the income;
- bad debts; and in certain circumstances, an allowance for doubtful debts;
- subject to certain provisions, an allowance in respect of trade losses which cannot be wholly set off against income from other sources.

Rate on Chargeable Income.

The rates of tax leviable upon the incomes of persons other than companies after account has been taken of such of the deductions enumerated in paragraph 2 as apply to the individual taxpayer, are, as follows:—

- In respect of "chargeable income"—
- For every pound of the first £ 350: 1/6
 - For every pound of the next £ 350: 1/50
 - For every pound of the next £ 800: 2/6
 - For every pound of the next £1,500: 2/50
 - For every pound of the next £2,000: 3/6
 - For every pound of the remainder: 3/50

Poll Tax.

Under the 1923 Income Tax proposals, a set-off was allowed in the case of Poll Tax payments but no provision was made for a set-off in respect of Education Tax. At that time Poll Tax was proposed at the rate of Sh. 60 per

head, and Education Tax was payable at its present figure of Sh. 30 in the case of European and Sh. 20 in the case of Indian taxpayers. The existing basic rate of Non-Native Poll Tax is Sh. 30 payable by every non-native male resident whose taxable income does not exceed £100 per annum. This, together with the Education Taxes, represents a minimum direct payment of Sh. 60 per annum for Europeans, Sh. 50 for Indians and Sh. 30 per annum for other non-natives. It is now proposed to merge the minimum Poll Tax and Education Tax into a single Poll Tax of Sh. 50 per annum in the case of Europeans, Sh. 40 per annum in the case of Asians and Sh. 20 per annum in the case of Arabs and Somalis. This payment will be allowed as a set-off against tax payable on "chargeable income" under the Income Tax Ordinance. The adoption of a Poll Tax at varying rates is not in complete accordance with the recommendations of the Financial Commissioner (Sir Alan Pin) who suggested a flat rate of Sh. 50 per head, but it is considered that the present proposals distribute the burden more equitably having regard to the necessity for relating a tax to the capacity to pay such tax.

Effective rate on Total Income.

As has been stated chargeable income is that amount of the income which is left after all allowable deductions have been made. The rates given in last paragraph apply only to the "chargeable income"; consequently the effective rate on the total income is very much smaller. The following table shows for comparative purposes the effective rates under (a) the present Graduated Non-Native Poll Tax and Education Tax and (b) under Income Tax with the Poll Tax as now proposed. For the purposes of this table and throughout this memorandum the taxpayer has been taken as being a married man, with one child, 10 per cent being deducted for earned income and 5 per cent for insurance premia.

| INCOME £ | EUROPEAN | | ASIAN. | |
|-------------|------------------|----------|------------------|----------|
| | (a) | (b) | (a) | (b) |
| | Present Proposed | | Present Proposed | |
| | Cents | Sh. cts. | Cents | Sh. cts. |
| 350 | 31 | 16 | 29 | 16 |
| 450 | 29 | 32 | 27 | 32 |
| 550 | 31 | 41 | 29 | 41 |
| 650 | 32 | 48 | 31 | 48 |
| 850 | 34 | 64 | 33 | 64 |
| 1,050 | 35 | 76 | 34 | 76 |
| 1,450 | 37 | 1 01 | 36 | 1 01 |
| 2,250 | 68 | 1 32 | 68 | 1 32 |
| 3,750 | 81 | 1 76 | 81 | 1 76 |

Companies.

In the 1933 proposals provision was made in the case of companies of a flat rate of Sh. 2 on every pound of chargeable income. The present Bill provides for a flat rate of Sh. 2/50 in the pound, this being considered a more equitable figure in relation to the rates chargeable to individuals having regard to the necessity for maintaining the yield from the tax; and it is one which is common to certain other British Dependencies.

1933 Proposals.

When Income Tax was under discussion in 1933, a reduction of taxation in other directions was not envisaged as, although a set-off was allowed in respect of any hut tax or poll tax which had been paid under the Native Hut and Poll Tax Ordinance, the Northern Frontier Poll Tax Ordinance and the Non-Native Poll Tax Ordinance, the last-named tax was in fact increased from Sh. 30 to Sh. 60 per head in that year and no provision for remission of taxation in other directions was made.

Re-adjustments now suggested.

The present Bills on the other hand are intended to supersede certain of the existing taxation measures with the express purpose of effecting a more equitable distribution of the burden of taxation so far as the non-native races in particular are concerned. If the Income Tax and Poll Tax Bills become law, it is proposed to repeal the European and Asiatic Education Tax Ordinances and the Graduated Non-Native Poll Tax Ordinance. In substitution thereof a Poll Tax of Sh. 50 per annum on adult male Europeans, Sh. 40 on adult male Asians and Sh. 20 on adult male Arabs and Somalis will be imposed, together with any tax payable on "chargeable income" as provided for under the Income Tax Ordinance. It is also intended to amend the Licensing Ordinance by a reversion to the principles and in general to the rates incorporated in the Traders Licensing Ordinance, 1919. The Levy on Official Salaries which has never been regarded as forming part of the fiscal structure of the Colony will be abolished.

Comparison between old and new basic taxes.

Disregarding any relief which may be afforded by revision of the Licensing Ordinance, it will be observed that whereas in 1932 adult male Europeans, Indians and Arabs were called upon to pay basic taxes amounting to Sh. 90, Sh. 80 and Sh. 60 per head respectively and under the present laws pay Sh. 60, Sh. 50 and Sh. 30 per head respectively, the rates now proposed are Sh. 50, Sh. 40 and Sh. 20, a reduction in each case of Sh. 10 per head as compared with the existing basic direct taxes.

So far as Goans are concerned, the proposed revision will result in an increase in basic minimum direct taxation of Sh. 40 per head as they are not at present called upon to pay the Education Tax. It is considered however that differential treatment of this relatively small section of the community cannot be justified.

Condition.

By this comprehensive readjustment of the fiscal system of the Colony as applied to the non-native races it is confidently believed that many of the difficulties and inequalities apparent in the present legislation will be overcome and that a system based on the broadest principles of equity and justice will be established.

(Continued on page 33.)

NOTES OF THE WEEK.

(Continued from page 9)

only? Admittedly in the English Income Tax ordinances differentiation is made between earned and unearned income, but it is not customary in colonial ordinances and is not recognized in the South African measure. What is wanted in this Colony is that residents should invest in the colony itself and not send their savings overseas to be invested in tax free securities, and as the maximum relief allowed under this heading is £200 there is no great financial risk in omitting the word earned.

The Ordinance is very vague about the date of payment. Actually the poll tax portion is payable by the thirtieth of April but the residue is made payable ninety days after receipt of an assessment, but no date is given as was the case in the graduated poll tax ordinance. It is worth considering also whether it would not be desirable to make the tax payable in two portions as is done in several other countries.

From the ordinance it would appear that chargeable income is to be assessed on a one year basis only instead of the more customary three year average and it is difficult to know what is the Government's idea in this, as it might easily operate very unfairly in an agricultural community. This point must be also scrutinized very closely by the committee. Now we come down to the question of assessing the incomes of a husband and wife jointly. I know very well that this is generally the case in Income tax bills, but not always, and I believe it to be wrong in principle. It was of course included in the very first Income tax bill which was ever introduced into England when a married woman was supposed to be the chattel of her husband. Today this has ceased to be even a legal fiction, and personally I have never been shipmates with the chattel brand of wife. If you claim that they share a joint mess and thus effect savings this is true-sometimes, but so do fellow boarders in a mess and their incomes are not assessed together. I am getting on delicate grounds now, but in this country you do not want to put a premium on people living together rather than getting married. In this connection the definition of an incapacitated person on the very first page of the bill strikes me as being rather humorous, and one welcomes any touch of humour in this grim subject. It says "an incapacitated person means any infant, married woman, lunatic, idiot or insane person I do not know what the E.A.W.L. has to say about this but I should not advise my readers to stress this classification too much in the privacy of the domestic hearth."

If in major developments the week has proved somewhat more tranquil, there are not lacking signs of an undercurrent of feeling which augurs none to well for the cause of peace. Communist feeling as demonstrated in Paris in the riot which occurred when Communists came in conflict with members of the Social Party (more familiar to most as the Crix de Feu) and thirteen hundred arrests were made was countered in London where a Fascist demonstration and march had been planned. The latter part of

the programme was cancelled by police order, but even so eighty four arrests were made. Taken by themselves these might possibly be regarded as isolated affairs, but it is hard to dissociate from the mind a deeper impact when they are considered alongside the triumphant advance of the Insurgents in Spain, where it seems that the defeat of the Government party can now only be a matter of time. Already the evacuation of Madrid is reported, and thought it is denied by the Government, it is open to question whether in truth the admission that a certain number of children have left the Capital on account of food shortage may not really cloak a wider movement. Be that as it may, it is hardly conceivable that a final triumph of the Insurgent party in Spain will be met with lamblike docility by other interested parties, and on the contrary to preserve peace well may prove a task likely to tax to the uttermost the capacities of the Chancelleries of Europe.

Nor is this situation likely to be eased by the proclamation of General Franco from Burgos in which while offering the best possible terms to Spanish workers when outlining the policy of new Spain, he singled out the Soviet as the one exception to Spain's intention to preserve good relations with other nations. It is possible that even the proposed Concordat with the Catholic Church may prove hardly sufficient to balance this omission?

On top of this comes the announcement of the Austrian party split, where in a communication issued by Prince Starhemberg from Heimwehr headquarters the expulsion is announced, of Captain Fey and Major Labr, only to be answered by the banning of Prince Starhemberg's communiques in the Austrian Press by order of Dr Schuschnigg, and the assumption of supreme leadership of the Vienna Heimwehr by Major Fey himself. A pretty dispute and one hardly likely to promote the case of good will in that already overtroubled corner of Europe.

In the far East there are not many details to hand of the Japan-China conflict beyond the fact that China's spirited reply to Japan's proposals caused somewhat more than surprise in Tokio. Tension is extreme in Shanghai as was only to be expected in view of the reported massing of Chinese forces, a body which is estimated to be 75,000 strong between Shanghai and Nanking alone.

In Britain herself the Conservative Party Conference at Margate and the opening of the Labour Party Conference at Edinburgh provided a rare opportunity for a review of the nation's position in face of so much disturbance on the Continent and elsewhere. As was to be expected, both Sir Samuel Hoare, first Lord of the Admiralty, and Mr Neville Chamberlain, the Chancellor of the Exchequer spent some time in outlining British plans for re-arming in which of course special stress was laid on the increased strength of the British air force and the part which that force may be expected to play in preventing war. The improved condition of British trade naturally came under review, but it is pleasing to notice what emphasis was placed on the possible effects of this improvement with regard to other nations. While recognizing the general benefit likely to accrue from readjustment of the exchange value of the French

franc, and the tripartite monetary agreement, there emerges the growing realisation that the whole world is slowly awakening to the fact that drastic measures are necessary if economic nationalism is not to be permitted to run riot, and if international trade is to be freed from its present strangled condition. The same note was also struck at the Labour conference debate where it was recognized by a majority of over 1,000,000 on a card vote that while rejecting any notion of purely competitive armament, Britain must yet be strong enough to defend herself and thereby uphold her duty to the League of Nations. So much for home affairs.

In Palestine the military forces are rapidly being strengthened, and it is some comfort to find that if British policy is being sharply questioned by the Mandate's Commission at Geneva, there are not wanting signs that wiser counsels may yet prevail in Arab circles and that the proclamation of martial law has been postponed.

In local affairs there is not much of special interest to report this week. The battle of the Income tax versus the non-income tax enthusiasts continues, but of more practical comfort is the announcement that better shows an upward tendency and that maize is firm. Among distinguished visitors to the Colony is Sir Philip Sassoon, Under Secretary of State for Air, who proposes to spend a few days here before proceeding northward on Monday next. His arrival marks more than a mere visit since it denotes the rising importance of Kenya in the Imperial scheme of defence, and helps to place her on the map in a way which it would have been hard to contemplate in past days.

Nightclub.

Rongai Valley Association.

General Meeting

A General Meeting of the Association will be held in the Meeting House, on Wednesday, October 14th at 3 p.m.

Agenda.

- (1) Minutes of the previous Meeting.
- (2) Business arising out of those minutes.
- (3) Correspondence.

(4) COVENANT OF ASSOCIATIONS.

Election of Delegates, and general discussion of agenda for the Season starting on 19th October.

(5) STALK BORER CAMPAIGN—1937.

Date for destroying maize trash in 1937, and report of Delegates to meeting being held in Nakuru on 10th October.

Any other business.

CHARLES E. CORRETT,
Honorary Secretary.

The Labour Conference.

Rebuff for the Communists.

(British Official Wireless Press.)

6th Oct. 1936.

At the Labour Party Conference at Edinburgh a resolution in favour of accepting the Communist Party's request for affiliation was rejected on a card vote by 1,728,000 to 592,000.

THE LONDON LETTER.



BY AIR MAIL.

FROM OUR OWN CORRESPONDENT.

London, September 28th.

THE gold bloc countries have decided to readjust their currencies and the world of finance regards the decision as the most important happening since Britain went off the gold standard in 1931. Whether the action of France will, in fact, solve the economic difficulties under which the trading world is labouring remains to be seen. Nevertheless, it is something that the three major Powers, Britain, the United States and France—should have decided to work together in the direction of currency stability, rather than continue the state of semi-warfare, which has existed since 1921. Happily for France, both Britain and the United States had huge Equalisation Funds in existence, and this made the creation of a third Equalisation Fund relatively easy. In future the three funds will work in unison, with a view to creating international currency which will ensure a proper profit for goods bought and sold and the prompt payment of debts and interest upon debts.

With a monetary alignment, the easing of trade restrictions should be possible and, herein lies the best hope for the trading world. There were tariffs before the World War, but never trading restrictions of the existing type. The quota systems and licensing schemes will have to be drastically reviewed, if anything like the old freedom of trade is to return. Free Trade in the Victorian sense of the word is not probable, but there should be some relaxation of the exclusive nationalism of the moment. The decision of the French Government to devalue the franc and establish active financial relations with Great Britain and the United States is concrete evidence of a desire for such relations.

Mr. Blum's £130,000,000.

Judging by the newspaper comments during the week-end, it might be supposed that Britain's abandonment of the gold standard was the cause of our recent increases in production and trading profits and of unemployment. In fact, the drastic cutting down of national expenses, which made a balanced

Budget possible, and the restoration of the unemployment fund to actuarial soundness, were far bigger factors in the restoration of confidence. France has a long way to go before she achieves similar national confidence. In the meantime M. Blum's Government has £137,000,000 to play with, this being the profit France has made on the devaluation of the franc in terms of gold. The whole of this money has been taken by the French Government, but most of it will be required for the Stabilisation Fund, and any margin will be needed to minimise such hardships as pension reductions and the lower yield of taxes. In recent months the British Equalisation Fund has bought francs heavily in an effort to sustain the market, but this does not mean that the decision of the French Government will cause the British Fund to sustain big losses. The Bank of England promptly exchanged the francs for gold at the Bank of France, and it will now profit by the higher value of gold, in terms of francs. The new value of the franc will be in the neighbourhood of 100 francs to the pound sterling. It has recently been round and about 75 francs to the £.

Gold—the Final Test.

There is no indication that the controllers of world currency systems contemplate the abandonment of gold as the final test of values. On the contrary, the effect of the devaluation of the franc has been to increase the value of gold. No substitute for gold has been revealed by recent crises and apparently, for centuries to come, nations will trust the amount of bullion in the coffers of the national banks before any scientific record of price indices, which certain economic authorities have suggested as an alternative. The old gold standard was over rigid in its application and Britain, at any rate, is not likely to return to it, until she is assured that other trading communities will assist her in maintaining any agreed standard. In 1925, when Britain returned to the gold standard after the World War, no such assistance was given. On the contrary, Britain's trading rivals seized upon the opportunity to hamper our trade, and the crisis of 1931 was

only just faced in time. Now world currency controllers seem to have realised the necessity for coming together. It is to be hoped that they will also persuade politicians that the really important thing is to balance national Budgets, and ensure that national trading accounts shall be squared at the end of a trading year. At present, too many nations cannot or will not pay their trading debts. France will benefit immediately by the revival of her tourist traffic, which has suffered badly from the 'over valuation of the franc'. Her foreign trade should also recover in a measure. As for Britain herself, the devaluation of the franc will not interfere with the main causes of the present trading prosperity, the building boom, and the money which the Government is spending upon armaments. The extent of the building boom can be estimated by the fact that British building in 1932 was represented by the index figure 57. The corresponding index figure today is 109. The armament orders are causing big orders for iron and steel, among other goods, and in consequence British unemployment has declined by almost twelve per cent, during the past twelve months. The hope is that the wiser attitude of the French authorities will do something to restore, foreign, as opposed to internal trade.

Coronation Opera.

To pass to lighter topics. Preparations for next year's Coronation are proceeding apace, and there is every indication that the London Season will be the most exciting in living memory. Sir Thomas Beecham has announced an eleven weeks opera season, and no fewer than nineteen operas will be presented. Nine of them will be new productions, and one will be a complete novelty, Eugene Goossens's 'Don Juan.' First will come a revival of Verdi's 'Otello', with Giovanni Martinelli in the title role, and then a new production of 'The Bartered Bride.' The Carmen of the season will be a daughter of the Algerian baritone, Dinah Gilly, which is very promising.

(Continued on page 27.)

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PHONE 8.

NAKURU.



ertain small amount from mortgages and debenture interest sent out of the colony, all sources which have hitherto escaped taxation. As regards individuals, it is estimated by the Government that the Europeans will pay £61 087; Asians will pay £36 265, and Arabs and Somalis etc. £3 602. Taking the estimate of European payments, it is shown that £18 617 or about thirty per cent will be paid by state and railway officials, and £7820 or about thirteen per cent will be paid by owner farmers. Actually on the figures as supplied it is estimated that about 90% of the owner farmers will pay no more than they did under the taxes it is proposed to repeal, and 88% will pay less. The general operation of the Ordinance based on these figures would be that 73% of the Europeans would pay less or not more than they do now.

In discussing this Ordinance with acquaintances who have not actually studied the Bill, I find that there is a certain amount of misconception about certain points, and I propose to touch on a few of the most important. The flat rate poll tax of fifty shillings for Europeans will be set off against the tax payable on chargeable income, it is not payable in addition to the assessed Income tax.

Relief is given against double income tax—that is to say if you are in receipt of income which has already paid Income tax either in the United Kingdom or in the Empire, you are entitled to relief from the tax at rates varying according to the total income. In this respect discrimination is made between United Kingdom Income tax and Empire Income tax to the advantage of the former; that would have to be acquired into in Select committee, but presumably it is due to the difficulty of making reciprocal arrangements

with different parts of the Empire.

Clubs where not less than three quarters of the gross receipts are received from members are not liable for Income tax. For the purposes of this tax the incomes of a married man and his wife are lumped together, but I propose to review that suggestion in another article.

As regards the Company tax of two shillings and fifty cents, that is payable at source, but if you as an individual receive dividends from a company with the tax deducted, you of course set off that sum against the amount which you pay on your chargeable income.

This ordinance has been published for comments and criticisms and it is not only desirable, but it is essential that it should receive

Suggestions and Criticisms.
both. In making criticisms however, it is inevitable that the financial implications must be taken into account. Any suggestions of change in the rates for example must be weighed against the effect that such change would have on the yield. This effect can be readily ascertained from the data in the possession of Government, data which would of course be available to a select committee, but without that data it is very difficult to work out with any degree of accuracy the financial effect. So any suggestions on the rates must be regarded more as a line of thought to be pursued in select committee rather than as a concrete proposal. The ordinance itself has obviously been framed with a view to simplicity, and if it is viewed in its correct light, that is as a sort of token measure to be altered and amended according to the collective wisdom of the select committee it is undou-

bly a well devised document. In actual size it is at the moment the smallest income tax Ordinance that I know of, but I have no doubt at all that when it comes out of the Committee stage it will present a very different shape. The method of estimating deductions so as to arrive at chargeable income is left to be provided for by rules made by the Governor in Council; but before this Ordinance can be made operative these rules must be made part of the Ordinance, even if it is considered desirable to leave the power to the Governor in Council to amend or revise them in the light of experience.

The first criticism which immediately occurs to one is that the allowance for children is far too small. In the South African Income tax Ordinance £75 is allowed off for each child, whilst here the proposed allowance is only £40 for the first child and £30 for the other children with a maximum of £100. I realize of course that any extension of allowances for children will operate more in favour of the Asians than of the Europeans and the financial consequences might be too great, but the matter requires the closest consideration, as does also the suggestion I have had made to me that the scale for the first £200 should be fifty cents instead of a shilling. We shall have to rely on our Elected Members to study those points in committee.

Now let us get on to points where the financial implications, cannot be very large. Deductions from income are allowed before chargeable income is arrived at, of £150 plus certain other deductions for families, insurance etc. and one tenth of the earned income up to two hundred pounds. Why earned income

(Continued on page 11.)

"Kenya Weekly News"

Edited by F. J. Condliffe

SUBSCRIPTION RATES

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NAKURU: FRIDAY, 10 OCTOBER 1954

NOTES OF THE WEEK

It would be idle to pretend that the publication of the Income Tax Ordinance on Saturday last

Opposition to Income Tax has been received with much enthusiasm. It was probably inevitable that the first reactions to it would be largely antagonistic and it must be admitted that this is certainly the case. The principle objection and the one which everyone seizes on, would appear to be that the Ordinance as laid provides for extra taxation to the non-native community to the extent of thirty two thousand pounds. This undoubtedly the case which is not altered by the fact that a good deal of this extra revenue would be gathered from sources which hitherto escaped taxation. But the amount of revenue to be raised by income tax can only rightly be considered in relation to the budget as a whole, and until that is laid which will be on October twenty eighth, any discussion on the matter must be merely based on speculation and therefore premature. But apart from that point (which I agree will have to be most carefully watched as soon as the Budget is made public) I cannot detect that there is as is claimed in certain circles, any universal opposition to the principle of Income tax indeed in many cases approval of the principle is affirmed, but the opposition to its application is being raised mainly on the manner in which it is being introduced. I propose therefore to leave the question of the incidence and view of the proposed tax to another article and deal with this question of the manner in which it is introduced.

Now if the opposition to the implementation of an Income tax at this juncture is based on the allegation or fact that it is introduced in a tactless or vindictive manner or that our leaders do not wish it introduced during the Governorship of Sir Joseph Byrne, I cannot see any justification for its postponement at all. Income tax is either right or it is wrong. If Income tax is right and in the best interests of the Colony it should be accepted if presented by the Devil himself, and if it is wrong and against the interest of the Colony then it should be refused if presented by a syndicate of Archangels. After all we are not children and it is whether the measure is good or bad that matters and not whether it is handed to us prettily or not. Nor can I see that there is anything unconstitutional in the way that it is presented. Granted if you like that we did obtain a constitutional ruling three years ago that it is a privilege of the tax payers to decide in what manner revenue shall be

collected, there has never yet been any attempt to obtain an expression of opinion on the merits or demerits of Income tax per se. Even now our politicians are not opposing it in principle or on its merits, but are opposing it on political grounds and are not attempting to get any expression on the principle. I think also that we have to be a little careful how we raise this question of a constitutional privilege. Has it ever been a constitutional principle which has ever run counter to the interests from which we come, may not be so desirable now, unless it is a trade such as a bank. The same privilege from which we have obtained that democratic privilege will certainly not grant it to us and withhold it from British subjects out of our race and with the growing political awakening all around us, its application in the future might not always be to our advantage.

