

necessary for economic development were almost totally absent. This latter deficiency must be made good before development can gain real impetus. But the most important limitation on the size of the development which can be undertaken by the four territories is availability of the necessary finance to carry through the projects and to meet the consequent recurrent expenditure.

Financing the Programmes

18. In estimating the extent to which the development programmes could be financed from internal funds, the authorities have had regard to their experience, particularly since the liberation, and to present political and social circumstances in the territories. On this basis they have estimated that the appropriate distribution of the costs of the total programme, as between internal and external finance, would be:—

Table 16.—*British Territories: Internal and External Finance for Programmes, 1951-57*

		£ million				
		<i>Federation</i>	<i>Singapore</i>	<i>North Borneo</i>	<i>Sarawak</i>	<i>Total</i>
Internal finance ...	...	8.7	35.3	0.9	0.9	45.8
External finance ...	...	36.1	17.5	4.3	3.5	61.4
Total ...	...	44.8	52.8	5.2	4.4	107.2

19. There are a number of factors relevant to the consideration of the amount of internal finance which can be provided from the territories themselves. Even in times of prosperity the administrations in the territories experience difficulty in raising, by means of taxes or loans, funds which might seem commensurate with the level of national income. Since the liberation, rates of taxation have been progressively increased, especially on tobacco and liquor. In the Federation, for example, where they form one of the main sources, revenue from these latter taxes has increased by 300 per cent. as a result of four separate increases. The Federation also has a wide range of import duties on other commodities. The Federation and Singapore introduced income tax in 1948 on a graduated scale rising to 30 per cent. and a company tax at a standard rate of 20 per cent. The Borneo territories have introduced a tax on companies. The total revenue of the four territories has increased from about £43 million in 1947 to about £61 million in 1949, an increase of 42 per cent. in two years. Steps are being taken to increase the yield from income tax, but one of the most urgent requirements in this connection is more officers of high quality and with sufficient experience of the very specialised local conditions, notably Chinese accounting practices. It would be inviting failure to increase the rates too rapidly, particularly in territories where direct taxation has only recently been introduced. Other measures will be taken to expand the revenue from taxation as rapidly as circumstances permit, but there are limits to this and the process must necessarily be a gradual one. There are many difficulties in the way of increasing further the levels of indirect taxation in all the territories. In Singapore especially, which is a free port depending on its entrepôt trade, the scope is very limited if serious damage to the economy as a whole is not to result. Nevertheless, a substantial increase in tax yields has been taken into account in estimating the amount of internal finance available for the programme. It is considered unrealistic to assume that any further large increase in revenue over and above that presently envisaged could be expected during the six-year period.