**THE TEA ACT OF 1773**

**Significance of the Tea Act, 1773**

The Tea Act actually placed no new tax on tea. Instead it simply gave a tax break to the East India Tea company.

With the existing tax still on the books from the Townshend Duties, East India Tea company was losing money because its imported tea could not compete with the tea being illegally smuggled by the colonial merchants. Obviously the British government preferred to help the struggling East India Co. than to see colonial smugglers profiting and using their newly gained financial power to sponsor anti-British protests.

**Passing the Tea Act**

The new measure was supposed to win the minds of tea consumers in America by driving down the market price of tea. But in the situation already aggravated by the previous tax measures, this obvious economic benefit was overlooked by the population and the new law was regarded at “Taxation without representation”.

**Financial Assistance for the East India Company**

In 1770, Parliament had repealed four of the five Townshend Duties, keeping only the tax on tea. The American colonists had refused to buy the commodity, which had resulted in financial difficulties for the East India Company

In 1773, the government also took measures to help the East India Company to increase its sales by passing the Tea Act.

Initially the East India Company had suggested that the original tax should be removed to encourage the colonists to buy the tea, but it was not removed.

The Tea Act taxed the tea at source (in India) so there was no tax collection in the colonies. The act allowed the tea to go directly to America instead of having to be imported to Britain and then re-exported to the colonies. This made the tea significantly cheaper, even with the small tax. It also allowed the East India Company to sell the tea exclusively to chosen merchants in the American colonies. This established monopolies in America and offended other colonial merchants.

In addition, the government made a loan of over million pounds to the East India Company which was to be allowed to ship tea directly and on its own account to America. The consequence was that tea would sell at a much lower coast in American than it had fetched recently. This would increase its consumption and so the Company would be helped out of its financial difficulties. Furthermore, the Company aided the government by taking measures against smuggling now that it was delivering direct to America. The tea was consigned in known quantities and to authorized merchants acting as Company agents.