But if the opposition to its application at this juncture is due to a genuine desire to have further time for consideration, it is an argument which is certainly reasonable and very difficult to refute, and the most ardent believer in the principles of Income tax amongst whom I number myself, can have no desire to rush through an ill-considered Ordinance. It has to be admitted too that the case against its immediate application is immensely strengthened by the fact that the Government whilst introducing this Ordinance as a result of the Pim report which was so long delayed (copies of which are even now not available to the public) have as yet given no public indication of what is going to be their attitude to the remainder of the report. Presumably the Budget speech will provide the opportunity to do this, but it has not been done yet. Moreover there is much to be said for the suggestion that before an Income tax is imposed as a permanent measure of taxation the whole question of our fiscal system and the ratio of direct to indirect taxation and the incidence of such direct taxation should be the subject of deep consideration. There is no doubt that the country's financial position will be infinitely better early next year, and the revenue from indirect taxation will improve just as quickly as it declined when the slump hit us. That in fact is one reason why our fiscal system must include some measure of direct taxation which does not respond so quickly to the effect of good or bad times. But it is always as well to examine questions of taxation when revenue is good and increasing rather than when it is bad and when making both ends meet is a case of anxiety.

I agree too that provided provision is made for next year's budget requirements there is no need for excessive haste in the matter. A year is a short time in the history of a country and if by agreeing to a delay in imposition of this tax it is possible to get this measure considered as it should be considered, that is as an economic measure entirely and not as the issue confused with political and constitutional questions, then the delay is justified. But there are arguments for delay and not arguments for rejection, and it is just as well that this should be made perfectly clear. Already I see that resolutions for delay are being interpreted as resolutions "practically against Income tax". There are of course people in this Colony who are honestly opposed to the principle of payment according to capacity to pay but I do not believe that they are in the majority and the greatest care must be taken to see that they are not allowed to confuse the issue.

Three years ago our leader, Lord Francis

Scott in an election speech in Nakuru declared that he would favour an enquiry within the Colony on the whole subject of taxation, including the possibility of an Income tax. I hasten to state that if my name have not up to now been favourable for such an enquiry, and I am not in any way estimating that his Lordship has not carried out his promise, but if we are to ask for delay, those who like myself believe in the principle of Income tax should make it perfectly clear that we expect the matter to be resolved within reasonable time.

As regards the suggestion which is being largely circulated that next year the Colony will have recovered so far that it will be possible to take off the Graduated Poll tax, the trades licenses, the Education tax and the official levy and still balance the Budget with adequate reserves, I must sincerely hope that it is found to be the case, although I very much doubt it, but surely even then it is not suggested that the first tax to be taken off should be the Graduated Poll tax which affects the producer so little, and leave on the petrol duty which is so definitely a deterrent to development. I find it hard to believe that the country will agree to that. If it does it will be some what slight in the future to argue that all our energies should be directed to keeping the farmer on the land etc.

Let us now examine the Ordinance itself in the way it should be

The Ordinance examined—that is to say on its merits as an economic measure, unconfused with any extraneous political questions. The Ordinance follows the well known lines of an Income tax and is designed to adjust the burden of taxation so that it falls more lightly on the shoulders of the small producers and married people with smaller incomes, whilst richer people pay on a sliding scale in proportion to their capacity to do so. That is of course the principle of Income tax and is the reason why people who think like me believe it should be introduced into the fiscal system of this Colony. I believe in the future of this country and further believe that nothing, not even politics can prevent it advancing along the lines of a typical British Colony, but no Colony has yet been able to advance by catering only for rich people lawyers and financiers, and encouragement must be given to married men and small farmers who are a very essential part of the backbone of any country.

The Ordinance is not an oppressive one and of course compared with those in force in England and the older Dominions of Canada, Australia and New Zealand it is light, and it compares not unfavourably with the South African measure. The publication of the Ordinance is accompanied by an explanatory memorandum, the bulk of which is published elsewhere in this paper. This memorandum with the accompanying tables is compiled from data accumulated by the Government from the Graduated Poll tax returns. This is the only data on which they could compile it, but it should be pointed out that the tables are of necessity only estimates and must be regarded as such; the figures can only be approximately correct. The Ordinance together with the proposed Poll tax is designed to produce £135,454—a sum equal to about six and a half per cent of the Colony's revenue from taxation, and an amount which will just about cover the Defence vote. Of this sum of £135,454 approximately £25,000 will be paid by companies, £2,000 by pensioners and a

the recommendations as a whole. In particular, if it could be stated that the proposed re-organisation of the Secretariat is accepted in principle, and will be put into effect as soon as possible, I believe that that would be a wise course, for the point is already being made that there is to be no change -- though I gather that that is diametrically opposed to the intentions of the Kenya Government.

Whether the Government of Kenya is aware of these facts I do not know. If it is not, and if you think that they ought to be brought to its notice, perhaps it would be as well for my name not to be mentioned in that connexion, I am betraying no confidences in writing as I do, but some people might think that I was, and that risk I should like to avoid.

My sole object is to try if possible to do something to avoid another first-class political struggle in Kenya, and my fear is that unless the Government declares itself immediately and unequivocally, ~~and~~ unofficially, not knowing the real facts may pledge themselves before the opening of the Legislative Council on October 28 to support action by the unofficial leaders which they would never uphold if they knew that an honest endeavour was to be made to implement Sir Alan Pim's proposals. Some of the leading business men in the Colony have already been misled, and my information leaves me no escape from the conclusion that erroneous ideas of the Government's plans are almost universal, if not completely so. That is why I have emphasised to my leader -- a copy of which is enclosed, -- that an immediate statement by the Governor seems so desirable.

If it seem to be pleading somewhat strongly, you will, I am sure, appreciate that it is only because I feel it a duty to do anything which may rest in my power if thereby a renewed trial of strength can be avoided in a Colony which has had far too many political struggles in the past.

Yours sincerely,



PS. I had looked forward to attending the dinner to-night of the Fauve Society, Editor, at which you are to speak, and am disappointed that I cannot attend, owing to a rather bad chill. Had I not to talk to the East African Group to-day I should not have come up to town.

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The Rt. Hon. W. G. A. Ormsby Gore, P.C., M.P.,
The Colonial Office,
Downing Street, S.W.

Dear Mr. Ormsby Gore,

I so much appreciate your kindness in having sent to me --- of course, for my own use and guidance only --- a copy of your dispatch of October 8 to the Governor of Kenya on the subject of Sir Allen Pim's report.

I had ventured in advance to suggest in various leading articles and in private letters to some of the settler leaders that I believed they were wrong both in tactics and in fact in assuming in advance that a whole-hearted endeavour would not be made to carry out the recommendations. Indeed, I have returned to the matter in to-day's issue, in which I plead that Government's intentions should be made known at the earliest possible moment.

That I have done because my correspondence makes me feel that there is real danger that the country may be stampeded again if it comes to believe, as it is being told, that the Pim report is dead, except that it will be used to force income tax upon Kenya.

I have seen letters from some of the settler leaders which purport to contain statements in that sense made privately by senior officers of the local Government, and those statements are, quite naturally, from the purely political standpoint of the anti-income tax die-hard, being given wide circulation privately. The consequence is that I already know some strong supporters of the principle of income tax who have swung right round and are bringing their influence to bear against it.

The only way in which I can see that this campaign can be immediately checked is by an authoritative statement that the Government really does intend to deal with



16

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

Dated 19th October, 1936. Received 10.15 a.m. 19th October.

Private and Personal.

Your telegram of the 17th October. In accordance with your wishes I have to-day issued a communiqué on the lines you indicate. As regard native taxation I am making it plain that immediate acceptance of Pim's recommendations is contingent on agreement by the Treasury to proposals for borrowing. I shall be grateful for earliest possible information as to Treasury's attitude.

SUMMARY

| ARABS, SOMALIS, ETC. | Taxpayers | Yield |
|--|--------------|---------------|
| | | £ |
| Civil Servants | 178 | 207 |
| Kenya and Uganda Railways and Harbours | 11 | 31 |
| Professional | 2 | 2 |
| Commercial Employers | 1,078 | 1,651 |
| Owner Farmers | 267 | 267 |
| Commercial Employees | 1,386 | 1,444 |
| TOTAL ARABS, SOMALIS, ETC. | 2,922 | £3,602 |

ARABS, SOMALIS, ETC.

| DECLARED INCOME | Frequency | Tax | | Yield |
|--|--------------|----------|----------|--------------------------------------|
| | | Sh. | Cts. | |
| CIVIL SERVANTS— | | | | |
| £300 and under | 173 | 20 00 | | 3,460 00 |
| £400 | 4 | 100 00 | | 400 00 |
| £500 | — | 185 00 | | — |
| £600 | 1 | 270 00 | | 270 00 |
| TOTAL | 178 | — | — | 4,130 00 or £207 |
| KENYA AND UGANDA RAILWAYS AND HARBOURS— | | | | |
| £300 and under | 7 | 20 00 | | 140 00 |
| £400 | 3 | 100 00 | | 300 00 |
| £500 | 1 | 185 00 | | 185 00 |
| TOTAL | 11 | — | — | 625 00 or £31 |
| PROFESSIONAL— | | | | |
| £250 and under | 2 | 20 00 | | 40 00 or £2 |
| COMMERCIAL EMPLOYERS— | | | | |
| £250 and under | 1,074 | 20 00 | | 21,480 00 |
| £350 | 1 | 227 00 | | 227 00 |
| £850 | 1 | 548 00 | | 548 00 |
| £1,000 and over | 2 | — | | 10,774 00 |
| TOTAL | 1,078 | — | — | 33,029 00 or £1,651 |
| OWNER FARMERS— | | | | |
| £250 and under | 267 | 20 00 | | 5,340 00 or £267 |
| COMMERCIAL EMPLOYEES— | | | | |
| £250 and under | 1,373 | 20 00 | | 27,460 00 |
| £350 | 7 | 57 00 | | 399 00 |
| £450 | 4 | 142 00 | | 568 00 |
| £550 | 2 | 227 00 | | 454 00 |
| TOTAL | 1,386 | — | — | 28,881 00 or £1,444 |

The foregoing tables relate incidence to the various classes of the non-native community. It is now necessary to examine the proposals in relation to individuals and Appendix I is attached with this object in view. The formula specified in paragraph 5 has also been applied to this table. Figures appearing on the left-hand side indicate the various taxes which fall to be deducted from gross incomes and the net income remaining after these liabilities have been met. Those on the right-hand side of the table give particulars of deduction under the new proposals and the net income remaining.

Application to individuals.

15. So far as yield is concerned, although the data obtained through operation of the Graduated Non-Native Poll Tax Ordinance reduces to a considerable extent the difficulties of estimation, a wide margin of error is inevitable until actual experience of the new measures has been obtained. The following details which are based on 1935 statistics and which make some allowance for an improved collection consequent upon a more equitable distribution of the burden of taxation must therefore be regarded as purely tentative.

Estimated yield from Income Tax.

| | |
|--|----------|
| 1. Poll Tax.—European, Sh. 50 | £20,313 |
| Asian, Sh. 40 | 31,068 |
| Arabs, etc., Sh. 20 | 2,922 |
| | 54,303 |
| Less remissions and exemptions | 2,500 |
| | £51,803 |
| 2. Income Tax Schedules (Individuals).—(This allows for taxation of quarters, abolition of Railway Levy, etc.) | 53,151 |
| Pensioners (say) | 2,000 |
| Companies at Sh. 2/50 (say) | 25,000 |
| 3. Carry Over (say) | 3,500 |
| | £135,454 |
| Less: Non-Native Poll Tax (receipts in respect of 1935) | £70,987 |
| Education Taxes | 24,792 |
| | 95,779 |
| | £39,675 |

16. By reversion to the rates chargeable under the Traders Licensing Ordinance, 1919, a reduction in revenue of approximately £8,000 from £33,000 to £25,000 might be anticipated.

Estimated yield from trades licences.

17. The additional cost of collection following imposition of an Income Tax is tentatively estimated at £3,000.

Estimated additional cost.

SUMMARY

| ASIANS | Taxpayers | Yield | |
|--|---------------|----------------|--|
| | | £ | |
| Civil Servants | 1,305 | 2,782 | |
| Kenya and Uganda Railways and Harbours | 1,370 | 2,929 | |
| Professional | 189 | 736 | |
| Commercial Employers | 3,310 | 10,869 | |
| Owner Farmers | 72 | 144 | |
| Farm Employers | 3 | 6 | |
| Commercial Employees | 9,167 | 18,562 | |
| Others | 118 | 237 | |
| TOTAL ASIANS | 15,534 | £36,265 | |

ASIANS

| DECLARED INCOME | Frequency | Tax | | Yield | |
|---|--------------|----------|-------------------|----------|-------------------|
| | | Sh. cts. | | Sh. cts. | |
| CIVIL SERVANTS | | | | | |
| £300 and under | 1,252 | 40 00 | 50,080 00 | | |
| £400 .. | 50 | 100 00 | 5,000 00 | | |
| £500 .. | 3 | 185 00 | 555 00 | | |
| TOTAL | 1,305 | | 55,635 00 | | or £2,782 |
| KENYA AND UGANDA RAILWAYS AND HARBOURS | | | | | |
| £300 and under | 1,321 | 40 00 | 52,840 00 | | |
| £400 .. | 39 | 100 00 | 3,900 00 | | |
| £500 .. | 10 | 185 00 | 1,850 00 | | |
| TOTAL | 1,370 | | 58,590 00 | | or £2,929 |
| PROFESSIONAL | | | | | |
| £250 and under | 157 | 40 00 | 6,280 00 | | |
| £350 .. | 15 | 57 00 | 855 00 | | |
| £450 .. | 6 | 142 00 | 852 00 | | |
| £550 .. | 2 | 227 00 | 454 00 | | |
| £650 .. | 2 | 312 00 | 624 00 | | |
| £750 .. | 2 | 420 50 | 841 00 | | |
| £850 .. | 1 | 548 00 | 548 00 | | |
| £950 .. | 2 | 675 50 | 1,351 00 | | |
| £1,000 and over | 2 | — | 2,018 00 | | |
| TOTAL | 189 | | 14,723 00 | | or £736 |
| COMMERCIAL EMPLOYERS | | | | | |
| £250 and under | 3,134 | 40 00 | 125,360 00 | | |
| £350 .. | 63 | 57 00 | 3,591 00 | | |
| £450 .. | 54 | 142 00 | 7,668 00 | | |
| £550 .. | 15 | 227 00 | 3,405 00 | | |
| £650 .. | 14 | 312 00 | 4,368 00 | | |
| £750 .. | 1 | 420 50 | 420 50 | | |
| £850 .. | 1 | 548 00 | 548 00 | | |
| £950 .. | 5 | 675 50 | 3,377 50 | | |
| £1,000 and over | 23 | — | 68,636 00 | | |
| TOTAL | 3,310 | | 217,374 00 | | or £10,869 |

ASIANS—(Contd.)

| DECLARED INCOME | Frequency | Tax | | Yield | |
|-----------------------------|--------------|----------|-------------------|----------|-------------------|
| | | Sh. cts. | | Sh. cts. | |
| OWNER FARMERS | | | | | |
| £250 and under | 72 | 40 00 | 2,880 00 | | or £144 |
| FARM EMPLOYERS | | | | | |
| £250 and under | 3 | 40 00 | 120 00 | | or £6 |
| COMMERCIAL EMPLOYERS | | | | | |
| £250 and under | 9,077 | 40 00 | 363,080 00 | | |
| £350 .. | 67 | 57 00 | 3,819 00 | | |
| £450 .. | 17 | 142 00 | 2,414 00 | | |
| £550 .. | 2 | 227 00 | 454 00 | | |
| £650 .. | 2 | 312 00 | 624 00 | | |
| £750 .. | 2 | 420 50 | 841 00 | | |
| TOTAL | 9,167 | | 371,232 00 | | or £18,562 |
| OTHERS | | | | | |
| £250 and under | 117 | 40 00 | 4,680 00 | | |
| £350 .. | 1 | 57 00 | 57 00 | | |
| TOTAL | 118 | | 4,737 00 | | or £237 |

for other non-natives. It is now proposed to merge the minimum Poll Tax and Education Tax into a single Poll Tax of Sh. 50 per annum in the case of Europeans, Sh. 40 per annum in the case of Asians and Sh. 20 per annum in the case of Arabs and Somalis. This payment will be allowed as a set-off against tax payable on "chargeable income" under the Income Tax Ordinance. The adoption of a Poll Tax at varying rates is not in complete accordance with the recommendations of the Financial Commissioner (Sir Alan Pim) who suggested a flat rate of Sh. 50 per head, but it is considered that the present proposals distribute the burden more equitably having regard to the necessity for relating a tax to the capacity to pay such tax.

Effective rate on total income.

5. As has been stated in paragraph 3, chargeable income is that amount of the income which is left after all allowable deductions have been made. The rates given in that paragraph apply only to the "chargeable income", consequently the effective rate on the total income is very much smaller. The following table shows for comparative purposes the effective rates under (a) the present Graduated Non-Native Poll Tax and Education Tax and (b) under Income Tax with the Poll Tax as now proposed. For the purposes of this table and throughout this memorandum the taxpayer has been taken as being a married man, with one child, 10 per cent being deducted for earned income and 5 per cent for insurance premia.

| INCOME | EUROPEAN | | ASIAN | |
|--------|---------------|-----------------|---------------|-----------------|
| | (a) | (b) | (a) | (b) |
| | Present | Proposed | Present | Proposed |
| | <i>Cents.</i> | <i>Sh. cts.</i> | <i>Cents.</i> | <i>Sh. cts.</i> |
| £350 | 31 | 16 | 29 | 16 |
| £450 | 29 | 32 | 27 | 32 |
| £550 | 31 | 41 | 29 | 41 |
| £650 | 32 | 48 | 31 | 48 |
| £850 | 34 | 64 | 33 | 64 |
| £1,050 | 35 | 76 | 34 | 76 |
| £1,450 | 37 | 1 01 | 36 | 1 01 |
| £2,250 | 68 | 1 32 | 68 | 1 32 |
| £3,750 | 88 | 1 76 | 81 | 1 76 |

6. In the 1933 proposals provision was made in the case of companies of a flat rate of Sh. 2 on every pound of chargeable income. The present Bill provides for a flat rate of Sh. 2/50 in the pound, this being considered a more equitable figure in relation to the rates chargeable to individuals having regard to the necessity for maintaining the yield from the tax; and it is one which is common to certain other British Dependencies.

1933 proposal

When Income Tax was under discussion in 1933, a reduction of taxation in other directions was not envisaged as, although a set-off was allowed in respect of any hut tax or poll tax which had been paid under the Native Hut and Poll Tax Ordinance, the Northern Frontier Poll Tax Ordinance and the Non-Native Poll Tax Ordinance, the last-named tax was in fact increased from Sh. 30 to Sh. 50 per head in that year and no provision for remission of taxation in other directions was made.

Re-adjustments how suggested

8. The present Bills on the other hand are intended to supersede certain of the existing taxation measures with the express purpose of effecting a more equitable distribution of the burden of taxation so far as the non-native races in particular are concerned. If the Income Tax and Poll Tax Bills become law, it is proposed to repeal the European and Asiatic Education Tax Ordinances and the Graduated Non-Native Poll Tax Ordinance. In substitution therefor a Poll Tax of Sh. 50 per annum on adult male Europeans, Sh. 40 on adult male Asians and Sh. 20 on adult male Arabs and Somalis will be imposed, together with any tax payable on "chargeable incomes" as provided for under the Income Tax Ordinance. It is also intended to amend the

Licensing Ordinance by a revision to the principles and in general to the rates incorporated in the Trades Licensing Ordinance, 1919. The Levy on Official Salaries which has never been reached is forming part of the fiscal structure of the Colony will be abolished.

9. Disregarding any relief which is to be allowed by revision of the Licensing Ordinance, it will be observed that whereas in 1932 adult male Europeans, Indians and Arabs were called upon to pay basic taxes amounting to Sh. 90, Sh. 80 and Sh. 60 per head respectively and under the present laws pay Sh. 60, Sh. 50 and Sh. 30 per head respectively, the rates now proposed are Sh. 50, Sh. 40 and Sh. 20, a reduction in each case of Sh. 10 per head as compared with the existing basic direct taxes.

Comparison between old and new basic taxes

10. So far as Goans are concerned, the proposed revision will result in an increase in basic minimum direct taxation of Sh. 10 per head as they are not at present called upon to pay the Education Tax. It is considered however that differential treatment of this relatively small section of the community cannot be justified.

11. By this comprehensive readjustment of the fiscal system of the Colony as applied to the non-native races it is confidently believed that many of the difficulties and inequalities apparent in the present legislation will be overcome and that a system based on the broadest principles of equity and justice will be established.

Conclusion

12. There are at present on the Tax Roll 8,125 Europeans, 15,334 Asians and 2,922 Arabs, Somalis and other non-natives, a total of 26,381. Of this number, 5,012 Europeans or 62 per cent, 15,183 Asians or 97 per cent and 2,996 or 99 per cent Arabs, Somalis and others would pay the minimum direct tax. In other words 87 per cent of the total non-native population would not be subjected to any further tax on "chargeable income" in the circumstances disclosed by them in 1935 under the Graduated Non-Native Poll Tax Ordinance.

Number of taxpayers on roll.

13. Comparing the contribution of individuals under existing taxation, i.e. the Graduated Non-Native Poll Tax and the Education Tax, with assessment under the Income Tax and Poll Tax Bills, it is found that 5,891 Europeans or 73 per cent, 15,368 Asians or 99 per cent and 2,910 Arabs, Somalis etc. or 99.6 per cent, a total of 23,278 or 87 per cent, would pay less or not more under the present proposals.

14. Examining the proposals as they affect the various non-native sections of the community, the following tables give particulars of frequency, (i.e. the number of each of the various sections of taxpayers classified according to their incomes) and yield. Details in regard to income have been abstracted from the 1935 Graduated Poll Tax returns and are consequently based on the incomes of 1934.

Application to classes.

SUMMARY

| EUROPEANS | Taxpayers | | Yield |
|--|-----------|---------|-------|
| | | £ | |
| Civil Servants | 1,201 | 14,440 | |
| Kenya and Uganda Railways and Harbours | 412 | 4,177 | |
| Professional | 685 | 5,993 | |
| Commercial Employers | 765 | 10,094 | |
| Owner Farmers | 1,804 | 7,820 | |
| Farm Employees | 588 | 2,396 | |
| Commercial Employees | 2,202 | 12,248 | |
| Others | 468 | 3,919 | |
| TOTAL EUROPEANS | 8,125 | £61,087 | |

GOVERNMENT NOTICE No. 610

COLONY AND PROTECTORATE OF KENYA

Proposed Introduction of Income Tax and the Consequential Revision of Non-Native Taxation

The Income Tax Bill now published for introduction into Legislative Council follows very closely the provisions of the Income Tax Bill which passed its second reading in 1933.

Provisions of new Bill

2. Both measures provide for the following deductions from incomes before the figure representing "chargeable income" is reached—

Deductions from income for taxing purposes.

- (a) one-tenth of that part of the income which is earned income, subject to a maximum deduction of £200;
- (b) a deduction of £150 in the case of residents in the Colony or British subjects;
- (c) a deduction of £50 for a wife or wives;
- (d) a deduction of £40 for one child and £30 for each subsequent child, subject to a maximum of £100;
- (e) a deduction in respect of any life insurance premia subject to a maximum of one-sixth of the chargeable income and to a maximum amount of £200.

In addition, provision is made, subject to certain conditions, in respect of—

- (f) interest payable by a borrower on capital employed by him in acquiring the income;
- (g) rent payable by any tenant on land or buildings used by him for the purpose of acquiring the income;
- (h) replacement of obsolete plant and machinery used in acquiring the income;
- (i) maintenance and repairs of plant and machinery and repairs to premises employed in acquiring the income;
- (j) bad debts, and in certain circumstances, an allowance for doubtful debts;
- (k) subject to certain provisions, an allowance in respect of trade losses which cannot be wholly set off against income from other sources.

3. The rates of tax leviable upon the incomes of persons other than companies after account has been taken of such of the deductions enumerated in paragraph 2 as apply to the individual taxpayer, are as follows:—

Rate on chargeable income.

In respect of "chargeable income"—

- For every pound of the first £350 : One shilling.
 For every pound of the next £350 : One shilling and fifty cents.
 For every pound of the next £800 : Two shillings.
 For every pound of the next £1,500 : Two shillings and fifty cents.
 For every pound of the next £2,000 : Three shillings.
 For every pound of the remainder : Three shillings and fifty cents.

4. Under the 1933 Income Tax proposals, a set-off was allowed in the case of Poll Tax payments but no provision was made for a set-off in respect of Education Tax. At that time Poll Tax was proposed at the rate of Sh. 60 per head, and Education Tax was payable at its present figure of Sh. 30 in the case of European and Sh. 20 in the case of Indian taxpayers. The existing basic rate of Non-Native Poll Tax is Sh. 30 payable by every non-native male resident whose taxable income does not exceed £100 per annum. This, together with the Education Taxes, represents a minimum direct payment of Sh. 60 per annum for Europeans, Sh. 50 for Indians and Sh. 30 per annum

Poll Tax

greatly increased yield without hardship to the individual. If the new methods proposed are applied and have the result anticipated, the question of a reduction in the rate of tax on multiple huts and the raising of the taxable age of natives from 16 to 18 can then receive sympathetic consideration as the practical financial difficulties to which I have alluded will no longer obtain.

by a more equitable redistribution of the burden of taxation consequent upon a more scientific application of the principle of capacity to pay, not only will the sum requisite to balance Budget be found without undue hardship to individuals, but 87% the non-native taxpayers will pay less or not more than they do at present.

As regards the time factor, the difficulty appeared to Government to be more apparent than real as the application of Income Tax to the Colony is in no sense a new issue. A Bill almost identical with the one now presented to Council had already received full publicity and examination and had in fact been re-introduced a second time and passed through the Committee stage of this Council in 1933, only three years ago. To have introduced an entirely new measure at such short notice would have been indefensible, but to reintroduce a measure the provisions of which have already been exhaustively examined is a very different matter and one which I submit can be defended from any standpoint.

The recommendations on the subject of readjustment of native taxation have also received the earnest consideration of Government, but in this case the circumstances are fundamentally different. Unless the Moyne Formula relating to native direct taxation to expenditure on native services is abandoned and budgetary equilibrium is no longer regarded as essential to the financial stability of the Colony, immediate action in this direction is impracticable. A reduction in native services to make good the loss of revenue consequent upon a reduction in native direct taxation is, to my mind, unthinkable, but action along the lines suggested by Sir Alan Pin may be possible in due course without infringement of the Moyne formula and without facing a deficit on the Budget if a sufficiency of time is allowed.

A Report on Native Taxation prepared by the Treasurer and Chief Native Commissioner will be laid on the Table in the course of this Session, from which it will be seen that in their opinion the application of improved methods of collection will result in

greatly...

have been found impossible to balance the budget without retention of the present taxes and at least a portion of the levy on Official Salaries. The weaknesses and inequalities in the Graduated Non-Native Poll Tax and Licensing Ordinances are inherent in the measures themselves and cannot be eliminated by piecemeal amendment. Moreover, the levy on salaries can only be defended so long as a period of grave emergency exists. During the period of emergency from 1932 onwards the levy has resulted in a contribution to revenue of approximately a quarter of a million pounds sterling and now that the emergency has happily passed the time for its removal has clearly arrived.

These being the circumstances of the problem at the time of arrival of the Pim Report, Government was compelled, despite the shortness of time, to decide between a continuation of the present admittedly unsatisfactory system of taxation for yet another year and the immediate adoption of the modifications recommended by Sir Alan Pim, which of course embrace the introduction of Income Tax.

In reaching the decision to proceed with Sir Alan Pim's recommendations without further delay the following consideration forced Government to the conclusion that the balance of advantage from this course of action, as opposed to postponement, was beyond reasonable question.

Income Tax is clearly based on the principle of capacity to pay, a principle which has been recognised as sound throughout the civilised world. As a result of wide experience extending over many years the model Ordinance on which the Income Tax bill is based contains provisions designed to apply this principle with greater exactitude than could possibly be adopted in any graduated Poll Tax or Licensing Ordinance. It also provides the opportunity of ensuring that non-residents who have hitherto escaped payment of any direct contribution to the Revenue of the Colony from which they derive at least a portion of their income, shall contribute their fair share in common with residents towards the cost of maintaining the security of their assets. From this entirely new source a sum of approximately £27,000 is expected to accrue, and

by....

In this connection it may interest you to learn that I have been in touch with the Secretary of State who informs me that subject to the Treasury views in regard to the proposal to borrow money for revenue purposes and to the recommendations in regard to the Railway debt, he is of opinion that Sir Alan's recommendations are generally acceptable and ought to be adopted as a whole. He adds, however, that this opinion is necessarily based on information at present available to him and is subject to such reconsideration as discussions in this Council and further examination may indicate to be necessary. He desires me to state that the fact that he is inclined at the moment to accept the Report as a whole, will in no way prejudice his careful consideration of any criticisms raised during these deliberations.

I do not at this stage intend to touch on the Report in any detail. Practically all the economies recommended will take time to implement. Such recommendations as are possible of immediate application we have endeavoured to incorporate in the Budget and we have in addition informed the Colonial Office that the five Cadets allotted to us in 1937 would not now be required. It is also the intention of Government to engage as opportunities occur by reason of vacancies in the Administrative Staff, Local Civil Service Officers for duty as Tax Officers in certain districts.

There are, however, two major recommendations which require special mention. One relates to a reduction in Native Taxation. The other relates to the introduction of Income Tax not, in Sir Alan's words, as "a matter of superimposing an additional tax but of introducing a more equitable alternative to an admittedly inequitable and haphazard system of direct Taxation."

The date from which the latter recommendation should take effect, if approved, required and received the most anxious consideration of Government. An examination of the Revenue and Expenditure Estimates for 1937, which are now being laid before Council, will be sufficient to show that if Government had decided to postpone application of this recommendation till 1938, it would have....

The Long awaited Report of Sir Alan Pim will undoubtedly occupy much of our time and thoughts during the Session. I should like at the start to correct one or two erroneous impressions which somehow or other have gained currency. One is that although the Report was signed on the 25th May it was not issued till the 7th September and from this it has been inferred that during the interval the Colonial Office revised and altered its terms. I am informed that there is not a shadow of truth in this. The delay in publication was, I believe, mainly due to the difficulty in getting prepared the special maps annexed to the Report. Another erroneous impression is connected with paragraph 100 of the Report, wherein is mentioned the Secretary of State's recent decision on all the more important proposals affecting the terms of service of the Administrative Service. I have heard it stated that Sir Alan was debarred from recommending any revision of this decision. This is not so: he was at liberty to make such recommendations as he thought fit and in fact, in para 102, he has given his considered opinion that for more normal times the existing scale is not too high.

The circumstances under which Sir Alan Pim was chosen at the instance of the unofficial representatives to examine and report on our financial position are within your recollection. The choice was, I submit, amply justified for we could not have obtained, for a detailed examination of this nature, a more wise, a more painstaking or a more unbiassed investigator.

The Colony's thanks are due to him for his admirable Report, a Report which we are closely examining with the intention of implementing it to the fullest extent possible.

Naturally, before definitely committing ourselves, we must give the unofficial community, through their representatives, an opportunity of expressing their views on the various recommendations some of which will have the effect of depriving both non-natives and natives of services they have up to now enjoyed.

This opportunity will be most freely given during the course of the present Session.

3.

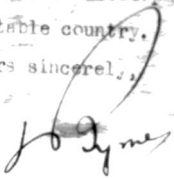
are awaiting the reduction of Sh.10/- per head in their Poll Tax (vide paragraph 1 of the Memorandum enclosed). We should have to forego about £27,000 of tax due from Companies, absentees, etc, and we should find ourselves with an unbalanced Budget due to the loss of £47,000 now paid by officials as Levy.

The only gainers from the delay would be the Companies, absentees and the few hundreds of well to do people who at present make a very inadequate contribution under the Graduated Non-Native Poll Tax.

I enclose the leading article from Gouldray's last issue. He is a shrewd fellow and he rightly points out that the issue can only be considered in relation to the Budget as a whole.

I will keep you informed as to developments - always a bit uncertain in this excitable country.

Yours sincerely,



Sir W. C. Bottomley.
K.C.M.G., C.B., C.B.E.
The Colonial Office.
LONDON. S.W.1.

PERSONAL & PRIVATE.

GOVERNMENT HOUSE,
KENYA,

AIR MAIL

19 JAN 1937
C. O. REGY

EAST AFRICA.
10th October, 1936.

My dear Bottomley,

The Special Gazette containing the Income Tax Bill, the Trades Licences Bill, the Poll Tax Bill and the explanatory Memorandum was published in Nairobi on Saturday last (the 3rd). Grogan's activities started on the same day when he addressed a meeting at Makuyu (a small place near Thika); his audience had not even seen the Bills nor the Memorandum. I enclose a copy of his speech.

Also on the same Saturday a meeting was held at Songhor, a small and impoverished area near Keru. The Resolution is probably one of a stock which will be issued to all local Associations. Here also the audience had not yet seen the Bills and Memorandum.

These meetings held at the local Clubs are really a farce - generally unanimous agreement is reached on any political issue put to the vote. But however small these meetings are their proceedings are published under great headlines in the East African Standard, the only daily paper read by Europeans. Similar meetings will be held in most of the European areas and on the 19th the Convention.....

20/10/36

For Mr. Boyd's signature

C. O.

Mr. Flood /10/36.

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Perm. U.S. of S. 21/4

Parly. U.S. of S.

Secretary of State.

M.D.R.

Downing Street.

21 October, 1936.

Dear Mr. Joelson,

Mr. Ormsby Gore desires me to

acknowledge your letter of the 15th of

October on the subject of the situation

in Kenya. He is in general agreement

with your views as to the desirability

of getting an early announcement of

Government's intention in regard to

Sir Alan Pin's Report, and ~~by~~ after

telegraphic correspondence with the

Governor we were informed on Monday that

a communiqué had been issued to the

Press that morning, giving a statement

of Government's opinion and intentions.

We have no idea of the exact form of

the statement, but we think it will be

found to make it quite clear that

Government intends to accept and

implement the 'Pin Report' in full.

*Yours sincerely
(1936) E. H. Boyd*

DRAFT.

F. B. JOELSON, ESQ.,
EAST AFRICA AND RHODESIA,
91 GREAT TITCHFIELD STREET,
W. 1.

FURTHER ACTION.

whatever the financial result, and ~~must be~~

implemented as soon as possible. Taxation

alterations ~~alterations~~ on lines proposed have been urged

here by interested bodies for many years and

now that they have expressed support of

Commissioner it is impossible to resist

conclusion that alterations are due.

As regards constitutional point
Lord Swinton had no intention of laying
down any new principle and did not.
He merely stated obvious fact that with
two equally possible courses that which
was most acceptable should be followed. But
this gives no support for claim that
unofficials are to be allowed to choose
their taxation. You will no doubt
make this clear if question is raised

that Council

and it is the Legislative Council
enacts legislation measures, subject
to the assenting body, subject
to the approval to ~~whatsoever~~ approval, say

in exercise.

and subject always to the power
of the Crown to legislate by Order in Council
and to the power of Parliament to legislate
by express act.

(If we don't say
all this they will
fasten upon any
omission)

~~Subject to the power of the Crown
and to the power of Parliament to legislate
by express act.~~

(Signed) W. O. ...

C. O.

Mr. Flood 21/10/36

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

X Sir C. Bottomley 21.10.36. str

Sir J. Shuckburgh

Permt. U.S. of S.

Privy. U.S. of S.

Secretary of State.

Codes sheet
7 of 10
21.10.36
(Ch)



Following from Bottomley. Begins.
Your letter 10th October now received
You will no doubt wish to amend and
strengthen some parts of speech in
view of despatches of 5th October
Nos. 790 and 796. In particular you
will no doubt make more emphatic
denial of charge that report was
edited. I suggest you should also
make it emphatically clear that not
only Secretary of State but also
Colonial Govt. is anxious to accept
Pim's report and implement it as far
as possible after necessary
discussion and deliberation.

I think you must face the
fact that recommendation in regard
to native taxation will have to
be implemented

whatever

FURTHER ACTION.

G. O.

Mr.

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Perm. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DRAFT.

FURTHER ACTION.

(This is what Mr. Crox says)

the despatch and the speech which I have quoted that my predecessor had no intention of ^{formulating} ~~having down~~ any new constitutional principle. He was stating what appears to be an obvious ^(and equally possible) fact, that of two alternative ^(usually possible) courses it is better to choose the one which will most readily be accepted, and beyond that he had no intention of going. His despatch and speech do not lay down any new principle or new doctrine in regard to methods of taxation and there is ^{in my opinion} no justification for the view which has been expressed that the Secretary of State accepted the principle that the official community should decide how any agreed amount of revenue is to be raised. The decision as to the manner in which revenue is to be raised rests ~~with~~ ^{with} ~~on~~ the Govt. of the Colony working through its legislative

sections of the community that method is to be preferred which is the more acceptable to those upon whom the tax is to be levied".

further, in the course of debate in the House of Commons, after explaining the proposals and expressing the hope that they would be successful, ^{he} ~~Lord Swinton~~ went on to state "I asked the other day whether the fact that the Government here had accepted these alternative proposals and had authorised their being given a thorough trial was any derogation from the power of the Government here to exercise control. Of course, it was nothing of the sort. I really do not see how that question can arise..... I think it is self-evident proposition that if certain sections of the community are to find a certain amount of money by taxation it is not unreasonable that they should find it in the way that the majority of them prefer to find it rather than in another way which we may perhaps think a better way".

2. It must be obvious to anyone reading

C: O.

Mr. Flood 2/10/36

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

X Sir C. Bottomley.

Sir J. Shuckburgh.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

AIR MAIL.

22 OCT 22

Downing Street,

October, 1936.

22 of secret

Sir,

DRAFT. (for comment)

KENYA.

NO. 837

GOVERNOR.

I have the honour to inform you that my attention has been called to certain reports appearing in the Kenya press which appear to indicate that the ^{opinion} impression is held in some quarters that a ^(to the effect) the principle has been laid down that the methods of taxation to be adopted in Kenya should be chosen by the Unofficial Member. This opinion appears to be based upon Sir Philip Cunliffe-Lister's despatch No. 397 of the 7th of June, 1933, in the ninth paragraph of which he pointed out that the question then before him was to decide upon two alternative proposals for raising revenue in Kenya and said that "where the choice lies between alternative means of taxing particular

FURTHER ACTION.

AIR MAIL.

(6) 78

22nd October, 1936.

to draft

My dear Byrne,

I enclose a numbered despatch on the "economic principle" which Unofficial Members are raising in connection with the income tax question.

The despatch is based on instructions from Mr. Gandy and has not yet been sent today's air mail (and the draft was probably too late). I cannot get his approval of the draft of the despatch in time.

I do not know whether you may get a telegraphic copy of the draft of the despatch.

I am sending the despatch under cover to you so that you may be able to quote it without modification. It is possible that some changes will in fact be made.

Yours sincerely,

(Signed) W. D. BOYD KLEY.

MAJOR-GENERAL SIR JAMES HAMILTON, G.C.B.,
K.C.M.G., I.S.O.

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OVALTINE has been proved
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THE supreme health-giving properties of delicious 'Ovaltine' have been proved by long practical experience.

Be certain, therefore, that 'Ovaltine' is the daily beverage in *your* home. By building up strength, vitality and the natural powers of resistance 'Ovaltine' will provide—for every member of the family—abundant radiant health.

'Ovaltine' owes its supremacy to the exceptionally high quality of its ingredients. Prepared from malt extract, creamy milk and new-laid eggs — with a cocoa flavouring — 'Ovaltine' contains, in the correct proportions and in the most easily digestible form, every nutritive element necessary for maintaining health and vitality at the highest level.

There is definitely nothing "like 'Ovaltine.'" Imitations may be made to *look* like 'Ovaltine,' but there are extremely important differences.

For all these reasons 'Ovaltine' stands in a class by itself for quality and value. Imitates.



'Ovaltine' does not contain any Household Sugar. Furthermore, it does not contain Starch. Nor does it contain Chocolate, or a large percentage of Cocoa.



Un-
 itated — Never Equalled

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following resolution was passed with only two dissentents:

"That this Association considers that the early imposition of a fair Income Tax is in the best interests of the country."

When two delegates to the Convention had been elected, they were instructed to support the principle and the early imposition of Income Tax as being the surest way to end the existing between the unofficial community and the Government, and to ensure the returning prosperity of Kenya.

NAIVASHA

The following resolution has been passed by the Committee of the Naivasha Farmers' Association:

"This Association agrees to support the Elected Members in any attempt to prevent the introduction of Income Tax until such time as Government allows the European population some form of control over the finances of the colony."

NANYUKI

[STANDARD CORRESPONDENT.]

Nanyuki.

A public meeting was held at the Silverback Hotel, Nanyuki, on Wednesday, October 7. The meeting which was well attended was presided over by Major Younghusband, who, in opening the proceedings, stated that the meeting was one of a series, being held all over the country, in order that the residents of the various districts should hear the views of the Elected Members on the Pin Report, and the new taxation proposals. It was also necessary that in any future policy by the Elected Members with regard to these proposals, they should be assured of the support of the country. He hoped that the meeting would be prepared to assure the Elected Members of their full support.

Major Grogan who on rising was greeted with applause addressed the meeting on the Pin Report and made clear the financial situation of the country. He laid stress on the fact that the report was a very able one, but finally what we had asked for, since the first term of reference had been limited by Government, and a second term of reference to deal with taxation and revenue had been added which was not in accordance with our request.

Major Grogan informed the meeting that it was the intention of the Elected Members to resist the rushing through of Income Tax on constitutional grounds, although there were other points to be considered, namely that they believed it was not fair to bring in a tax, for which a new Governor would immediately be responsible and secondly that the financial state of the country was not such as to require higher taxation.

After some discussion, a resolution was put to the meeting by the Hon. Mr. E. H. Wright, Member for Aberdare's constituency who in a short speech, stated that he fully endorsed, all that Major

Younghusband had said, and measures whereby any such change should be effected should be conducted by the new Governor who will be responsible for its implementation. The resolution was carried with one dissentent. Capt. Keene, Mr. T. C. Lewin then proposed until Mr. P. Gwynne seconded.

"That this public meeting insists that no extra taxes should be enforced until the arrival of the new Governor who will be responsible for its implementation, and expresses its intention of resisting any new taxation by all means in its power."

Passed, Captain Keene only dissenting.

RUIRU

Further opposition to the proposed introduction of the Income Tax Bill was forthcoming at a public meeting under the auspices of the Ruiru District Association at the Ruiru Hotel yesterday. The speaker at the meeting was Major G. H. Riddell, M.V.O., and the following resolutions were passed unanimously:—

"That while this District is not necessarily opposed to the principle of Income Tax it would emphatically protest to the Government against the present measure being forced upon us without:

(1) our being able to see the Pin Report and of which the proposed taxation arises; and

(2) our being given more reasonable time to consider the proposed taxation in detail."

"That this meeting" assures Major Riddell of the backing of the District in any action which he may consider it necessary to take, in connexion with the proposed Income Tax Bill, which is based on the views expressed by him at this meeting!"

The meeting was presided over by Major J. H. Gailey.

Don't risk your health and comfort by accepting worthless "insecticides" or imitations that masquerade under the name of Flit. Remember—there is only one Flit. Flit is sold only in the yellow tin with the soldier and black band—sealed to prevent fraudulent refilling. Will not stain. You can absolutely rely on Flit to kill all household insects.

Sprinkle the new FLIT POWDER in cracks and crevices. Crawling insects touch it and die!

If the soldier is not on the tin, it is not FLIT

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Be certain, therefore, that 'Ovaltine' is the daily beverage in *your* home. By building up strength, vitality and the natural powers of resistance 'Ovaltine' will provide—for every member of the family—abundant radiant health.

'Ovaltine' owes its supremacy to the exceptionally high quality of its ingredients. Prepared from malt extract, creamy milk and new-laid eggs—with a cocoa flavouring—'Ovaltine' contains, in the correct proportions and in the most easily digestible form,

The resolutions passed by the Indian Federation of Chambers of Commerce at Nakuru on Sunday were in the following terms:

Income Tax

The Federation is of the opinion that Income Tax based on capacity to pay, is a fair form of taxation and sooner or later must form part of the taxation scheme in this country. While recognising peculiar circumstances and difficulties affecting the Indian commercial community in the way of proving income by small and retail traders, it does not involve any new principle, since the Graduated Non-Native Poll Tax is in essence, based on the same principle but in an unscientific manner.

Taking into consideration that the Government is, for the third time, determined to introduce Income Tax, it would be futile to oppose it in its entirety but it would be advisable to have this controversy brought to a head once and for all so as to obtain relief in taxation in other desirable directions and to remove the cause of instability that has prevailed in the Colony in this respect for the last 10 years.

Resolved therefore that:— It be instructed to the Working Committee to study carefully the provisions of the proposed law and to suggest amendments if necessary to prevent harsh operation of the measure and to ensure its smooth working. E.R.T.s should be made to obtain the following resolutions immediately or as soon as practicable.

(a) Reduction of basic tax to Shillings 30.

(b) Exemption from basic tax of poor people earning not more than £50 per annum.

(c) Reduction in Customs Import Duties imposed in lieu of Income Tax in the past.

Traders Licensing Ordinance

Resolved that a sub-committee consisting of the President, the Secretary, Han, Mr. J. B. Parrya, Arin D. M. Manasi, Mr. N. J. Desai, of Kisumu be and is hereby appointed to examine the Bill in details and to suggest amendments to make the Schedule to the Bill more elastic in order to ensure a just application thereof to the small, middle class and rich merchants in an equitable manner without entailing hardship by an inflexible wholesale scale, and in general to make the working of the Ordinance as smooth as possible.

Sir Alan Pim's Report

That this special session of the Federation authorities and calls upon the Working Committee to study carefully Sir Alan Pim's Report in its details and to make the necessary representation to the Government to implement such other recommendations contained in it as would tend to effect economies in the Colony.

President's Speech

In the course of a lengthy Presidential address, Mr. D. D. Puri gave a short history of Income Tax in Kenya. Of the 1920 attempt he said:

"In the first year the collection had been abandoned owing to difficulties in getting the machinery of assessment into working order. In

second year, the Government proposed tax in a far one or not optimism in estimating the yield of a fall at £228,000 proved to be a failure at £28,000. The amount actually collected was £28,000. This tax at the time was most undoubtedly a very unpopular tax both amongst Europeans and Indians. The Indian community in a very large number refused to fill in the Returns and declarations sent to them by the Income Tax Officer and all these forms were brought to the office of the Indian Association and dumped there with the request that the same be returned to the Income Tax Officer. The Europeans were equally hostile to the measure."

After pointing out the later endeavours to increase revenue by a variety of taxes and the corresponding increase in Government expenditure he came to the second attempt (1933) of which he remarked:

"The European community opposed this Income Tax most vehemently and although the Bill had passed its second reading in the Legislative Council, it was ultimately dropped because the official European community advocated the principle that the community which is called upon to pay the revenue should have its own voice and choice in deciding the method of taxation."

They voluntarily agreed to find the equivalent sum of the estimated Income Tax by means of what is popularly or perhaps unpopularly known as "Alternative Taxes."

There is no undeniably fact that whether these "Alternative Taxes" were to be of a temporary nature or of a permanent character, they were not to be tolerated by the community for any length of time. All of us who have any experience of the methods of any Government in imposing taxes, know like a hot iron that taxes are not to be put on when necessary and discarded as easily when they are not. When the Education Tax was imposed in 1927, the Government made an unscrupulous undertaking in the Legislative Council that the Tax was merely a temporary measure. It has nevertheless survived for the last ten years.

"One thing more that is absolutely certain is, that the Income Tax which is now proposed to be imposed for the third time, cannot continue to be talked about and discussed *ad infinitum* in this Colony. There has to be a finality in the matter. It has either got to be accepted or must be shelved for at least another twenty years to come. People cannot be allowed to remain in suspense for all time.

The Governor

"Another thing that I feel I must direct your attention to, is that we must on no account allow ourselves to be dragged into or in any manner associated with the controversy which makes the proposed Income Tax a personal invention of His Excellency the Governor in the manner the un-official Europeans are making this as a subject of personal attack on Sir Joseph Byrne. Sir Joseph Byrne, the present Governor, although no particular champion of the Indian community, has not proved himself to be antagonistic to us

proposed tax in a far one or not optimism in estimating the yield of a fall at £228,000 proved to be a failure at £28,000. The amount actually collected was £28,000. This tax at the time was most undoubtedly a very unpopular tax both amongst Europeans and Indians. The Indian community in a very large number refused to fill in the Returns and declarations sent to them by the Income Tax Officer and all these forms were brought to the office of the Indian Association and dumped there with the request that the same be returned to the Income Tax Officer. The Europeans were equally hostile to the measure."

"It is an incontrovertible fact that this Colony is overtaxed in all round manner and there is no room for any fresh taxes to be added to the present burden but it will be perfectly legitimate for you to examine the desirability of substituting the Income Tax for a number of unbound and unscientific taxes in force at present."

Possible Conception

Mr. Puri then set out in some detail aspects of the tax proposals, including the measure of relief promised in the abolition of other direct taxes. He also quoted Government statistics showing that 38 per cent. of the European community would pay the tax and only 3 per cent. of the Asian community. He directed attention to the wide powers of the Commissioner, the complicated nature of the terms, the cost of appeals against arbitrary assessments, etc.

It must be remembered, he continued, that no Income Tax is a flexible tax and can easily be increased especially in a country where the Government has the monopoly in the Legislative Council. The tax opens the door in possible corruption among the unscrupulous staff entrusted with the collection of the Tax. According to the statistics made by Sir Robert Shaw of Malaya in 1921, in India nearly out of the 200,000 persons in a taxable category, 37,000 only had admitted liability and there had been actually 80,000 prosecutions to make the simple law. Sir Robert Shaw would not make such a public statement without some authority or the disposal. The ratio of direct and indirect taxation and a definite fiscal policy of the Colony has never been disclosed open and square a careful investigation as to a Tax of this nature is inter-

Federal and Sinking Fund (2) Pensions and Provident Fund (3) Military represent an annual commitment of £322,000 in aggregate (which represents more than one-quarter of the Budget) over which we have no control. The remaining one and a half million is spent mostly on very expensive European staff engaged locally and from overseas.

Sir Alan Pim expressed his inability to touch the high rate of salaries paid to the European staff engaged from overseas as it forms part of the Colonial Service Expenditure which no one has any control over. This year's Budget was estimated to show a surplus of £100,000 but it is said that actually there will be a surplus of £100,000. We must take these figures with precaution and not allow ourselves to be too optimistic.

Concluding he pointed out that the Colony's annual expenditure of £2,000,000 was met from:

| | |
|----------------------------|-----------|
| Indian Taxation | £ 750,000 |
| Customs and Excise | £ 700,000 |
| Direct Taxation (European) | £ 100,000 |
| Direct Taxation (Asian) | £ 100,000 |
| Other departments | £ 350,000 |

These figures show the position of the present rates of direct and indirect taxation.

E. Hutchison & Co.

TO-DAY. 13th inst. at 10 a m.

Che. Held Sale in Exp. D.

Che. Auction. Re.

HUTCHISON & CO.,
INCORPORATED AUCTIONEER

MARTIN LIMITED.

DETAILS

[Faint, illegible text, possibly a list of items for sale]

RESERVE NOTICE

RANGE

RETONNES;
APESTRY;

Correspo

76

The Editor does not accept responsibility for the views expressed by his correspondents in these columns and in all cases the name and address of the writer must accompany a letter, not necessarily for publication but as a guarantee of good faith. Brevity is also essential to ensure consideration.

PRO INCOME TAX
November
October 10, 1931

Taxation

TWO OPPOSING VIEWS

The Editor of the Standard, Sir, I have been reading the Taxation article in your issue of the 10th inst. with interest. It is a well-argued and interesting contribution to the question of income tax in the Colonies. It is a pity that it is not more widely read.

The Standard now claims that they are not opposed to Income Tax in principle, but only ask for time for consideration of details. From any point of view they are discredited, for a while they were wrong three years ago in their completely uncompromising opposition to Income Tax; or they are now wrong in saying that they will accept it if given time for consideration.

Lord Francis Scott, Chairman of the European Elected Members, has written: "The Elected Members . . . are unanimous in opposing the enforcement upon the Colony of a tax which in substantive effect can only be a super-tax upon the European Unofficial community, unless and until its range and application can be controlled by the representatives of the community affected." That means, in the language of practical politics, not in our time.

It is not obvious that those responsible for the present arrangements are playing for time. The hope that with some modification the tax will be accepted in principle is a very faint one.

The Standard now claims that they are not opposed to Income Tax in principle, but only ask for time for consideration of details. From any point of view they are discredited, for a while they were wrong three years ago in their completely uncompromising opposition to Income Tax; or they are now wrong in saying that they will accept it if given time for consideration.

There is a general feeling in the Colony that the tax is a

CHEPSTOW RACE MEETING RESULTS

Mr. Maurice Rosenbaum advises the following results of races run at Chepstow

Golden Hill Handicap 6 Furlongs

Mr. J. Burgess's COSMOLETT 97 (—)
 Mr. L. A. Candler's SON OF ERN CROSS 70 (4) Stable
 Mr. H. H. Galloway's STORM CENTER 72 (—)
 Winner trained by Galloway

Monmouth Handicap 1 Mile

Mr. H. Galloway's BUCK OF BERKS 72 (Wing)
 Mr. W. Russell's HERODOTUS BACHELOR 81 (—)
 Mr. E. Milligan's BIRTHDAY STAR 73 (D) Stable
 Winner trained by G. Young

Kill Kidney Trouble Quick

Thousands of sufferers from Kidney trouble and Bladder Weakness have stopped Getting Up Nights, Leg Pains, Circles Under Eyes, Swollen Ankles, Nervousness, Stiffness, Rheumatism, Dizziness, Lumbago, Burning, Itching, Smarting, Acidity and Loss of Vigour by a Doctor's new discovery called Cystex (Siss-tex). Gently soothes, tones, cleans, and heals raw sore kidneys. In 15 minutes Cystex starts purifying your blood. Brings new health, youth and vitality in 48 hours. Guaranteed to end your troubles in 8 days or money back. Get Cystex at any chemist.

Stocks obtainable from The Mombasa Trading Stores Ltd., Nairobi.

damage was done. The only hope had been a carefully planned plan on the Victoria Olympic stadium, but they were rejected. It is possible that the stadium will be built on the site of the Victoria Olympic stadium. It is hoped that the stadium will be built on the site of the Victoria Olympic stadium. It is hoped that the stadium will be built on the site of the Victoria Olympic stadium.

" GARRISON TOWN "

Nanyuki Rumour of K.A.R. and R.A.F.

[FROM A CORRESPONDENT]

Nanyuki, October 10
 It is rumoured that units of the K.A.R. and R.A.F. will be sent to Nanyuki to train the newly recruited Government soldiers. The presence of these troops is expected to bring about a "garrison town".

SEE THE NEW FIAT MODEL 500

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 Phone 2760, Box 766.

ANNOUNCEMENT

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LARGE STOCK OF GOODS
 Suitable for

WEDDING
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 Government Road,

The Taxation Controversy

Difficult though it was only a few weeks ago to judge the reaction of the public to the Government's taxation proposals, and to the Pim Report recommendations as a whole, there is no room for doubt now. The European community, which, as the Government's own analysis shows, will be called upon to bear practically the whole of the new tax burden, has become alive to the implications of the situation. The country is moving away from consideration of Income Tax as such because it has been realised during the past ten days that whether Income Tax is or is not a fair and equitable principle, the revolutionary change which its introduction would bring about in the fiscal system of Kenya requires time for very careful consideration and a happier atmosphere than exists now. The belief that the Government will attempt to enforce unpopular measures by reliance on the powers given to it under a Crown Colony Constitution is an irritant which gets quickly to work in a country where the public share in policy is so seriously limited. It is the irritant which explains much of the history of Kenya and of its recurring controversies, and no satisfactory solution will ever be found until somebody in authority has the wisdom to see that if there is to be harmony in this country some means must be found of encouraging the spirit of responsibility, and the opportunity for its exercise, among the people who have made their homes here. The story of the British Empire and of the ultimate and reluctant grant of fuller powers to its peoples, is one of recurring resistance to dictatorial control until conditions became so serious that wisdom prevailed and the Imperial Authorities agreed to share their responsibilities with the people on the spot. Nothing sets that factor of public irritation in action more quickly or more effectively than questions of taxation. When taxation hits the individual by demanding from him heavy cash payments for the maintenance of a Government which is fully empowered to ignore his wishes, he makes up his mind to use all the influence he has to preserve what constitutional privileges remain to him. In the present case, the only section of the community which has so far indicated a willingness to accept the Government's proposals is the Indian community. But as Government pointed out, only three per cent. of that section are expected to pay any Income Tax, against nearly half the European population and the more successfully the burden is shifted, the greater is the likelihood of relief in various directions to the section of the people who escape. Consequently delay for consideration is not favoured by them. They swal-

been... Absolutely...
"abrogation of that essential...
"paramount power is...
"plated but, surely, it is wise...
"while exercising that paramount...
"power, to take into the fullest...
"consultation those who are...
"going to be affected." There is...
no more to be said. That, with...
all the authority of a Secretary of...
State, is the public case against...
any attempt to enforce a change

UNDER THE STANDARD CLOCK



Friends of the Cathedral

There will be a meeting of the Friends of the Cathedral of the Highlands at 6.45 p.m. to-day. It will be held in the Vestry of the Cathedral and the business will include the election of the Council and decisions upon improving the entrance to the Cathedral and the making of a new road. The Dean is particularly anxious that there should be a good attendance.

Red Cross Classes

A course of Red Cross Classes in First Aid, according to the rules of the British Red Cross Society, will commence on Thursday, October 22, at 5 p.m., in the E.A.W.L. Red Cross Room, Memorial Hall (upstairs), and will be held thereafter each Thursday at 5 p.m. until the completion of the course. Dr. Guy Johnston has kindly consented to conduct the lectures. Will entrants send their names either to the Headquarters Secretary, E.A.W.L., Memorial Hall, Nairobi, or to the Class Secretary, Miss Davies, P. O. Box 308, Nairobi.

STANDARD DIARY

- To-day:**
Public Meeting, Brackenhurst Hotel, Lamu, 4 p.m.
Speaker, Major J. Hiddell, M.L.C.
General Meeting, Thika District Association, Blue Posts Hotel, Thika, 9.30 a.m., on Pim report. Speaker, Sir Robert Shaw, M.L.C.
- October 17:**
Public meeting, Njoro Country Club 6.30 p.m. Address by Lord Francis Scott on Pim Report and Taxation.
- October 19:**
Convention of Associations Memorial Hall, Nairobi.
- October 28:**
Legislative Council, Memorial Hall, Nairobi, 11 a.m.

Pim's proposals in regard to Non-Native taxation are approved, a surplus can be shown. The additional Revenue will be obtained to a very large extent from absentee share-holders and others who hitherto have not contributed towards the revenue of the Colony.

Deferred
commitments.

6. In order fully to appreciate the financial position of the Colony at the present juncture, it must be realized that owing to the budget difficulties experienced during the years of depression it has been necessary temporarily to postpone the discharge of certain specific liabilities. For instance, Loan Sinking Fund payments have been reduced to the statutory minimum of one per cent, contributions to the Water Work- Renewal Fund have ceased and the arrears due by Government to the European and Asian Civil Service Provident Funds have been charged to a Suspense Account instead of to expenditure direct. In addition, provision for the maintenance of and repairs to public buildings and works has been reduced to a level quite inadequate to maintain these assets at a proper standard. It is thus evident that even if continued economic improvement causes the surplus of revenue over expenditure to exceed the estimate, that surplus should first be applied to the discharge of liabilities with which the Colony is faced.



Present Financial Position of the Colony, and the Position Anticipated in 1937.

With a view to the removal of certain misapprehensions which appear to be current, the following particulars in regard to the financial position of the Colony are published for general information.

2. The original estimates for 1936 were :—

| | |
|-------------|------------|
| Revenue | £3,327,926 |
| Expenditure | £3,318,176 |
| Surplus | £9,750 |

Financial position, 1936.

The revised estimates, after making due allowance for the improvement in revenue which may be expected to continue to the end of the year, and for additional provision as well as general savings, are :—

| | |
|-------------|------------|
| Revenue | £3,458,378 |
| Expenditure | £3,365,876 |
| Surplus | £92,502 |

The main anticipated increases in Revenue are :—

| | |
|----------------------------|--------|
| | £ |
| Customs and Excise | 42,500 |
| Non-Native Poll Tax | 5,000 |
| Petrol Tax | 3,000 |
| Post Office and Telegraphs | 4,447 |
| Mombasa Water Supply | 5,000 |
| Reimbursements | 27,000 |

while only one item shows an appreciable shortfall, viz., Native Hut and Poll Tax £20,000.

3. It will be realized that as estimates have to be prepared considerably in advance of the period to which they refer, it is impossible for them to reflect in full either the improvement or the deterioration in the economic situation. During a period of diminishing trade and prosperity the balance of revenue and expenditure will consequently tend to compare unfavourably with the estimates, and conversely in a period of increasing trade and rising prosperity, the year's surplus will tend to exceed the Estimate.

Difficulties estimation.

4. If the surplus now anticipated in 1936 is realized the Colony's surplus balances at the end of the year will stand at a figure in the neighbourhood of £340,000, but of this sum the greater portion is immobilized.

Surplus balances.

5. The draft Estimates for 1937 which will be laid on the table of the Legislative Council will show a net increase in expenditure of some £50,000 and a decrease in Revenue of £47,000 consequent on the abolition of the levy on official salaries. Against this adverse balance of approximately £100,000 a sum of £57,000 is estimated to accrue from increased Customs revenue. Even if, on the existing basis of taxation, full account is taken of increases in other directions the Budget will not balance. On the other hand if Sir Alan

Draft Estimates, 1937.

after a row in Council would be deplorable.

There is really very little news. The country is quite quiet. A few more of these organised meetings have been held and a few more violent articles in the Standard have appeared. I enclose some cuttings.

Some wicked misrepresentations of our Financial position were made in order to bolster up the plea for the withdrawal of the alternative Taxes or for no increase in taxation. I could not allow these to go uncontradicted so I issued a Statement as a Supplement to the Gazette - a copy is enclosed

Yours sincerely,



Sir W.C. Bottonley.
K.C.M.G., C.B., C.B.E.
The Colonial Office.
LONDON, S.W.1.

its application for a full year thereby raising difficulties regarding the Budget, e.g., Levy on Salaries, and loss of revenue from the richer people, Companies, etc. He gave no satisfactory reply beyond his repeated wail about the Constitutional difficulty.

Wade's and my reactions to this interview with Anderson whose views carry weight are:-

On the Economic side there is no valid reason whatever why the Tax should not be forced through with the aid of the Indian and African representatives' votes. In fact, to delay the introduction for a year would cause considerable financial difficulties to which must be added the deplorable consequences of another surrender to agitation.

The Constitutional issue is more difficult and it is one ^{on} which I should welcome the Secretary of State's instructions as it is largely based on Lord Swinton's pronouncements. Should Mr. Cransby Gore desire that delay be conceded to deal with this it would be appropriate if his views or instructions were announced in my Budget Speech on the 28th. This is important for any surrender

after....

EAST AFRICA
24th October, 1957.

My dear Mr. [redacted],

I have today sent a reply to the Secretary of State's telegram which I doubt you will see.

(12) Claude Anderson, the Foreign Director of the Standard, asked to see me in private this morning. This I did, Wade being present.

Having stirred the country, he is now anxious to find a "way out" - He definitely admitted that if the issue were an economic one alone the bulk of the Europeans, including himself, would favour or would not resist the introduction of Income Tax. He rightly stated that the issue had, within the last week, become a constitutional one and as such the opposition to hasty introduction of the Tax was growing even among people who were in favour of it. He admitted that this result was largely due to Major Grogan whose speeches, although spoken to few, were read by many through the medium of his paper. Lord Swinton's statements referred to in my telegram to the Secretary of State are used in support of this agitation.

should be adopted in House of
Commons he stated definitely that
no derogation from power of Govt.
was intended and that he ^{did not see how} ~~was~~
that question ^{could} ~~was~~ arise. end

good report and forms the basis
of what is not merely a sound
policy for the Colony from now
on but if carried out in its
entirety will afford an
opportunity for a fresh start in
the hitherto unamicable
relations between U.M.B. and the
Kenya settlers. At the same time
it is by no means temporary in case
of need, we can do something
to reduce the burden of direct
taxation on the native, it will
go far to diminish the feelings
of hostility which have
been or are being
kindled in the native spirit here
that such relief is long overdue.

Yours

W. G. ...

38173/1/36

22

Coded & Sent 70

G. O.

Mr. Flood 2410

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

X Sir C. Bottomley 24.10. street

Sir J. Shuckburgh.

Perm. U.S. of S.

Parly. U.S. of S.

Secretary of State.

R 297

24/10/36

MM

170 230

Private & Personal

Following from Bottomley begins:-

DRAFT.

Governor

Nairobi

Your letter 15 October. Dropped

No 837 sent by air 22 October

giving s.o.f.s. views on constitutional

question. Those views are wrong

that statement in para 9 of

dep. No 397 of 7 June 1933 and

statement in Parliament by

Swinton in July 1933 cannot in any way

be held to establish

constitutional doctrine that

unofficials should decide method

of taxation. Swinton merely

stated obvious truism that of

two equal alternative methods

of raising revenue one that was

most acceptable to local opinion

was not intended to lay
down any new principle and

swinton

FURTHER ACTION.

debts in such a way. It is now, however, brought into the open and I am strongly of the opinion that it should be adopted as a special case. As I have said above, it is essential to reduce the native taxation and it is equally essential, in my opinion, to remove the levy on official salaries. Income Tax will bring in some of the revenue thus foregone, and I hope that improved trade conditions will render it unnecessary to borrow any large amounts, even if borrowing is necessary at all. But, in order to enable the Colony to prepare estimates, it is, I think, necessary that the power to borrow up to the limit suggested by Sir A. L. S. P. M., namely £100,000, in any one year, and in any case not after 1945, should be available. I do not anticipate any outbreak of extravagance on the part of the Colonial Government. They will, of course, have to use their utmost endeavours to keep the amount to be borrowed, if borrowing is necessary, down to the lowest possible minimum, and the need for careful

+ I am determined to restrain any expenditure in that direction

C. O.

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

DRAFT.

scrutiny of expenditure will become not less but greater. I therefore ^{beg} ask you to look favourably upon the proposal, and, if you cannot give it ~~unqualified assent~~, ^{to} at least agree to its being tried as a purely temporary measure of relief which is the only practicable one that can be devised at the present time.

As you know, the European settlers are politically vocal to say the least, and have always vigorously opposed the introduction of Income Tax, but although the politicians are again on the war path against any proposal which may in their opinion lead to their having to pay more there is a growing element in the Colony who are prepared to accept Income Tax if the Poincaré is implemented as a whole. Personally I feel that the Poincaré is a

FURTHER ACTION.

adoption of those recommendations is about £92,000 a year. This would be more than Kenya can afford in present ^{possibly} circumstances, but I am happy to say that revenue is expanding and the latest figures which I have seen (they are only rough estimates) show that the present year is expected to show a balance of revenue over expenditure amounting to ^{about} £70,000 ~~or £80,000~~. If the favourable condition of trade and the better prices now being received for Kenya's ^{agricultural} products are maintained, there is no reason to expect that revenue will fall off, and on that basis it would be possible for Kenya to make both ends meet without having recourse to borrowing. In addition to this, it is expected that the substitution of Income Tax for the alternative proposals which have hitherto been in force, and especially from the taxation of non-residents and companies, will produce an increased revenue which will go to set off some of the reduction caused by the adoption of the native taxation proposal and

C. O.

- Mr.
- Mr.
- Mr.
- Sir C. Parkinson
- Sir G. Tomlinson
- Sir C. Bottomley
- Sir J. Shuckburgh
- Permi. U.S. of S.
- Parly. U.S. of S.
- Secretary of State.

DRAFT.

The Governor estimates the deficit for 1937 if all the reductions are granted at about £40,000 and expanding trade would easily make this up.

(See No 4 on 38/25/36 for details)

FURTHER ACTION.

and the removal of the salary levy.

I do not, therefore, expect that, in practice, it will be necessary for the Colony to borrow anything like the £400,000 mentioned by Pim as his upper limit, if indeed it is necessary to borrow at all.

As regards the proposal itself, it is not, I must say, attractive on broad lines, nor would I recommend its adoption anywhere except in peculiar circumstances ^{of Kenya} and for a short period. Pim points out that the Colony is in no danger of bankruptcy and that this method of temporary borrowing is the only one which will give some relief without unduly upsetting things. The suggestion was one which was considered here from time to time in connection with various proposals for reducing Kenya's annual loan charges, but it was never adopted, principally on the very sound ground that it is inadvisable to borrow money to pay

second recommendation which is that,
in order to meet possible temporary
deficits between revenue and expenditure,

Kenya should be allowed to borrow each
year the sum required to make up the
difference, provided that it does not
exceed £100,000 in any one year. This
provision is only to be a temporary

expedient in all the more burdensome of
bearing high rates of interest
the Kenya fixed loans fall due for
redemption, i.e. in 1946.

The question is discussed at
some length in paragraphs 405-6-7 of
Pim's report. It will be seen that he

recommends certain alterations in the
present system of native taxation and

the removal of the levy on official
salaries, together with the imposition

of a general income tax in substitution

for the alternative expedients which were

adopted in 1933, really in order to see

how they would work in practice.

I regard the alteration in native

taxation

C. O.

Mr.

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Parlt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DRAFT.

*I have long been
suspicious of the
opinion that
the Kenya native
has been very fully
if not actually
over taxed.*

FURTHER ACTION.

taxation as a pressing matter which
cannot be deferred. It has been urged

upon my predecessors for many years

by many influential bodies in this

country, and, in view of Sir Alan's

very definite recommendation, I do not

see how Government can refuse any longer
to lighten the burden of the native
population in the direction proposed.

Sir Alan Pim pointed out that the
adoption of his proposals would lead to
a loss of revenue which he estimated
at about £20,000, owing to raising the
taxable age from 16 to 18, and about

another £25,000 by the alteration of the
system of the rate of payment for more
than one hut. This leaves a shortage

of £45,000 in round figures, and the
removal of the official salary levy
will mean another £47,000 loss.

The total, then, of the loss
to be expected as the result of the
adoption

C. O.

38173/2/36.

66

Mr. Flood. 30/10

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

X Sir C. Bottomley 30/10

Sir J. Shuckburgh

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

For the Secy's sig.

(30)

DOWLING STREET.

Newark

2 October, 1936.

Dear Sir,

Kanga

DRAFT. J. Minors

THE RT. HON. NEVILLE CHAMBERLAIN,
M.P.

I have been exercising my mind in regard to Sir Alan Pim's *discovery* report on his investigation into the finances of Kanga. *Analysis* out of his recommendations there are two matters in regard to which Treasury approval is requisite. One of these is in *four and a half million* relation to the 20,000,000 in respect of the original cost of the *The* Railway, *which* is not immediately *proceeding* and can *certainly* wait until the whole question of railway finance comes up for consideration, as it is due to do in 1938.

FURTHER ACTION

We have sent over to you an official letter on the subject of the

can do something to reduce the burden of direct
 taxation on the native, it will go far to
 diminish the feeling of those, whether
 missionaries out there or pro-native opinion here,
 that such relief is long overdue.

Yours ever,

(SGD) W. ORMSBY GORE,

down to the lowest possible minimum; and the need for careful scrutiny of expenditure will become not less but greater. I therefore beg you to look favourably upon the proposal, and to agree to its being tried as a purely temporary measure of relief which is the only practicable one that can be devised at the present difficult time.

As you know, the European settlers in Kenya are politically vocal to say the least, and have always vigorously opposed the introduction of Income Tax, but although the politicians are again on the war path against any proposal which may in their opinion lead to their having to pay more, there is a growing element in the colony which is prepared to accept Income Tax if the Pim report is implemented as a whole. Personally I feel that the Pim report is a good report and forms the basis of what is not merely a sound policy for the Colony, from now on but if carried out in its entirety will afford an opportunity for a fresh start in the hitherto somewhat acrimonious relations between His Majesty's Government and the Kenya settlers. At the same time if, by ^{yy w}working temporarily in case of real need, we

proposals for reducing Kenya's annual loan charges, but it was never adopted, principally on the very sound ground that it is inadvisable to borrow money to pay debt in such a way. It is now, however, brought into the open and I am strongly of the opinion that it should be adopted as a special case. As I have said above, it is essential to reduce the native taxation and it is equally essential, in my opinion to remove the levy on official salaries. Income Tax will bring in some of the revenue thus forgone, and I hope that improved trade conditions will render it unnecessary to borrow any large amounts even if borrowing is necessary at all. But, in order to enable the Colony to prepare estimates, it is, I think, necessary that the power to borrow up to the limit suggested by Sir Alan Pim, namely \$100,000, in any one year, and in any case not after 1946, should be available. I do not anticipate any outbreak of extravagance on the part of the Colonial Government, and I am determined to restrain any tendencies in that direction. They will, of course, have to use their utmost endeavours to keep the amount to be borrowed, if borrowing is necessary.

down

it is expected that the substitution of Income Tax for the alternative proposals which have hitherto been in force, and especially from the taxation of non-residents and companies, will produce an increased revenue which will go to set off some of the reduction caused by the adoption of the native taxation proposal and the removal of the salary levy.

I do not, therefore, expect that, in practice, it will be necessary for the Colony to borrow anything like the £200,000 mentioned by Pim as his upper limit, if indeed it is necessary to borrow at all. The Governor estimates the deficit for 1937 if all the reductions are granted at about £40,000, and expanding trade would easily make this up.

As regards the proposal itself, it is not, I must say, attractive except in the peculiar circumstances of Kenya and for a short period. Pim points out that the Colony is in no danger of bankruptcy and that this method of temporary borrowing is the only one which will give some relief without unduly upsetting things. The suggestion was one which was considered here from time to time in connection with various proposals

Sir Alan Pim pointed out that the adoption of his proposals would lead to a loss of revenue which he estimated at about £20,000, owing to raising the taxable age from 16 to 18 (paragraph 75) and about another £25,000 by the alteration of the system of the rate of payment for more than one hut (paragraph 76). This leaves a shortage of £45,000 in round figures, and the removal of the official salary levy will mean another £47,000 loss.

The total, then, of the loss to be expected as the result of the adoption of these recommendations is about £92,000 a year. This would be more than Kenya can possibly afford in present circumstances, but I am happy to say that revenue is expanding and the latest figures which I have seen (they are only rough estimates) show that the present year is expected to show a balance of revenue over expenditure amounting to about £70,000. If the favourable condition of trade and the better prices now being received for Kenya's agricultural products are maintained, there is no reason to expect that revenue will fall off, and on that basis it would be possible for Kenya to make both ends meet without having recourse to borrowing. In addition to this,

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The question is discussed at some length in paragraphs 405-6-7 of Pim's report. It will be seen that he recommends certain alterations in the present system of native taxation and the removal of the special levy on official salaries (the only example of such a levy still remaining in any dependency in Africa under the Colonial Office), together with the imposition of a general Income Tax in substitution for the alternative unsatisfactory expedients which were adopted in 1933, really in order to see how they would work in practice.

I regard the alteration in native taxation as a pressing matter which cannot be deferred. It has been urged upon my predecessors for many years by many influential bodies^s in this country, and, in view of Sir Alan's very definite recommendation, I do not see how Government can refuse any longer to lighten the present heavy burden of direct taxation on the native population in the direction proposed. I have long been myself of the opinion that the Kenya native has been very fully if not actually overtaxed.

Sir

2nd November, 1936.

Dear Neville,

Kenya.

I have been exercising my mind in regard to Sir Alan Pim's exhaustive report on his investigation into the finances of Kenya. Arising out of his recommendations there are two matters in regard to which Treasury approval is requisite. One of these is in relation to the five and a half million in respect of the original cost of the Uganda Railway. This is not immediately pressing and can if you so desire wait until the whole question of railway finance comes up for consideration as it is due to do in 1938.

We have sent over to you an official letter on the subject of the second recommendation which is that, in order to meet possible temporary deficits between revenue and expenditure, Kenya should be allowed to borrow each year the sum required to make up the difference, provided that it does not exceed £100,000 in any one year. This provision is only to be a temporary expedient until the more burdensome of the Kenya fixed loans bearing high rates of interest fall due for redemption, i.e. in 1946.

as soon as the new Governor arrives. Then Pilling can act as Colonial Secretary until my leave finishes, when I should like to think that he will get the substantive appointment. While he is on leave I don't see why Logan should not act for him, after which, if he does not get a transfer, he might take on the combined job of Commissioner of Lands and Commissioner of Mines, in which case Hosking would revert to the Administration. All this is, of course, very tentative at present, and I merely tell you of it so that you would know that we are making a real effort to swallow the Report whole.

As to the income tax controversy, I frankly find it rather difficult to understand the point of view of the opposition. The European Elected Members have said openly that they are not going to oppose income tax in principle, but for some reason or other they are raising an enormous agitation for delay, though I cannot find out for what purpose they really want delay. It seems to us that if income tax is right, there is no reason whatever why we should not bring it in for 1937 rather than wait for 1938. In fact, to us there does not appear to be any excuse for delay, and if we did delay we should be guilty of culpable procrastination. However, there it is, and there is a devil of a row going on, and we are given to understand that we are to expect a campaign of bitter and sustained hostility when I introduce the budget on the 4th of next month.

Yours sincerely,

C. G. W. J. E.

reduce the services if we reduce their taxation. In practice, however, this is impossible. We have built them a whole lot of hospitals and provided staff to run them; the hospitals are all full and overflowing, and it is not in practice possible to close them and discharge the staff. The same sort of argument applies roughly to their schools. So that we shall be left in the position that the natives are getting more than their fair share of expenditure and we shall be told that we have upset the agreed balance and that the European population, who will pay most of the income tax, are being unfairly penalised.

Personally, I don't like the proposed Secretariat reorganisation, and I told Pim so when he was out here. I think it will be three Secretariats instead of one, the economy (if any) will be very small, and I cannot see where the increase in efficiency is coming in. At present, I believe our Secretariat is run extraordinarily well, and so does the Governor. The present system is the result of a lot of experimenting, and I think the result on the whole is very good. However, we are not going to argue the point at all, but mean to accept the Pim recommendations and adopt them as soon as ever we can. There is, of course, the difficulty of personnel. There are five of us immediately concerned, viz. myself, Walsh, Montgomery, Logan, and Pilling, of whom only three will be wanted for Secretaries. Presumably Walsh will become Financial Secretary and Montgomery Secretary for Native Affairs. As to the other posts, I have suggested to the Governor that the best thing will be for me to retire

The Secretariat,

Nairobi.

31st October, 1936

12 JAN 1937

C. O. REGY

Dear Flood,

I thank you for your air mail letter of the 23rd September on the subject of the Pim Report. By the time you get this letter you will have realised that we as Government are going all out to accept the Pim Report as a whole and put the recommendations into operation as soon as possible. I cannot help feeling, however, that Pim has rather put us in the soup over the native taxation. Montgomery tells me that the reduction in revenue on account of (a) raising the taxable age and (b) reducing the tax on extra wives may be as much as £70,000, and I don't see how we are going to balance our 1937 budget with so large a loss of revenue as that.

Quite apart from that aspect of the matter, however, we have lately scrupulously observed the Moyne formula that the natives should get back in direct services half their average direct taxation over a period of six years (the remainder of their taxation being, of course, their contribution to central services, military, judicial, administration, police, etc.). Actually, in this year's budget, we are giving them about £16,000 more than this formula demands, thus compensating them for small deficits under the formula in recent years. Logically, I suppose, if we accept the premise, as we have done, that the Moyne formula is a fair one, we ought to

J.E.W. Flood, Esq., C.M.G.,
Colonial Office, London.

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**KENYA
FINANCE
AND
TAXATION**

The report of Sir Alan Pim, the Commissioner appointed last autumn to inquire into the financial position and taxation system of Kenya, which has now been published, is little calculated

to evoke enthusiasm either locally or in well-informed East African circles on this side. The salient facts affecting the European community which emerge from the report are that there is no hope of relief from the present burden of taxation, a new form of direct taxation— income-tax— being merely substituted for the existing impositions; and that the net result of the proposed economies to be effected, about £48,500 per annum, is an absurdly insignificant sum in relation to the total annual expenditure of some £2,000,000. The Commissioner recommends the abolition of the Graduated Non-Native Poll Tax and the Education Taxes and modification of trade and professional licences, and in their place proposes the imposition of an income-tax, including a basic minimum tax. It is evident that this portion of the report will be the first to be implemented by the Kenya Government, which is determined to enforce income-tax legislation in the immediate future, no matter how strong a resistance the settler community may oppose. On the other hand, Sir Alan Pim's proposals for remedying the anomalies and inequities of the present system of native taxation will be generally welcomed; he proposes curtailment of this direction in an extension of the system of graduated reduction of the payable sum, and he regards these changes as preparatory to the introduction of a new and improved system of native taxation in place of the present graduated poll tax. Regarding the financial position of the Colony generally, Sir Alan rightly stresses that the immediate danger is for some relief in the present heavy burden of land charges, and he this cannot be effected at the present time by conversion of the loans on which it is payable to Kenya; he considers the only practical alternative to be the raising of an annual loan of sufficient amount to meet the immediate needs of the Colony, and, since in the Colony over a dramatic period of transition, although the report as a whole is a disappointing document, all well-wishers of Kenya will concisely appreciate their indebtedness to Sir Alan Pim for his straightforward and far-minded manner in which he has tackled the complex problem of the Colony's financial rehabilitation.

C. O.

38,178/2/36

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(sent because it may help
Govt. There was no one
here to consult)

O. D.
R B-NOV

Mr. Flood 7-11
Mr. *atomee*
Mr.

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

Added since
5.30 pm 2/2
7/11/36

770 257 Confidential

(6)

777 confidential telegram NO
225 of 25 Sept. Pim has
stated in conversation that he
would see no objection to lowering
basic rate for Europeans to
40 shillings if you so wished.
If you ~~rather~~ I have no objection
if you think fit to ~~pass~~
~~readily~~ adopt this rate

DRAFT. *conf*
code

Governor
Nairobi

FURTHER ACTION.

C. O.

38178/2/36

34

Mr. Flood 7.11

Mr. atome

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Bottomley.

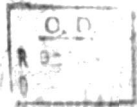
Sir J. Shuckburgh.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

(sent because it may help
root. There was no one
here to consult)



162
Faded sense
5.30 pm 2/2
7/11/36

770 257 Confidential

(6)

My confidential telegram NO
225 of 25 Sept. Pim has
stated in conversation that he
would see no objection to lowering
basic rate for Europeans to
40 shillings if you so wished.
In regard to I have no objection
if you think fit to ~~press~~
~~unwisely~~ adopt this rate

DRAFT. ^{conf}
_{code}

Governor
Nairobi

FURTHER ACTION.

though we shall have a pretty long session.

Unfortunately, His Excellency, who has been pretty seedy lately, was considerably worse yesterday morning and the doctors ordered him to go down to the coast at once. He has had some sort of bronchitis which seems to have affected his heart. As I am responsible for the Budget, I could not very well take on the job of President of Council as well, so Harragin is in charge of Council while, for other purposes, I am Governor's Deputy. I do not know how long His Excellency will be away, but I believe the doctors talk about three weeks as a minimum.

Yours sincerely,

Adelaide

includes Grogan! This morning we resumed the debate on the substantive motion. Francis Scott spoke for rather more than an hour without saying anything new, the burden of his speech being that our Revenue Estimates are grossly under-estimated. He also said that they never wanted him to advise on revenue and he also made, I think, a rather strong point of the difficulties of introducing income tax into one of these territories only. Actually, I think the opposition has here a pretty good argument, particularly as that seems to have been hitherto the view of the Colonial Office as pronounced to the world by Calder when the Tanganyika Report was being reviewed by the Mandates Commission. You will remember that he explained that one of the reasons why income tax had not been introduced into Tanganyika was that the other territories had not done it, and that if it were introduced into Tanganyika alone it was bound to drive away capital. Francis Scott was perfectly good tempered and friendly, and ended with a plea for cooperation and a dispassionate review of our figures.

Francis Scott was followed by Pandya, one of the Indian members, who said nothing and has not finished saying it yet. It looks as

The Secretariat,

Nairobi, Kenya

AN 1935 5th November, 1935

C. O. REGY

Dear Flood,

I want to correct an impression which I conveyed to you in the last sentence of my letter to you of the 31st October. I said "There is a devil of a row going on." As a matter of fact, something seems to have happened, and for some reason or other there is not a devil of a row! At least, not in Legislative Council. I introduced the Budget yesterday in a speech that went on for about one and a half hours, and the rest of the morning was taken up by debating a rather fatuous amendment, to the effect that the Estimates should be referred back to Government so that we should increase our Revenue Estimates to correspond with the spectacular economic development detailed in His Excellency's opening address to Council. Of course, I could not accept the amendment, so that it was thrown out, although all the European Elected Members voted for it. The atmosphere, however, was quite friendly, and the speakers were entirely courteous. This even

J.E.W. Flood, Esq. C.M.G.,
Colonial Office.

sense is sent to the official letter from your Department. It would, I think, be desirable that the Treasury should be consulted in regard to the terms of any public announcement made on the lines indicated in this letter.

*Yours sincerely,
A. Chamberlain.*

The Right Hon. W.G.A. Ormsby-Gore, M.P.

47

regard to, say, 1937 and 1938. Here again I am somewhat reluctant to agree to the proposal, more especially in view of the fact that it seems very doubtful whether the budget could not be balanced without recourse to borrowing. It can, however, be argued with some force that the position is likely to be particularly difficult in the next two years, while the new scheme of taxation is in course of being worked out, and before there has been time for any very substantial help to accrue from the economy proposals. I am, therefore, prepared to say that, if the initiation of the proposals in the Pim Report as a whole results in a special degree of financial stringency over the next two years, and it is found impossible to balance the budget without recourse to borrowing, we should not object to a limited degree of borrowing for this special purpose. We should, of course, require to be satisfied that recourse to borrowing could not be avoided.

I trust that this suggestion will meet your difficulties. If you will let me know if you can accept it, I will see that an official reply is this

18

however, that you anticipate a good deal of trouble with the European settlers in Kenya, and that you are anxious to be able to take the line that the Pim Report is being accepted in its entirety. I therefore considered whether there is any way in which I can do something to meet your views in this matter.

It seems to me that Sir Alan Pim's proposal falls to be considered under two heads; as a long term policy to govern the next 10 years, and as an expedient which may be found necessary in say the next two years.

As regards the former, I think the decision should be that so many factors which cannot be foreseen go to determine the general budgetary position of a Colony such as Kenya, that it is impossible to forecast the position with any degree of accuracy more than a year or two ahead; and that it would be altogether premature to commit ourselves in any way at this stage to the need for borrowing to balance the budget over a ten year period.

This leaves us the question of whether Sir Alan Pim's recommendation might be accepted in

47

You say on page 5 of your letter that you are determined to restrain any tendencies to extravagance, and that the Colony would have to use their utmost endeavours to keep the amount of borrowing, if borrowing is necessary, down to the lowest possible minimum. Nevertheless I think that acceptance now of the principle that deficits over a period of 10 years might be made good by borrowing would certainly tend to have a loosening effect on financial control. We have repeatedly expressed the view that the only way in which Kenya, like other African Colonies, can attain a sound financial position, is by building up a reserve out of surpluses, and I should be reluctant to agree to any course of action which might lead to the mistaken view that there is an easy short cut to financial stability.

A further point is that we must regard ourselves as in some sense the custodians of Colonial credit generally. From this point of view the proposal seems to me highly undesirable.

On these grounds I see considerable objection to accepting Sir Alan Pim's proposal. I notice,

45

the total of these two loans was borrowed in respect of railways, harbours, etc., and that the interest and sinking fund on this £9 millions are paid out of the net earnings of those undertakings. It appears, therefore, that the amount of direct relief to the Kenya budget which it is hoped will accrue from the anticipated conversions ten years hence cannot be very substantial.

Further, as I see the matter, even on the assumption that steps were taken next year to give effect to the other proposals in the Pim Report, and that the levy on official salaries were removed entirely (although the Report nowhere recommends that the whole levy should be removed forthwith), it is by no means certain that it would be impossible to balance the budget next year without borrowing. Judging from the remarks on page 4 of your letter I do not think there is any difference of opinion between us on this point. If, however, it is impossible to say for certain whether the budget can be balanced without borrowing next year, or the year after, it is clearly impossible to say whether borrowing will be necessary 5, 10 or 15 years ahead.

RECEIVED
12 JAN 1937
C. O. REGY

November, 1936.

23

Dear Billy,

I thank you for your letter of the 2nd November about Sir Alan Pim's Report on the finances of Kenya. I agree that the railway problem referred to in your first paragraph can wait until 1938.

The main point dealt with in your letter is the proposal that, in order to meet possible temporary deficits between revenue and expenditure, Kenya should be allowed to borrow each year the sum required to make up the difference provided that it does not exceed, say, £100,000 in any one year. This proposal is related to the period until 1946 when the first of the big Kenya loans bearing high rates of interest is due for redemption.

It is true that there is a £5 million loan at 6 per cent. redeemable from 1946 onwards, and another £5 million loan at 5 per cent. redeemable from 1948 onwards. But I understand that over £9 millions out of

44

(b) The possibility of having recourse to borrowing must not be allowed to lead to new expenditure.

(c) Careful and early consideration must be given to the possible economies in ^{administration} administration suggested by Sir Alan Pim, and

(d) if, in the first year, the revenue actually realised not only makes borrowing unnecessary, but produces a surplus, that surplus will be kept in reserve primarily in order to reduce the necessity for borrowing in the second year.

93

1. The letter should contain as much as is thought necessary about the undesirability of temporary borrowing of the nature contemplated, the need for building up reserves, and other points.

2. Say that it is recognised that the necessity for relief in native taxation on the lines indicated by Sir Alan Pim may be held to justify borrowing as a temporary expedient, and if it is, in fact, found to be required to cover actual deficits, F.L. will agree to Kenya borrowing during a period of two years, the position then to be reviewed in the light of the financial position, including the realised yield of income tax.

3. F.L. consider it necessary to attach the following conditions to their consent:-

(a) Income tax is to be introduced at once and while F.L. recognise the necessity for relief in respect of the alternative taxes imposed in lieu of income tax in 1933, the new tax must be regarded as a regular and substantial element in the fiscal framework of the Colony.

(b)

42

18th November, 1936.

Dear Bridges,

Mr. Ormsby Gore has told me that the Chancellor ^{has} asked him to let him have, as soon as possible, an idea of what should go into the official Treasury letter about Kenya's temporary borrowing.

We went over the ground together and I think my enclosure represents accurately the sense of what Mr. Ormsby Gore desired.

I am assuming that the draft will go through your hands and if Flood or I can be of any use to you we shall be glad to come over.

Yours sincerely,

W. C. Ashmole

P.S. Mr. Ormsby Gore informed the Chancellor that he considered it essential that the letter should be available for Wood

E. E. BRIDGES, ESQ., M.C.

indication locally.

letter should be in a form which can be sent out in a despatch and published in

Kenya, and if the people in Kenya can be got to see that the Treasury can

as well as the C.O.

a wide

the difficulties of Kenya

take ~~reasonable~~ view of ~~a reasonable~~

case, it will go a long way to remove *suspicion*

friction and make the task of Government

in Kenya a little easier.

With renewed thanks,

Yours sincerely,

W. Stanley Gore

C. O.

Mr. Flood. 18. 11.36.

38173/2/35. Kenya.

Mr.

Mr.

Sir C. Parkinson.

For the Secretary of State's signature.

Sir G. Tomlinson.

Sir C. Bottomley. 18.

Sir J. Shuckburgh.

Downing Street.

+ Permt. U.S. of S. 18

19th November, 1936

Parly. U.S. of S.

Secretary of State. W.B. 19-11

DRAFT.

Dear Neville,.....

THE RIGHT HON. NEVILLE CHAMBERLAIN, M.P.

I talked to you ~~this~~ ^{Wednesday} morning about your letter on the finances of Kenya, and I do not think I need acknowledge at length beyond saying how ^{very} grateful I am to you and to your people for your ~~and~~ ^{and} readiness to meet ^{me} as far as you can without doing too much violence to ^{traditional} ~~your~~ financial ^{principles} ~~consistency~~. ^{Staff} have sent over to ~~your~~ ^{our} ~~the~~ ^{the} ~~various~~ ^{various} suggestions of the various points which ~~we~~ ^{they} think should be included in the official Treasury letter. I think, very desirable that the

? omit from

FURTHER ACTION.

letter

19th November, 1936

Dear Bridges,

Referring to my letter of yesterday about Kenya's borrowing, I forgot to make any special mention of the removal of the salary levy which, as you know, was one of Pil's proposals. We hope that the Treasury letter will not be so framed as to restrict the possible borrowing in the case of a deficit arising only from the alterations in native taxation.

Yours sincerely,

W.C.S.

E.E. BRIDGES, ESQ., M.C.

32
40

19th November, 1936

Dear Bridges,

Referring to my letter of yesterday about Kenya's borrowing, I forgot to make any special mention of the removal of the salary levy which, as you know, was one of Pitt's proposals. We hope that the Treasury letter will not be so framed as to restrict the possible borrowing in the case of a deficit arising only from the alterations in native taxation.

Yours sincerely,

W.C.S.

E.E. BRIDGES, ESQ., M.C.

realised not only makes borrowing unnecessary, but produces a surplus, that surplus will be kept in reserve primarily in order to remove or reduce the necessity for borrowing in the Second year.

I am,

- Sir,

Your obedient Servant,

J Phillips

the Income Tax may result in some uncertainty in the revenue position, in the initial stages. Subject to the understandings set out below, My Lords are willing to agree that, if as a result of these special causes, it should be found impossible to balance the budget in either of the next two years, recourse may be had to a limited degree of borrowing, for this purpose.

The understandings referred to in the preceding paragraph are as follows:-

- (a) Income Tax will be introduced at once, and while Their Lordships recognise the necessity for relief in respect of the alternative taxes imposed in lieu of income tax in 1933, the new tax will be regarded as a regular and substantial element in the fiscal framework of the Colony.
- (b) The possibility of having recourse to borrowing will not be allowed to lead to new expenditure.
- (c) Careful and early consideration will be given to the possible economies in expenditure suggested by Sir Alan Pim, and
- (d) If, in the first year, the revenue actually realised

considerable fluctuations, should build up from surplus an adequate Reserve Fund which can be drawn upon in less prosperous years and replenished in years of prosperity. Given such a reserve, occasional budget deficits due to abnormal conditions can be met without impairing the Colony's financial stability. The proposal to meet budget deficits, not from a reserve built up out of surpluses but by borrowing, stands however on quite a different footing, and the obvious objections to this course are greatly increased when it is proposed that any budget deficits which may arise over a period of years should be met by regular recourse to borrowing. In Their Lordships' view such a course would inevitably tend to some weakening of financial control and would also react adversely on the financial credit of the borrower. It would also result in dissipating some part of the relief which it is hoped will result from the Conversion of the existing Kenya loans, before such relief actually matures.

Further, it appears to Their Lordships that the nature of the factors upon which the Colony's budget depends

Any reply to this letter should be addressed to—

THE SECRETARY,

TREASURY,

WHITEHALL, LONDON, S.W.1.

and the following number quoted.

S. 41287.



TREASURY CHAMBERS.

23 November, 1936.

RECEIVED
23/11/36
0

Sir,

I have laid before the Lords Commissioners of His Majesty's Treasury Mr. Flood's letter of the 9th ultimo (38173/2), in regard to the recommendation made by Sir Alan Pim in his report upon the Financial Position and System of Taxation of Kenya, that the Government of Kenya should be empowered to borrow annually during the next few years the sums required to assist the Colony, either until either one or more of the existing loans become due for conversion or, until the finances are in such a position that relief is no longer required.

Sir Alan Pim recommends that the sum to be borrowed each year should be decided by the Government of Kenya with reference to the financial position at the time, but that it should not exceed £100,000 in any one year. The sum should be so calculated as to allow sufficient protection against the necessary delay in effecting the economies proposed in his Report, the uncertainties in the

receipts

The Under Secretary of State,
Colonial Office.

TIMEI

9

copy to Kenya (38)

52

37
34

borrowing must not be used to justify new expenditure and all possible economy will continue to be observed.

3. Careful consideration will be given to Pim's suggested economies in expenditure.

4. If revenue actually realised in first year is sufficient to make borrowing unnecessary any surplus which accrues should be kept in reserve to remove or reduce necessity for borrowing in second year. ¶ Am telegraphing since you may wish to make statement in Council but despatch follows enclosing correspondence with Treasury.

borrowing must not be used to justify new expenditure and all possible economy will continue to be observed.

3. Careful consideration will be given to Pim's suggested economies in expenditure.

4. If revenue actually realised in first year is sufficient to make borrowing unnecessary any surplus which accrues should be kept in reserve to remove or reduce necessity for borrowing in second year. P. Am telegraphing since you may wish to make statement in Council but despatch follows enclosing correspondence with Treasury.

C. O.

38173/2/36.

(36)

*Coded & sent
4 hrs 26/11/36
[Signature]*

36

Mr. Flood. 25. 11

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

X Sir C. Bottomley.

Sir J. Stuckburgh.

Permt. U.S. of S. 25

Parly. U.S. of S.

X Secretary of State.

C. O.
R 26 NOV
D 247

No. 277.

Mr. despatch 8 October NO.

(No 17 in
main file)

795. Have now secured

WDG 95.11.36

Treasury agreement to adoption of

principle that Kenya may be allowed

to borrow sums of ^{limited} ~~unlimited~~ amount

in order to meet any budget deficit

which may occur during next two years

while finance in transition state

owing to adoption of Pim's recommenda-

tions and especially to fall in

revenue which may be expected from his

proposals regarding native taxation

and from removal of salary levy.

This agreement is, however,

subject to following understandings:-

1. Income tax will be

introduced and regarded as regular

element in the Colony's fiscal structure

2. Agreement to allow

borrowing

DRAFT. TELEGRAM.

GOVERNOR

NAIROBI

FURTHER ACTION.

Recive for Dept.

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

Dated 28th November, 1936. Received 1.13 p.m. 28th Nov. 1936.

Private and Personal.

35 Your telegram No. 277 of the 26th November. Council has adjourned till the 14th December and the Standing Finance Committee is now sitting. As regards the last sentence, before any announcement is made it is essential that the position should be clarified and that I should receive your instructions in regard to (a) Are we to proceed with the introduction of the Income Tax Bill for application to Kenya in 1937 or is it to be postponed pending general enquiry with other territories. (b) Are we to make provision in 1937 Budget for either or both of Pin's recommendations regarding native taxation. In this connection my telegram No. 273 Confidential of the 23rd November is relevant, and it is possible that surplus I then reported may be larger.

It is most important that I should receive definite instructions on both of these points whilst the Standing Finance Committee is still sitting.

Byrne.

L or 38008/36

24/11

copy attached

difficult, and complicate the issue, by attempting to secure a decision now.

(Signed) W. ORMSBY GORE.

C. O.

Mr. Flood. 30/11

Mr. J. Campbell

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

X Sir C. Bottomley. 1.1.12

Sir J. Shuckburgh.

Permt. U.S. of S. 1/12/36

Parly. U.S. of S.

X Secretary of State. 2.12.36

1/12/36

20

DRAFT. TELEGRAM

GOVERNOR,

NAIROBI.

Copy to Secy. (39)

FURTHER ACTION.

38173/2/36.

C.D. 34
3-211
10

coded & sent
8.0 pm
2.12.36
7HW

Private and Personal.

Your private and personal

telegram 28th November. If Standing

Finance Committee recommend

introduction of Income Tax you should

certainly proceed with Bill-for

application to Kenys in 1937. You

should also make provision in 1937

to implement Pim's recommendations

regarding native taxation to the utmost

extent possible as stated in my

despatch 8th October No. 795. If

surplus on this year's revenue is

indeed larger than anticipated in

your telegram No. 273 reduction of

native taxation should present less

difficulty.

SECEP.

during the next two years, while the finances of the Colony are in a state of transition owing to the adoption of Sir A. Pim's recommendations, and especially to the fall in revenue resulting from the reduction in the price of the principal commodities, and the removal of the duty on kaffir beer. The correspondence with the Treasury, and in particular reference to the statement of understandings referred to in the preceding paragraph.

3. While I trust that the ~~revenue~~ position of the Colony during the next two years will be such that it will not be necessary for Kenya to avail itself of the ~~facilities which the~~ ^{power to borrow,} ~~Treasury are prepared to grant, it will be~~

~~Treasury are prepared to grant, it will be~~ ^{I have no doubt that} ~~you will~~ ^{agree} ~~that these facilities afford a valuable~~ ^{this power} ~~balancing revenue & expenditure~~ ^{for the maintenance of budgetary}

~~operation~~ over the next two years, and that

~~I have, etc.~~

you will share my appreciation of the helpful attitude of the Lords Commissioners.

4. ~~It should not~~ If Kenya was in possession of a substantial surplus, available in cash, this would of course be no need to borrow.

C. O.

Mr.

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Bottomley.

Sir J. Shackburgh.

Perm. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DRAFT.

FURTHER ACTION.

But such is, unfortunately, not the case. The funds which are shown as surplus ³³ balances are mainly immobilized, and, though some cash may be expected to come as a result of the current year's more favourable financial returns, it ^{may} ~~will~~ not be enough to meet all contingencies. In that event, ~~therefore~~ ^{indeed} you are authorized to borrow to make up a deficit, to a reasonable extent; but it will be impossible to say what the deficit, if any, is, until the year's accounts are made up.

5. I ~~would~~ wish to draw special attention to the continued need for rigid economy in ~~expenditure~~ ^{expenditure}. The fact that, in the last resort, recourse may be had to borrowing, is in itself an additional reason for the most careful scrutiny of all expenditure - especially recurrent expenditure. I need ~~not~~ ^{not} ~~say~~ ^{enlarge} further ~~stress~~ ^{stress} on this point, since I am sure you will be in full accord with my view.

6. You will notice that the ~~question~~ ^{finance} of the Kenya-Uganda Railway has not been discussed. As you know, the whole question of the Railway, including the liability for its original cost, is due for discussion in the year 1938, and it seemed to me idle to make matters more

P.O. 308

38

C. O.

38173/2/36.

AIR MAIL

Downing Street.

Mr. Grosmith.

Mr.

Mr. J. Campbell

Sir C. Parkinson.

Sir G. Tomlinson.

X Sir C. Bottomley. 1.12

Sir J. Shuckburgh.

Permt U.S. of S. 1/11

Parly. U.S. of S.

Secretary of State.

20/11
1/12/36

3-DEC
1936

30 Dec., 1936.

DRAFT. censon.

KENYA.

NO. 972

GOVERNOR.

Do File of
Draw
To
9/10/36 (9) ✓
23/11/36 (24) ✓
Copy to Treas (39)
(31)

In my despatch No. 795 of the

8th of October, on the subject of

Sir Alan Pim's recommendations, I informed

you that I was in communication with the

Treasury in regard to the suggestion that,

if necessary, Kenya should be permitted

to borrow in each year a sum not exceeding

£100,000 in order to help the Budget to

balance and to provide, if possible, some

reserve. I also informed you in my

telegram No. 277 of the 26th of November

that the Lords Commissioners of the

Treasury had agreed to the adoption,

subject to certain understandings, of the

principle that Kenya might be allowed to

borrow sums of limited amount in order to

meet any budget deficit which may occur

during

FURTHER ACTION.

copy to Treas?

38173/2/36

31

C. O.

Mr. Flood 30/11

Mr. J. Campbell

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Bottomley. 1/12.

Sir J. Shuckburgh.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

~~SL~~

7 Dec 1936

DRAFT.

The Secretary
Treasury

copy to Kenya (38)

To Gov.
(Dft herewith)
2 Dec

FURTHER ACTION.

Sir
I am so to ~~reply~~ ^{reply} act. the rest
of your letter N^o S 41287 of the 23rd of
Nov. in which you conveyed the ^{assent} ~~approval~~
of the L.C. of the Treas^r to the proposal that
in order to meet any deficit which might
occur in Kenya during the next two years
the Colony might be allowed to borrow
up to a reasonable amount on certain
definite understandings.

2. Mr. Ormsby Gore desires me to express
his most grateful thanks to their Lordships
for their approval of this proposal which
will, he is confident, prove of material
assistance to the Kenya Govt. if circ^s
render it necessary to resort to borrowing
readily
He accepts on behalf of the Govt of Kenya
the four understandings mentioned in
your letter & I am to enclose ~~a~~ ^a copy
of a telegram and a despatch which
he has addressed to the Governor.

of altitude here. There was
was a change of altitude in 1933
After submitted

W.C.S.
1.12.36.

from
1.12.36

37 To Gov. Sec. (P.D) — 2 Dec 36.

By air mail 38 To Kenya - 272 — = 1936
(W.C.S. '9) 34) + 30)

39 To Secs (w/c 37935) — 21. 36

has of 10/10/36
of 10/10/36 not here
— Time of 1911
C.P. Secs to 1/1/37 as 54. 11
14.19.36 ✓

Extract from Morning Post of 12/12/36

41. Extract from the Times of 12/12/36

R50: 23. 31. 32. 33

R299: 23. 31. 32. 33

Memorandum for the Secretary of State
 The Hon. the Secretary of State
 28. 11. 36
 (35 Ann.) Request definite instructions as to whether they are to proceed with the introduction of Income Tax Bill for application to Kenya in 1937 and to make provision in 1937 Budget for either a total of Pim's recommendations regarding Native Taxation

(on main file
 please)

Kenya are a bit of a nuisance. In his despatch, as far back as the 8th of October, the Secretary of State informed them that he was particularly impressed with Sir Alan Pim's recommendation in favour of the alteration in the system of native taxation, and that Sir Alan Pim's proposals to reduce the payment on extra huts and to raise the age of tax should, in his opinion, be adopted forthwith. Kenya must, I think, face this fact. In view of the trouble which has been caused by native taxation in Nyassaland, and in view of the opinion expressed by the Treasurer of Uganda in his report, it is absolutely impossible to contend, in the face of Sir Alan Pim's strong opinion, that native taxation should be allowed to continue at its present level in Kenya even for this year.

It is true that to reduce native taxation means that the amount which would be received will be lowered, and in consequence the sum available under the "Moyné formula" which must be earmarked for the four main native services will come down. That does not mean, however, that the amounts spent on native services should be reduced. Indeed, it cannot be, as everybody now recognizes.

It

It is not possible for Government to cut down its expenditure on native hospitals and medical assistance and we have repeatedly urged that efforts should be made to develop native agriculture which, in turn, will involve increased expenditure.

As regards Income Tax, the position is now clarified in respect of the other territories which are prepared to cooperate with Kenya in frustrating any evasion of tax. How they will do it remains to be seen, but they have got to do it.

A part of the Treasury agreement to allow borrowing as recommended by Sir Alan Pim, is based on the introduction of Income Tax, and a postponement now would be a fatal error in tactics. Accordingly, I think that the reply to both questions is in the affirmative, but as regards Income Tax the trouble is that Kenya, on its own arrangements, is to wait for the recommendation of the Standing Finance Committee. The S. F. C. has decided for Income Tax.

Draft telegram herewith. Also draft despatch and letter to Treasury.

J. G. Flood 20-11
1/2/36
 Kenya's enquiry may be due to a desire to have something as definite as possible to put to elected members (even if it is in fact putting the odium on the S. F. C.) or to a real feeling that, before they burn their boats, they must make sure that there is no change

The latest news is contained in No. 24 and No. 29 on this file. It is interesting to learn that the "row" has completely fizzled out. Mr. Tuley's letter was written on the 1st of November which is the day after Major Svennison-Sentinek over here was busy sending in his letters to Sir Humphrey Leppitt and Sir John Kaffey, in which he stated that his information was that there was great trouble going on, evidently since he got his final instructions from Kenya something happened and a fresh batch of instructions may be issued.

As regards No. 29, the telegrams we have been sending about the desirability of introducing income tax in the other territories will help.

Draft herewith to Chancellor of the exchequer.

J. F.

18.11.36.

The "row" may have ended, but the difficulties remain. Kenya knows now that the question of action in neighbouring territories has to be taken up seriously.

W.L.S. 18.11

J.F.
18/11

- 31 To Bridges (w. Note) 18 Nov. 36
- 32 To Mr. H. Chamberlain 19 Nov. 36
- 33 To Bridges (oo) 19 Nov. 36

34 TREASURY (S. 41284)

25.11.36

Copy of draft from (Ghand) Comrad on effect of Pim proposals on Kenya financial and, subject to understandings indicated, are willing to agree that if it should be found impossible to balance the budget in either of the next two years, recourse may be had to a limited degree of borrowing for that purpose.

* P. T. C. ...

5th, 11/14, 18

Sir C. Bottomley.

This is the Treasury letter in the form in which we saw it in draft after you had discussed it with Mr. Bridges. It is, I think, as satisfactory as we can possibly hope to get out of them. Action necessary is clearly to telegraph the substance of it to Kenya as they must have the information before them that a limited degree of borrowing will be permissible on conditions, in order to help them out with their Estimates discussions. Further, a despatch of a more or less full dress variety should be sent covering the correspondence with the Treasury. Kenya should then be invited to publish the despatch and its enclosures in the hope that it will help to conciliate public opinion.

J. E. O. Kent

25.11.1936

Jayce.
It occurs to me that I have - in all innocence - inspired the Treasury to be more dogmatic about Income Tax than the S. of S. could properly be regarded to be accused with before the Legislature, but I do not think that it matters.

Not at all

W.L.S. 25.11.36

J.F. 25/11 W.L.S. 25.11.36

I understand that since
Mr Flood wrote his minute the
Treasury have discovered
another line of objection: we
must wait for it.

W.C.S.

5.11.36.

Yes. But in the minutes I got
my intention to see the
Flood minute of 4th Nov.

W.C.S.
6/11

Yes. I do not expect to
get a blank cheque for
five years - but if we can
get borrowing powers for the next
three years at a maximum
of £50,000 a year, and
an adequate & well drafted
Statement from the Treasury
as to why they cannot agree
with the Pim proposals, that
we can publish and use to
convince the Elected Members
I shall be satisfied. We must
get something

W.C.S. 6.11.36.

24. WADE (S/O TO MR. FLOOD).....31.10.36.
Comments on various aspects of Pim Report recommendations

28

25. EXTRACT FROM THE "AFRICAN WORLD" DATED 12.9.36.

26. EXTRACTS FROM "DAILY TELEGRAPH" & "TIMES" DATED 10.10.36.

DESTROYED UNDER STATUTE

27. EXTRACT FROM THE "FINANCIAL TIMES" DATED 14.10.36.
DESTROYED UNDER STATUTE

28. To Kenya.....TEL.257 Conf.....7.11.36.

29. WADE (S/O TO MR. FLOOD).....5.11.36.
Comments on Budget Session of Leg. Co. and with regard
to the introduction of income tax considers that the
opposition has a good argument in the difficulties of
its introduction into one of the S.A. territories only.

30. MR. HON. NEVILLE CHAMBERLAIN (S/O TO S. OF S.)...15.11.36(7)
(2) and. Agrees Railway problem referred to can wait
until 1938: states that if after initiation of Pim
proposals as a whole with special financial stringency
over next 2 years it is found impossible to balance the
budget without borrowing, treasury will not object as to
limited borrowing on being satisfied that it could not
be avoided. requests treasury be consulted in regard to
terms of any public announcement made on lines indicated
in this letter.

The Secretary of State saw Sir Cecil
Bottomley this morning and discussed the Chancellor's
letter. As a result the attached letter has been
sent to Mr. Bridges of the Treasury containing the
lines on which we should like to have the Treasury
reply embodying the Chancellor's decision. It
seems, therefore, hardly necessary to comment at
length on the Chancellor's letter which, indeed, is
as satisfactory as I ever expected. I think we
owe a good deal to the Treasury officials -
especially Mr. Bridges - for the way in which they
have gone out of their way to meet us. It would,
however, seem best to send some acknowledgment, and
I submit the draft of a letter for the Secretary of
State's signature.

W.C.S.

are completely frozen in the shape of advances to farmers under the Agricultural Assistance Scheme and subsidies to maize growers. I gather, however, that the Treasury would not mind borrowing, say, £50,000 in any one year to meet an expected deficit of that amount and then putting any surplus that might turn up into reserve. A financial purist would, of course, argue that any such unexpected windfall ought not to be put to reserve but used to make up any possible deficit the next year. But I do not think they would insist on this.

The other and more serious snag was the question of principle. They thought that it would be very bad policy and would not be accepted by higher authority in the Treasury if they were to agree ^{to} ~~to~~ a principle involving the liberty to borrow to meet deficits for so long a period as ten years in advance. They would, however, be prepared to recommend that the temporary expedient advised by Sir Alan Pim should be adopted for, say, this year and next year in order to tide over the transition period when taxes on the natives were being reduced and the income tax and other things had not got properly functioning. They would also be prepared to review the matter all over again at the end of the two years if in point of fact it was found that further borrowing was still necessary. In short, their attitude is that Kenya ought to do its very damndest to balance

the

the budget and should only be allowed to resort to borrowing as a means of bridging over gaps which could not be covered either by increased revenue or by savings. With this contention it is impossible not to agree on general grounds and if the Treasury will go as far as I gather they will I think we should be quite satisfied for practical purposes. It may not satisfy unofficial opinion, who would probably like to see Kenya cheerfully borrowing up to Sir Alan's full limit of £100,000 each year and spending the money in riotous living, but I think it is sounder in the long run.

J. S. G. Head

4.11.36.

(Sir J. Campbell loan on return)

Sir J. Mackay

Sent on for information.

I should be prepared, ^{to agree} on the first point, or the second, to accept A which demurs to B if it means that we are to invent new taxation simply to avoid borrowing.

We are increasing ^{both} active taxation & reducing active taxation. The expedient of borrowing if necessary may sweeten the pill, but if, instead, we are to pile on taxation the pill will be ejected.

I think my second lesson is implied, say around.

J. S. G.

I have ascertained from the Treasury that opinion there, in the case of Mr. Wardley and Mr. Bridges anyhow, is definitely opposed to agreeing to Sir Alan Pim's recommendation in regard to borrowing to meet a deficit. What they are afraid of is the risk of a precedent and the risk of extravagance if it is felt that money can be raised by borrowing anyhow. I told Mr. Wardley that I thought the Government of Kenya and ourselves could be trusted to resist the temptation of extravagance and that in the peculiar circumstances of Kenya, which are stressed by Sir Alan Pim, the proposal, though not one which we would ordinarily welcome, could, I think, be defended. I added that the Secretary of State took a personal interest in the matter and would proceed to write to the Chancellor of the Exchequer. He said that would be all right as the papers in any case would have to go on to very high authority in the Treasury.

Draft herewith.

21.6.76
20.10.
The draft does not deal with the possibility of making an equivalent economy on other services. I think that is right - as one in the Treasury is likely to suggest it.

W.C.S.
30.10.76.

W.C.S. 31.10.76

23. To Rt. Hon. Neville Chamberlain (5/0) 2.11.36

I had a conversation at the Treasury yesterday with Mr. Bridges and Mr. Wardley. They went through our remarks on the Pim Report and Mr. Ormsby Gore's letter to the Chancellor of the Exchequer. We discussed Kenya's financial position and I pointed out that even with all the reductions in native taxation proposed by Sir Alan Pim and the complete removal of the salary levy there would be only some £92,000 short. Against this would be this year's surplus, which was budgeted for at about £10,000, and estimated excesses of revenue owing to expanding trade amounting to £74,000, so that in point of fact the budgetary position would not be anything like so bad as it looked and, indeed, if trade went on expanding I did not expect that there would be any need to borrow at all. Mr. Bridges and Mr. Wardley were inclined to be very sympathetic in regard to our difficulties but they were faced with one or two points which they said they could not get hold of. In the first place in paragraph 406 Sir Alan Pim contemplates using the sum to be borrowed "to allow sufficient protection against the necessary delay in effecting the proposed economies, the uncertainties in the receipts from income tax and from the native hut and poll tax, with a small margin towards building up a much-needed reserve." The Treasury, however, could not accept ^{as a} principle borrowing to build up a reserve which they regarded as quite contrary to any kind of sound finance and on this point I must say that on wide grounds I would agree with them. It is necessary for Kenya to pile up a reserve if it can and at the present time all its assets, or practically all,

21 Sir J. Byrnes - Private - 15 Oct. 1936

24 Tel to Gov Kenya - P/R - 24th Oct

With reference to the Secretary of State's minute, the phrase "any agreed amount of revenue" was quoted from Major Grogan's speech as reported in the newspaper cutting in No.17. The meaning of it really is that if it is once agreed that the European community has ^{to find} ~~to find~~ a certain amount of revenue, then that community has the right to say how the revenue is to be raised. Of course Lord Swinton meant nothing of the sort and the same contention would apply to Indians and natives with the result that Govt. might as well give up. In view of the receipt of No.21 and the fact that the despatch of 22nd October won't get to Kenya before the day after tomorrow, we thought it best to send the telegram No.22.

That letter of the 15th of October is quite interesting and shows that we need not pay too much attention to things that are cabled to the press here from Nairobi. It is interesting to note that the Governor's action in issuing a statement in the Gazette has been solemnly denounced as "using the Government Gazette for purposes of political partisanship".

The only thing to do now is, I think, to go ahead. There might be a certain amount of clamour, but in all probability, as Mr. Freeston wrote to me the other day, in six months they will wonder what it was all about, while if income tax does not proceed it means that no Secretary of State can ever think of

standing

(21)

(Report in the Times of the Commission of associates)

standing up to settlers' agitation backed by the "East African Standard" and its distorted representations in the press of this country. It is of course, not necessary to force every detail of the present ~~amendment~~ ^{draft} into the Income Tax Bill, and there will be plenty of room for discussion, for altering exemptions, and so on, but the Bill as such will have to be carried.

S. S. G. Hand

27.10.36.

Mr. Boyd.

As to the first para. of Mr. Flood's minute, I think that there is no doubt that the passage will be read, as it is, as a statement of a view to which there is no justification?

The proposals may stand without alteration?

W.S. 27.10.36

Yes. I'd stand 27/10/36

See 6 Oct. 29.10

① In 6/10/36 to see notes to Mr. Boyd of 27/10

② For action on aff. K. in Flood's min. of 27/10 (also see defile marginal note of 27/10)

③ Copy of letter from Sdfr. of 27/10 to be read hereon

④ C.D. Tels. to copy SA, 14, 18.

⑤ K.D. - 5B, 15, 16, 17.

making people pay more in addition to what they already produce, because the present alternative taxes will be abolished and, in point of fact, most of the people will pay no more and a good many less. In ~~and~~ paragraph 13 of the Memorandum ^{it is} pointed that 87 per cent of the community will ~~be~~ affected and will pay less or not more under the income tax proposals than they do now. This high percentage is due to the inclusion of the Asiatics, but even taking the Europeans alone 73 per cent will not be affected or will be affected in the right direction.

The Memorandum also makes it clear in paragraph 8 that it is proposed to repeal the measures which were introduced in 1933, so there is no cause for ignorance on that score. The Opposition was inclined to take the view that income tax can of course be varied by Government in any direction, probably upwards, but that argument lost weight when it was pointed out that the same applied to every kind of tax in Kenya.

With regard to the Governor's speech, it will be seen that he starts off by contradicting the allegation that the Colonial Office edited the 'Pim Report'. As to this he had not got our definite despatch of the 8th of October, (No. 39 on 58173/1) authorising him to give an emphatic statement and quote the Secretary of State's authority in the contrary direction. The speech should certainly be stiffened up a bit here. The Governor also scotches the legend that Sir Alan Pim was debarred from recommending any changes in salaries.

The

I have passed the draft despatch as it must go by today's air mail and there is no time to send it on to higher authority. As soon as it has gone the papers should go to Mr. Boyd to make sure that the Secretary of State agrees with its terms or whether he would wish us to alter it by telegram.

In the letter to Sir J. Byrne of which I attach a copy, I have said that such a telegram may be necessary.

W.C.S.

22.10.36.

am

By Air Mail 22/10/36 19 To Kenya, 837 22 OCT 1936
cc had "to 20 % Byrne - 1/19 - 3.0 - 22.10.36

Secretary of State

? "Any agreed amount of revenue" is very wide & might be an admission that the European elected members might decide to allow the £550,000 a year from direct taxation is to be raised without my having any say other than disallowance. 10/11/36 22.10.36

not think it a good Report, and I do not think it will help materially. Its main constructive effort is the proposal to facilitate payment of native tax by stamps.

The Report of Major ^{Grogan's} ~~...~~ speech shows what they think of the constitutional issue, namely that it is contended that Lord Swinton "accepted the principle that we should decide how any agreed amount of revenue should be raised." I need hardly say there is nothing in that contention but it had better be contradicted.

As to action I think it would be as well to refer to the two despatches of 8 October and say he will no doubt make a more emphatic repudiation of the existing charge and make it clear that not only the S. of S. but the local Govt. is anxious to accept the report and say that native taxation will have to be altered as proposed. This must be done by telegram.

S.S.S. Hand
20.10.

Copy as telegram, head office, we might try to draft an air mail despatch on the constitutional issue?

C.S.S. 20.10.36.

Mr. Grogan

J.M.
20/x
see my note re Treasury
Woly 20.10.36

Secretary of State

- 17a To Jackson (20) 21.10.36.
- 18 To Sec. Tel. No. 241. 17 and - 21.10.36

yes woly

13
not got out. If they have an actual deficit the borrowing can be considered and the existence of the deficit would be a strong argument in favour of allowing it. But whatever happens I am sure that for political reasons here at the very least - as well as for reasons of right and wrong at the other end of the scale, Sir de Pin's recommendation must be implemented and now and with a good generous grace (as to falling the Govt. sees on 38/73/4)

S.S.S. Hand
19.10.

X
(I don't want to pin the Treasury too soon or they will say they won't look at the borrowing idea. If given time they may swallow it but I would wait till about the 26th before trying to see whether they will agree.)
17 Governor sfo 10 October

This is the Governor's letter and draft speech mentioned in his telegram of the 15th of October (No. 13). What the Governor says in the letter about the public meetings in Kenya has long been wellknown here, though it is not always realised by the public, or by Parliament, that a "mass meeting" in Kenya may easily consist of half-a-dozen and that any four Kenyans can form six ^{associations} ~~associations~~ for the purpose of a convention. All the same we have to take some account of them, and the 'East African Standard' is a correspondent of the 'Times'. In yesterday's 'Times' there is a message from Nairobi which is definitely twisting facts and, unfortunately, the 'Times' appears to give everything that comes from Kenya an exaggerated publicity.

I think, myself, that the Governor is right and that they should, if they can, carry income tax proposals now instead of waiting until 1938. It must always be remembered that there is no question of

making

Sunday 16th.

You shall see Sir Joseph

Moyn's latest telegram.

This has been included in attachment in the draft telegram to Kenya submitted herewith.

Ed Shoye

17.10.36

WJ 17.10.36

I hope I am not bound by Lord Swinburn's speech in a debate. I may leave to make it clear to Kenya that I do not agree with my predecessor on this point.

WJ 17.10.36

- 14. To Gov. tel. personal. ----- 12 ansd. ----- 17.10.36.
- 15. Joelson. ----- s/o ----- 15.10.36.
Acks. No. 10 with thanks; encloses leader from current issue of "East Africa" and comments on the position.
- 16. Governor tel. Personal. ----- 19.10.36.
14 ansd; has issued communiqué on lines indicated; requests early intimation as to Treasury attitude.

As to 15: it should, I think, be ack'd as per draft herewith.

16 is all right, as far as it goes in that an announcement of sorts has been made. But it is very annoying as regards native taxation. Can no one in Kenya realize that it has got to come down? The S. of B.'s despatch of 8 Oct is as plain as can be without definitely prejudging the issue - which we can't do - and yet boot-ling to the native taxation & say it won't be reduced unless Treas' agree to borrowing.

That is not good enough. If as they say revenue is little to go on then they can budget for

38173 No 17
(I am assuming it had arrived when this was sent)

(No 17 on main file)

So should I, but in view of the Govt's doubts about native taxation it is too hard to suggest. WJ

Why? I am quite prepared to write personally to the Chancellor when the dept has prepared the Treasury officials.

Suton.

WJ, but I think it suffers from being written to please some of us.

The statement at the top of page 2 is based upon the Secretary of State's telegram of the 30th of September; No. 8 on this file. Since then our despatch No. 795 of the 8th of October will have got to Kenya and this section too will also have to be modified. As it stands it illustrates one of the cardinal weaknesses in all Kenya Governments, namely trying to chuck things at the Secretary of State and taking no responsibility. What I should have liked the Governor to say is that the Government of Kenya, after consulting the Secretary of State, was prepared to accept the Report as a whole and understood that the Secretary of State was in agreement with this view, but that before any definite decisions were taken it will, of course, be necessary for the Report and its recommendations to be debated.

As regards native taxation, our despatch No. 795 of the 8th of October (17 on 38173), gives a very strong lead in favour of accepting Sir Alan Pim's recommendation. I do not think that this recommendation should be allowed to depend either upon Treasury agreement to borrowing (we may have to wait a long time before getting agreement, though I feel sure we shall get it in the end), or upon accepting principles in the Moyn Report. Sir Alan Pim's Report has created a new situation, and that new situation is really a continuation of what has been urged upon us for some years past now by Missionaries and other interested Bodies, and, as I say above, Kenya will have to accept the fact that it has got to reduce native taxation. The Report on native taxation, to which reference is made, is the thing which we have had from Kenya and on which I have made sundry comments elsewhere. I do not like it: I do

not

"I was asked the other day whether the fact that the Government here had accepted these alternative proposals and had authorized their being given a thorough trial was any derogation from the power of the Government here to exercise control. Of course, it was nothing of the sort. I really do not see how that question can arise..... I think it is a self-evident proposition that, if certain sections of a community are to find a certain amount of money by taxation, it is not unreasonable that they should find it in the way that the majority of them prefer to find it rather than in another way which we may, perhaps, think a better way".

These two things are regarded in Kenya in some quarters as constituting a sort of pledge that the unofficials must always choose their own taxation. I think the constitutional issue will be found to turn on this view and it will be contended that, even though the alternative taxes have not proved satisfactory and are not liked, then Government is bound in some way not to introduce any other form of taxation which is not acceptable to the European unofficials. There is, of course, nothing in it and when Lord Swinton wrote his despatch and made his statement in the House he was simply stating the self-evident fact that of two alternatives you should take the one that people like. The alternative has now broken down and there is no course open except income tax.

J. E. O. Flood

16.10.36.

N.B. Sir A Peiris only said that they were unsatisfactory and inequitable

As Lord Swinton was definitely retaining his control I do not think that his statement will help the constitutionalists. But they will go back to the "Boston Tea Party", regardless of the different circumstances.

I have added two bases to the draft. The first is by way of precaution - if it is not required, so much the better. The second is intended to show the Governor that all his communications have been taken into account.

W.E.S.
16.10.36.
Sri J. Dutt
J.M.
16/11

The gross constitutional crisis spoken of at the end of Sri J. Dutt's telegram to General by the S.P.A. is elucidated in the attached minute of 15.10.36.
J.M.
16/11

over

12. Governor tel. Personal. ----- 15.10.36. 70
11 ansd; proposes to make announcement on 28th Oct.; comments on local opinion.

With reference to the concluding sentences of the Governor's telegram the position is this.

4012/5/33
II
60:20

In his despatch announcing the decision to adopt the alternative proposals in place of income tax Lord Swinton stated that the decision to adopt income tax had been taken as a result of Lord Moyne's recommendations and said in paragraph 8:-

"At this stage no practicable alternative method of raising additional revenue had been suggested; and so long as the choice lay between income tax or no fresh taxation the only course open to the Government of Kenya was to proceed with the income tax proposal".

He went on to point out that a new situation arose at the end of March, 1932, when alternative proposals had been put forward. On receipt of these proposals a committee was appointed to examine them and the report of the committee, together with the Income Tax Ordinance, was submitted to the Secretary of State for decision. In paragraph 9 he said:-

"It therefore falls to me to decide whether the interests of Kenya can best be served by the adoption of a system of income tax or by the adoption of the alternative proposals..... the operation of any system of taxation can in fact only be tested by experience and this is particularly true when a new system is being applied in a field hitherto largely untried..... in such circumstances the practical course is to try to find the system which appears most likely to conform to the following practical tests. The system must yield an adequate revenue; that revenue must become available at the earliest possible moment; and where the choice lies between alternative means of taxing particular sections of the community, that method is to be preferred which is the more acceptable to those upon whom the tax is to be levied".

In July, 1933, in the House of Commons, Lord Swinton said, after explaining the proposals and saying that he hoped they would succeed:-

ca.
1433 of
Hansard 14.11.33

Sir C Boltinley

I think the Governor is most
ill advised to wait till
Oct 28th to announce the
policy I wish him to
carry out. See Mr. Joelmit
letter attached.

? Telegraph to Gov to tell
him to publish at once
as much of our despatch of
Oct 8th as he can the moment
it arrives?

Sir J. Jeffrey

minutes 9 ft. below

103 16.10.35

Wed 16.10

16/10

fortnight during which the Elected Members would have the field clear, and I suggest that a telegram be sent as per draft herewith.

Mr. Joelson also thought that it would be of assistance if the Secretary of State were to give him some message on the subject which he could publish in his paper and cable to Kenya. He told me that in his opinion, the Government had all the cards in its hand if it would only play them properly, which he is afraid may not be the case.

S.E.W. How

12/10/36.

He also said that the Kenya unofficial would object to the proposed allowances as inadequate & ask for the S. Rhodesian scale or something like it. That gives £400 for a wife & £100 or so for each child so that a married man with a family has to have over £900 a year before he is liable to tax - which is absurd.

It might be a good move to let Mr. Joelson have a copy - not for publication - of the S. of S. despatch NO 795 of the 8th of Oct. (NO 17 on the main file), with the remark that he could use it if he didn't quote it. It is an open despatch, anyhow.

I submit a draft to him which the P.S. might sign if agreed to: I have not included a copy of the despatch but as I say it would I think so he knows.

S.E.W. How

I agree to the drafts, but I would not communicate the despatch to Mr. Joelson. NO despatch is being published, but I do not like the idea.

W.H. 12.10

As Mr. Joelson attended a hospital but as stated by him a meeting with the press to come to the attention of the State to include the fact that a copy of a despatch of the 8th of Oct. had been published by the P.S. & was a matter of public knowledge.

W.H.
12

I share the view expressed in the last paragraph of Mr. Flood's minute. It appears to me that the fact of Kenya are making a first class mess of this whole business and are going to let me down properly if not warned & guided. Under the circumstances & conditions I am all for Joelson being active of our despatch.

This question will of course be raised in Parliament as soon as the House meets.

W.H. 12.10

10 To Joelson - s/o - etc. 17 - main file - 14. X. 36

11 Sw. tel. Personal - 13. X. 36

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I submit a draft to him which the P.S. might sign if agreed to: I have not included a copy of the despatch but as I say it would I think do no harm.

J. E. Flood

I agree to the drafts, but I would not communicate the despatch to Mr Joelson. No despatch is entirely to be trusted, but I do not like this one.

W.E.F. 12.10

As Mr. Joelson advised I helped him to state his case to the P.M. I state to you that he has been a very good & capable of being a very good member of the P.M. Flood & I am a candidate for the seat.

J. E. Flood

I share the view expressed in the last paragraph of Mr. Flood's minute. It appears to me that the fets of Kenya are making a first class mess of this while business and are going to let me down properly if not warned & guided. Under the circumstances & conditions I am all for Joelson being a part of our despatch.

This question will of course be raised in Parliament as soon as the House meets

W.E.F. 13.10

10 To Joelson - s/o - etc. 17 - main file - 14. X. 36

11 Rev. Col. Perrenal - 13. X. 36

present available, and subject to such reconsideration as discussion and examination might indicate as necessary. If it could be made clear that the Kenya Govt: and the S/S intended to put the report recommendations into effect, as a whole, as quickly as possible--subject to further examination of doubtful points--the Government would be likely to be more open to suggestions which might be made.

Handwritten: 29/9/36

Handwritten: I agree with the report
L.S. will so state and to discuss

Handwritten: fhr
29/9/36

LORD DE LA WARR.

Handwritten: Lord de la Warr has seen.

Handwritten: JP 30.9

Handwritten: I approve as proposed. We have no option but to hope that in any matter will be handled intelligently & tactfully in Govt of Kenya and that the case for income tax will be properly put to them. I am strongly in favour of the Pini proposals regarding expenditure.

Handwritten: Woly 30.9.36

Handwritten: To Gov. Tel ~~Personal~~ & Conf - 30.9.36
7 ansd - Cops

Handwritten: 9 So Press.

~~10 So Press (for report)~~

Handwritten: Transferred to 58288/30

9 OCT 1936

Handwritten: This is what Major Cavendish's remark means, or said to mean.

Mr. Joelson called as a result of the press telegrams. He wanted to know what the situation was as regards the Income Tax proposals in Kenya, so I showed him the Memorandum enclosed in No. 2 on this file and said that that was all we knew and that we had not got a copy of the Draft Bill. This rather astonished him, but on ~~his~~ examination of the memorandum, ^(and the Times report) it became clear that Kenya has in fact issued it. Mr. Joelson said that from what he had heard, the Opposition propaganda was taking the form that Government intended to pick out Income Tax, which suited its policy, and would Burke the rest of the Pim Report with which it was not in agreement. Mr. Joelson suggested that in order to prevent this propaganda getting too much of a start, it would be advisable for Government to make as early an announcement as possible to the effect that Sir Alan Pim's recommendations were generally acceptable and would be adopted.

In the telegram of the 30th of September, it was suggested that the Governor might make an announcement to that effect at an early stage of the debate, but it seems to me inadvisable to wait another fortnight.

and, indeed, all he could say and all he has said is that in his opinion the Kenya Govt. should accept it in full. It is not the Secretary of State's acceptance that matters ^{so much as} that of the Kenya Govt. for which they will have to get *the S. of G.'s* approval. That they have got it in advance does not matter and ought not to matter. If, however, anything public from the Secretary of State is required I suppose it would be sufficient for him to say that his inclination is to accept the report in full, but on controversial matters he will, of course, wish to have the views of the Govt. of Kenya after the report has been debated in Council and discussed with leaders of unofficial opinion.

In short, I recommend that the Governor should be authorised to introduce the Bill as he proposes but he should be told to make it clear that Govt. would like to accept the report as it stands but thinks that some of the more important points will require consultation and discussion before they can be carried into effect, either as they stand or modified. And add a statement to the effect that the Secretary of State does not wish to pre-judge the issue but on first perusal thinks that the report should be accepted as ^{a whole} ~~in its entirety~~, though of course it is essentially a matter for the Govt. of Kenya in consultation with local unofficial opinion to say what modifications, if any, are desirable.

J. D. H.

I think we have no option, in the circumstances, but to agree to the Govt's proposal as regards income-tax. My own view is that the course he suggests is, in any event, the wiser one to adopt. Here, in view of past history, the Govt. must feel acutely his personal responsibility for the ~~advice~~ ^{advice} he renders. We must assume I think that he has appreciated all the difficulties, and that he has judged the situation correctly.

2. The Govt. knows, confidentially, the S/S's view as regards acceptance, generally, of the report as a whole. That should condition the Govt. attitude in the debate. With that knowledge, they ought to be able to adopt an attitude which should go far to conciliate local opposition. The full-dress debate seems to me a sound idea. It should--properly run, and with the knowledge which the Govt. has of the S/S's views--enable the Govt. of Kenya to make it plain to the opposition that they mean business, and that they do intend, efficiently, quickly, and honestly, to do all they can, subject to the further examination of doubtful points, to implement the recommendations, in the report.

3. It is for the S/S to decide whether there should be any announcement as to the S/S's preliminary views regarding the report. What I should like best would be an announcement, ^{my own} in the course of the debate, that the G of Kenya had consulted the S/S, and they were in agreement that--subject to the points already mentioned--the recommendations were generally acceptable, and they considered that they should be adopted as a whole. This was necessarily a preliminary opinion, based on the information at

rr de no 6.

that they will not say so. An agitation of sorts could be whipped up in a few days and then the moderate opinion, though it might remain the same, would simply go to ground. Then if Govt. yielded to the organised clamour the said moderate opinion would come forward again and say "why were you taken in by that noise?" That is one way of looking at it. Another way however, is that the Unofficials would in fact rally round the Elected Members in opposing income tax tooth and nail. On the last occasion they got up a large ^{petition} but I was given to understand at the time that, although everybody signed it for the sake of a quiet life, opinion was by no means solid in support of the petition.

Of course, the Bill will receive the support of Indian and native representative members, but I should be very surprised if the latter do not couple with their support a demand for the carrying out of Sir Alan Pim's recommendation that native taxation should be lowered.

On this point of income tax I think we must accept the Governor's considered recommendation and authorise him to introduce the Bill with a view to carrying it into effect on the 1st of January. But if this is done it is essential that there should be no wavering. Government cannot go back again. It may be that if the Bill becomes law the opposition will

quietly

quietly fade away but so long as there is any chance of getting results by organised noise so long are they likely to try it. I have a suspicion that many of the things produced in Kenya are not really meant to be taken seriously even by their authors, but are put up in what I may describe as the "playboy" attitude which used to be adopted by Irishmen, i.e. put up anything, however ridiculous, and pretend to take it seriously in order to annoy the other people, and in the case of Kenya in order to give the Secretary of State and his staff something to do. The Bond Scheme is a case in point and so too, I think, are most of Major Croghan's wildcat dreams. All the same we have to consider them and in this case I expect that we shall have a good deal of noise until the Bill has actually become law when they will go off after something else.

It is comforting to see that the Governor is prepared to arrange for a full dress debate on the Report, with a view to getting unofficial opinions, but it is not so comforting to see that they evidently want to alter or interfere with some of the recommendations. It is true that some of them do need very close examination, particularly the reduction of the District Staff and the complete remodelling of the Secretariat. I have already pointed out that these matters will need careful handling and in any case cannot be carried out for some time. It would, however, be a mistake for Govt. not to make an honest attempt at putting them into effect. There is no need for the Secretary of State to announce his acceptance of the report in full

"It is for some time that I have been a policy of 'always put the blame on the S/S'."

"If we could see a Pen here - I have been suggesting this for a long time."

Private statement as to official acceptance or not ahead of time.

29/1/56

Governor's considered proposals are in No. 2 and on this point he took the view that immediate action would have to be taken in regard to income tax. There the Governor said that it was essential to introduce it at once and in his opinion the time was opportune for change. The Deputy Governor and the Executive Council strongly endorsed this proposal.

It is a case of who is to be trusted. The Governor and his advisers agree that Income Tax should be introduced at once. ~~unofficials~~ Unofficials object to 'piece-meal' work. If, then, Govt. says it is prepared to swallow the report whole - which includes Income Tax - there should be no reasonable ground for objection on that score.

Agree.

I had to refer to his indication by the Secretary of M.C.

*Approved
25/9/36*

6 To Gov Kenya Sec 225 Conf. 25.9.36

7. Governor tel. No. 2314-26.9.36. No. 6 and; for reasons set out, would be grateful for telegraphic approval for the introduction of the Income Tax as from 1 Jan. 1937; as regards Report generally, suggests that acceptance in full by S. of S. should not yet be announced.

In his telegram of the 19th of September the Governor informed us that the European Elected Members are spreading considerable propaganda against income tax and have unanimously decided to oppose it. He now says that there is no unanimity among the Elected Members. This may, of course, be due to his having received later information, but the two things together certainly look odd.

We now, however, have the Governor's considered opinion which is that income tax ought to be introduced and carried into effect from the 1st of January next, the alternative taxes being repealed and the levy on salaries removed. The Governor says that greater discontent would be caused by the retention of these alternative taxes than by the imposition of income tax and he adds that everybody in Kenya is quite prepared for the introduction of the tax as from the 1st of January next, and the great majority of the people are said to be in favour of it.

This, as usual, raises the difficult question of who is to be believed, a question which is specially difficult in regard to matters in Kenya. It is very hard to forecast the attitude of the Unofficial Members on any question because, as experience has shewn, they are liable to fasten upon some totally unimportant matter and convert it into a point of the utmost importance as touching their rights and privileges. It may very well be the case that most of the people in Kenya are reconciled to the idea of income tax and would really prefer it to the present nondescript taxes, but the difficulty is

Sir J. Maffey.

Re-draft of telegram herewith. I also attach a letter to Sir Cecil Bottomley from H.P. Ward, in Kenya. The trend of this is that if income tax is introduced at once the settlers will object, partly on the ground that the civil servants will be relieved of their emergency taxation at the expense of the settlers. It is hardly necessary to point out that such a suggestion is unjustified. At the present moment the official classes pay both levy and alternative taxes which means that the officials are being taxed twice over in order that the settlers may escape. At the same time there is a good deal to be said in favour of going slowly. But the Kenya Govt. is almost making income tax a question of "face" and even to suggest postponement may be held to give the ease away. Some revenue will be required if the native taxation is to be reduced as recommended and in view of what has been said here for years there can be no justification in delaying to implement Pim's Report in that very important respect. Revenue then would have to be found from some source and unless we can get agreement to the borrowing suggestion it is difficult to see where it can come from except from an increase in prosperity. Happily the last contingency looks like occurring.

I have accordingly added to the telegram a suggestion that Govt. might consider deferring the introduction of income tax till the whole thing has been thrashed out, though at the same time admitting that Govt. ought to accept the full Report. The

delay.

Does the Gov's telegram
 No 223 involve us already
 in departing from the
 principle of acceptance of
 the Puri report as a whole?
 If so I should hesitate
 to agree. The draft telegram
 as worded will look as if
 we are going to pick & choose
 and modify the Puri report.
 If we use such language
 can we be surprised if the
 settlers representatives do the
 same. Lord Hailey told
 me he thought the Kenya
 Govt the least efficient &
 worst organized of our
 administrations in Africa -
 except possibly Northern
 Rhodesia - & that he was
 amazed at the way in which
 the Kenya Govt always shelter
 behind the S of S, and say
 any decision *is* Our fault, &
 then decline to argue the
 case for the proposal. I would
 not bank on the correctness of
 the Gov's view that Francis Scott
 & Co. are discredited, or are likely

to remain so. It is extremely
 difficult to persuade a number
 of politically self-conscious
 Europeans by Crown Colony
 methods and the handling
 of Kenya questions requires
 the greatest circumspection.
 I want to avoid another
 row if I possibly can, & had
 I had time I would have
 followed the Puri report with
 an early full dress despatch
 for publication ^{on all issues} before getting
 into the inevitable controversial
 Income tax issue as a
 separate & individual aspect
 of the matters raised in
 the report.

John N. King
 18/9
 2/9

Please reconsider the
 draftsmen of the telegram
 in the light of this minute.

WOL
 23.9.36

all right for Kenya, (M. J. G.)
 (L. J. G.)

Sir John Campbell has in his minute on this paper suggested accepting all the recommendations and I have come to the same conclusion myself as will be seen from the minute on the main file. The unofficials will be able to find much more support for their campaign if they can allege that Govt. is only taking and adopting such parts of the Pim Report as are palatable. It would, I think, be a mistake not to accept the thing as it stands, but unfortunately the borrowing proposals involve getting Treasury agreement. Treasury agreement is not necessary to anything else and would not be for this, were it not for our general commitments to that Department in regard to raising loans. I think, then, that a telegram as per draft herewith will meet the case.

If the "Times" quotation, stating that the Elected Members "are not prepared to consider the piecemeal carrying out of the Pim Report at the whim of Government", is a correct representation of what they say then ^{in language} it is a piece of studied insolence directed against Sir Joseph Byrne and the Secretary of State. I do not know how long we can go on ignoring this sort of thing.

J.S.S. H.D.

19.9.36.

5 Gov Kenya. Sec. 223. Personal
Propose basic rate of S.T. @ 50%
203 Strats. Requests reply to 2.

19 Sept.

DESTROYED

A decision on this matter must rest with the
S.P.S. can carry the question to the
top of the new system - Kenya.
I have arranged for the Pim Report to be
informed by telegram that the Pim Report
has been accepted as a decision by Government.

J.S.S.
21/9

As regards Mr. Flood's minute of 19/9
we have to remember that the
present for is not popular with
the elected members & that the
Colonial Office (i.e. the S.P.S.) is
always ⁱⁿ ^{the} ^{position} ^{of} ^{being} ^{suspected} ⁱⁿ ^{Kenya},
the only way to improve relations
between Government & the
settled representatives can
any be got to a better frame
of mind by tact and latent
handling i.e. by reasoned
argument as per the Bonds
scheme. I agree with Sir
J. Campbell that we should
make it clear that we adopt
the Pim report as a whole
to tell Kenya so, making it
clear that we have to consult
the Treasury about borrowing
and that we should do without

By Sir A. Pim. This is general agreement that this course should be followed.

When one of the S. of S. gains his decision to this effect we can start things moving in Kenya or take up the other issues with the Treasury. Attention will be given to Sir J. Byrne to proceed with the action in order to reduce the possibility of friction to a minimum.

16.9.36

I approve the introduction of the Income tax proposals as proposed.

17.9.36

From the attached extract from today's "Times" it appears that the elected Members are going to oppose income tax on the same old grounds. There never has been any justification for the idea that income tax was intended to be a temporary measure to tide over bad times or that the alternative taxes were anything but alternatives to income tax. The Elected Members apparently recognise that some measure of income tax is unavoidable so they say they do not object to it in principle, but trot out the old

story

story that "the public", by which, of course, they mean the European unofficials, ought to be given control over expenditure. It is not, I think, necessary to go over that ground again.

In point of fact, I think that Lord Francis and his friends have committed a grave error of judgment if they really try to stampede Kenya against income tax. The Governor has told us that the "politicians" are much discredited in Kenya and he has told us repeatedly that everybody of any standing really thinks that income tax is preferable to the makeshifts that have been adopted. This impression was confirmed by Mr. Joelson, the editor of "East Africa", who came and spoke to me ^{a few days ago} today, and is generally supported by everything that one hears. Therefore, if we are to believe the Governor and his advisers, the opposition does not really represent the feeling of the country, though an agitation ^{may} possibly ~~surely~~ be whipped up. If the Elected Members go on with their agitation it will be necessary to pay no attention to them and ~~not~~ ^{especially} to refuse to let them send deputations to England. If they want to make representations they will have to make them through the Governor. At the same time the fact must be faced that in Sir Alan Pim's words "the Colony cannot afford another income tax fiasco". ^{So also} goes on to point out that any repetition of 1933 would be likely to have serious repercussions as regards native taxation since the native community can no longer be regarded as living apart and unaffected by occurrences among the Europeans.

Sir John

much on that. Tea too is doing well, and should continue to do so. Sisal has taken a new lease of life. The railway is in a position to make rate reductions; and we may reasonably hope that it will be possible to continue and develop that policy.

3. I have read the whole report. One point which is not mentioned, but which will I think acquire a special importance in the income-tax discussions, is the question of the acceptance of the proposed economies, and the rate at which these will be realised. I find nothing in the papers as to that, but it is a matter on which the Govt: will I think have to make up its mind, and pronounce its considered opinion, if the i-tax Bill is to have a reasonably smooth passage? I note also that the salary levy is to be abolished entirely.

4. Generally, I would accept all the "Pim" recommendations. II I have often referred to as desirable; III also; IV is a point to which I have on several occasions drawn attention, and part of it is--I think--covered by the general circular which issued not long ago regarding suitable arrangements for financial control in the Colonies; the dominating idea behind No: V links up with Nos: II and III. A similar remark applies to No: VI. IX follows from the acceptance of these general principles. XI is I think accepted here. All the other recommendations--except those specifically discussed above--are minor, or practically consequential.

5. The main gravamen of the criticism directed against the report will, apparently, be that the economies suggested are inadequate. That is almost

bound to be the "opposition" attitude. The reply is I think that one cannot make cataclysmic alterations in a necessarily admitted and established system, which has been working for a long time; that Sir A. Pim has gone into each category of expenditure most carefully, and that his whole administrative training and bias is clearly in the direction of proposing all practicable economies; that, in short, "we have called in the doctor, and must take his advice". I personally am somewhat surprised that more drastic economies have not been suggested; but I am fully prepared to accept the proposals as the limit of what is reasonable and practicable, in the conditions existing. My own view is that it would be foolish to do otherwise. We do not start with a tabula rasa--and hasty critics without administrative experience always seem to forget that. What I am frankly afraid of is that there will be a strong (and very natural) disposition to water down these suggestions; to postpone their operation beyond reasonable limits; to overwhelm them with a long-continued and periodically recurring attack, based on a wealth of uncoordinated local detail. I would try to cut out that possibility, as far as possible, by all such methods as we can suitably adopt from this end.

The 16th: September, 1930.

J.P.H.
10/9/30

The first or immediate action required on this file is to get a decision recorded on the question as to whether Kenya is to go ahead with Income Tax on the lines proposed

I suppose that in practice the best thing to do will be, not to budget for raising a loan, but to budget for a deficit and then, at the end of the year, borrow sufficient to meet that deficit, whatever it may be, at the current rate of interest. That would in any case look better, and I believe that an item such as "Deficit (to be met from loan)" is not an unknown feature of other budgets. (I think the Irish Free State have done it, but I am not sure). Of course, if the situation improves and if, as has been hinted, there is some possibility of releasing some of the money frozen in the maize subsidy, it may not be necessary to borrow at all.

But before any of this is embarked upon I fear we shall have to consult the Treasury, though they are not very directly concerned. It is not necessary to consult them in regard to income tax.

J. E. W. Flood

14. 9. 36.

It is very difficult to minute on a matter of this kind, involving such large and varied interests, within any reasonable space limits. I think we had perhaps better discuss?

2. I agree generally with Mr. Flood's note. I would go ahead with the income tax, as proposed; and would be willing to agree to the borrowing proposal, simply because we must. Formerly, we all felt that--after an exhaustive examination of the alternatives--this proposal was probably the best before us. It was objectionable, from various obvious points of view; but it was straight-forward, it would enable the actual situation to be dealt with very close to the facts, and it provided the maximum of elasticity. It is in fact an emergency measure, recurring as the necessity recurs, and necessitated by the inescapable facts of the situation. None of us liked it: all of us I think felt it provided the most practicable solution. Improvement in Kenya--which I look for, owing to the large but probably exceptional movements in the price of maize and some other products, and (on a more permanent and solid basis) owing to the general tendency of prices to rise, based upon more general and lasting considerations--may well diminish the magnitude of the borrowing now contemplated as a possibility. I think this will be the case. Further, I look to native export production helping the situation materially; the T T experience is remarkable, and--after allowing for local conditions--hopeful for Kenya also. If this aspect of the matter is kept prominently in view, we may reasonably expect a good deal of assistance in this direction. Gold too may help--though it is still early days to build very

I am not too sure about this there has been the severe drive behind native production in Kenya as elsewhere in tropical Africa

until the interest rate could be known, while it could be stopped altogether if things improve. Sir P. Ezechiel said that an annual loan of £150,000 might be placed privately. I know that Sir Alan Pim has discussed this recommendation of his - which, it will be noted, is to borrow a sum not exceeding £100,000 - with the Crown Agents and with Sir John Campbell, and although it is a novelty in Colonial Government finance I do not think it should be turned down lightly. It will be noted from the telegram at No.1 that the Governor says that on the existing basis of native taxation with the new income tax arrangements the Budget can be balanced but it will be very difficult, if not impossible, to balance it if, in addition, provision is to be made for reduction in native taxes. In his report (paragraphs 68-87) Sir Alan Pim discusses native taxes generally. He recommends the extension of the system of grading (i.e. taxing different tribes at different rates, according to their ability to pay) reduction of the payment on account of extra huts, pointing out the hardships which result from the existing provision, and further suggesting that the taxation age for natives should be raised from 16 to 18 years. This is a pretty controversial point, since Lord Moyne said that to raise the age limit to 18 as had been suggested to him would involve a loss to revenue of £40,000 a year. Sir Alan Pim does not think that the loss would be anything like so much, and would not exceed £20,000. This is a subject on which Archdeacon Owen and his friends

have

Report
para 75

7-
have been very vocal, and if we are to adopt Sir Alan Pim's general recommendations, as I think we should where we can, it must not be said that we hasten to give relief to the European over his income tax but do nothing for the native, although the same person recommends alteration in his taxes. In paragraph 86 Sir Alan Pim says that alteration in the present system, as he suggests, must be regarded as only a preliminary, and that sustained efforts should be made to evolve a new system of taxation better suited to the conditions of to-day, which will require much closer study of the organisations of the tribes before any approach to assessment according to capacity is possible.

That being so, I think that efforts should be made to carry out the recommendations as regards the native hut and poll tax, and the Governor should be told that while it is agreed that the ^(borrowing) recommendation is contrary to general practice, yet in the circumstances the S. of S. sees no reason why it should not be adopted, at any rate for a year or two, and that he regards it as essential that native taxation should be altered as suggested, or on similar lines, if the European and Indian taxation is changed, and in the circumstances cannot see any other way out of it. We should add that the suggestion has been made before and considered, but it was generally felt that the disadvantages of borrowing for income even in the special circumstances of Kenya's loans outweighed the immediate advantage, but that having regard to Sir Alan Pim's recommendation and the statement that if native taxation is to be reduced the budget won't balance there seems nothing else for it.

and saying that special ^{attention} emphasis should be drawn to the fact that when the Bill becomes law the Ordinances mentioned will be repealed.

So much for the income tax. It is now necessary to consider very seriously the telegram at No. 1. Sir Alan Pim's recommendation is that in order to guard against the uncertainty of the yield from income tax at the start and ^{the} from the native hut and poll tax, ⁴ amended as proposed by Sir Alan Pim earlier in his report, and to provide for inevitable increases in expenditure the Colony should be allowed to borrow for current expenditure up to a sum not exceeding £100,000 a year. The recommendation is discussed at some length in paragraph 406 of the report, where he has been talking about the past history of the loans; there he points out that (paragraph 393) none of the projects for converting the existing Kenya loans was likely to be of any use, and that ~~what~~ there only remains one method of giving the relief necessary, and that is borrowing annually, either until the loans become due for conversion, or until the finances are in such a position that relief is no longer required. He went on to point out that it would not be necessary to have recourse to a public issue, and ^{to} loans need not be repayable until after the redemption of the present heavy interest loans. He suggested that ^a the sum ^{to} be borrowed each year ~~and~~ ^{should} as ~~would be~~ decided by Government, with reference to the financial position at the time, but should

reduced yield

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No 2

for years before/
use

should not exceed £100,000. ^{in any one year} He pointed out that these loans would give relief, amounting in the first year to the full amount of the loan, which would be reduced steadily as interest and sinking fund charges on the extra capital began to accrue, while at the end of the period there would be an additional capital liability. He contends that these loans should be considered as meeting a temporary emergency and not as indicating financial instability on the part of the Colony.

This idea was one of the many discussed during the years 1934 and 1935, and it was always considered by us here that it was the only one which had any likelihood of success, though this idea too had many obvious disadvantages. It is discussed in the memorandum in Sir P. Ezechiel's letter of the 17th January, 1935, where it is referred to as Scheme No. 5. ~~and~~ It was first suggested that a large sum should be raised on loan repayable some time in the future and used to pay off the loan charges as they came due. It was suggested that the sum to be borrowed might be either one lump to cover £150,000 a year for 11 years (now of course 10 years) or, alternatively, separate annual loans of £150,000 each. The advantage of a series of annual loans ^{was that it} would avoid the difficulty of ^{having} borrowed money ~~which~~ held in reserve, ^{but} ^{it} would involve the risk of having to borrow bits of it at higher interest than those now ruling. Against that, it would be possible to leave it undecided whether to borrow or not in any year until

which I have reviewed I think it right that a full and fair trial should be given to the alternative measures which I have reason to believe will be the more acceptable to the tax payers.

12. If expectations are fulfilled and the alternatives produce adequate revenue and prove generally acceptable in operation their introduction will have been justified and the needs of the financial situation will have been met. If, on the other hand, these hopes are falsified by events, and if it is found in practice that the alternative taxes do not yield an adequate revenue or are felt by the majority of tax payers to be less acceptable than an income tax, then these alternatives will have failed in their purpose. But in that event they will have failed after a full trial as a substitute for a system of income tax.....

15. The adoption of the alternative proposals is an experiment which will have to stand the test of time".

It is, I think, abundantly clear from this that the alternative taxes were regarded as a trial on the distinct understanding that if they did not work income tax would have to be introduced. It was recognised that they were an experimental substitute, and they were only given a trial in order to see how they would work. They were produced by a Committee in Kenya which was set

up

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up to examine the various suggestions put forward by people, and of course received various suggestions. The Committee criticised them as follows.

"Certain proposals received were not considered to warrant detailed investigation..... Still others were outside our terms of reference or were of a frivolous nature, and we have not considered it necessary to deal with them".

They actually examined 32 assorted proposals put up by various local people, and eventually selected the few which appeared most likely to raise revenue. In criticising the performance the Governor remarked "The proposed alternatives were a last-minute resort which the Nairobi Chamber of Commerce originated, and which the elected members adopted when they realised that blind obstruction to income tax or any other form of taxation would be futile".

It appears from all this that the alternatives were simply one of Kenya's gestures, put forward half seriously, half foolishly. They have admittedly been unsatisfactory and not produced adequate revenue, while they operate harshly in many instances. I think it is clear from what I have shown above that ~~is~~ there is no breach of faith or anything of that kind in abolishing them after they have been tried, and replacing them by income tax as now proposed. I therefore recommend that approval be given for the publication of the Bill incorporating Sir Alan Pim's proposals, together with the Memorandum as enclosed in Sir Joseph's Byrne's letter to Sir Cecil Bottomley,

and

Ordinance with the Memorandum as suggested.

We are already informing the Government that the measures which may be introduced will have to be fully discussed, and that there should be no attempt at rushing them through without debate and consideration of the views of elected members. There is, however, one political outcry which may be made, which is that the taxes which it is proposed to abolish were only intended to be temporary. Some of the elected members always refer to them as such, and might contend that it is not fair to introduce temporary taxation and then, because it does not work very well, replace it as soon as you can by something permanent. There is, however, no truth in the contention. The Income Tax Ordinance was intended to be a permanent feature of Kenya's fiscal structure. When the agitation against it began to be whipped up it was urged that alternative taxes could be imposed which would be less damaging to Kenya than income tax. Eventually Lord Swinton accepted the alternatives, and said that they should be given a trial. In his despatch of the 7th of June, 1933, he pointed out that when it was found that further taxation was inevitable it was decided that an income tax must be introduced. Accordingly, the Ordinance was published in January, 1933, for general information, so that the Government might be in a position to deal with criticisms and suggestions. He then went on to say

(paragraph

(paragraph 6)

"There has always been much opposition to income tax in Kenya, and the Bill inevitably received a hostile reception. At this stage, however, no practical alternative method of raising additional revenue had been suggested; and so long as the choice lay between income tax and no fresh taxation the only course open to the Government of Kenya was to proceed with the income tax proposal.

7. A wholly new situation arose towards the end of March when you informed me that alternative proposals for raising the necessary revenue had been put forward.....".

Lord Swinton went on to discuss the advantages or disadvantages in further paragraphs of his despatch, and said that

"when, therefore, a decision has to be taken as between two fresh systems the test of experience is denied to us, except in so far as a comparison is possible with similar systems working under similar conditions. In such circumstances the practical course is to try to find a system which appears most likely to conform to the following practical tests. The system must yield an adequate revenue: that revenue must become available at the earliest possible moment, and where the choice lies between alternative means of taxing particular sections of the community that method is to be preferred which is the more acceptable to those upon whom the tax is to be levied..... In all the circumstances

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No 20)

It will be seen from the last enclosure in Sir Joseph Byrne's letter that the new proposals are more favourable to the man with an income under £500 than the present arrangement. The difference is slight; for instance, the man on £300 at present pays £4.10. and on the proposed scale would pay £2.10. The man on £400 pays £5.10. at present and on the new scale would pay £5. The man on exactly £500 now pays £6.10. and will pay £9.5. The man on £1,000 a year now pays £17.10. and will pay £37. The man on £2,000 at present pays £51.10. and will pay £119.15. The man on £4,000 at present pays £151.10. and will pay £365.5., while the man on £5,000 a year who now pays £201.10. will pay £515.5. It cannot be said that these rates are heavy as compared with rates ~~last~~ ^{over here} year.

The proposed list of deductions as set out in the Memorandum is the same as that in the 1933 Bill, and is fairly generous, though the people in Kenya would contend that the allowances for wives and children were not large enough, looking to Southern Rhodesia, where nobody ^(with a family) pays any income tax at all unless he has over £800 a year. I am afraid that such a generous scale of exemptions could not be allowed in Kenya.

Another difference is that the rate ^{on} companies is put up from 2/- in the £ on chargeable income to 2/6, which is considered more equitable.

Paragraph

Paragraph 8 is important, for it says definitely that the present Bill is intended to supersede the existing education taxes and graduated poll taxes, and to amend the Trades Licensing Ordinance so as to bring it back to what it was in 1919. In other words, it is proposed to adopt Sir Alan Pim's recommendation whole-heartedly, which is an important item, lest it be contended that Government is going to adopt what it likes in Sir Alan's recommendations, and leave the rest.

It is pointed out in paragraph 11 of the Memorandum that a good proportion of the population, including 62 per cent. of the Europeans, would only pay the minimum tax of 50/-; in other words, this number will have £300 a year ^(on this) after taking allowances into account.

(No 4012/33)
Part II No 69

The 1933 Ordinance which is to be followed closely was the result of a great deal of discussion, and received very close consideration. It was eventually considered and passed through Council, though it was never brought into force, and it was decided should not have its final reading. I think, therefore, that we can safely authorise Kenya to go ahead on the lines proposed.

It will be noted that the Governor, in his semi-official letter, asks for consent to be given at once, and says that the present time is very opportune for the alteration of taxation, and urges that the public should be given in advance as full information as possible.

If we can trust the Governor on this - and I think we can - there should be no hesitation in approving the publication of the Income Tax Ordinance

Ordinance

C1. Financial. Gov. tel 209 7936
Inquire what decision has been reached in regard to Sir A Pim's recommendations - paras 406/407 & 75/76 relating to debt relief and native but a poll tax sup.

2. Sir J. Byrne.----- s/o-----2.9.36.
Comments on the proposals regarding introduction of Income Tax and encloses memorandum and financial statements prepared on the subject.
3. Deputy Governor tel. No. 214.----- 11.9.36.
ref. 2; executive council approve Principle of Income Tax requests approval for publication of bill.

Herewith the letter from Sir Joseph Byrne, to which reference is made in No. 1 and the further telegram foreshadowed in it. I have registered on other papers the extracts referring to ~~the~~ ^{the} maize (bond scheme) and the getting out of an expert on income tax.

It is now necessary to take a decision on No. 3 and say whether to go ahead with income tax in Kenya. Sir Alan Pim's recommendation is that the present graduated ~~manufactured~~ ^{non-native} poll tax and education taxes should be abolished, the trades and profession licences reduced, and the levy on official salaries reduced or abolished altogether. In their place there should be an income tax with a basic minimum. In paragraph 385 of his report Sir Alan Pim suggests a minimum of 50/-. As regards Europeans, the present poll tax plus European education tax amounts to 60/- at the minimum, while Indians pay 50/- for the combined tax and Goans do not pay any education tax at all. Accordingly, Sir Alan recommends a minimum of 50/-, and says that it should be possible with this to frame a scale of taxation so moderate as compared with the taxes in other countries as would prevent the fear that income tax would discourage the import of fresh capital.