

Abolition of Octroi
A Study of its Impact on Municipal Finance
and Transport Efficiency

Research Study Series

Number 68

(Prepared for the Ministry of Surface Transport)

National Institute of Urban Affairs

1st & 2nd Floor, Core 4-B, India Habitat Centre, Lodhi Road
New Delhi

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I

Introduction

Octroi has been a major source of income to most of the municipal bodies in India. However, it has continued to be one of the most controversial taxes at the local level. A number of Committees and Commissions have condemned Octroi as a regressive, undesirable and anachronistic tax and have recommended for its abolition.¹ In particular, it has been argued to cause severe harassment to the transporters as the trucks carrying goods and commodities have to stop at the Octroi barriers for assessment of the tax. Some of the problems that are generally attributed to the Octroi are : (i) adverse impact on trade and commerce; (ii) waste of time and fuel at check posts (iii) regressive nature of the tax; (iv) under valuation and corruption at all stages of collection; and (v) high collection cost.

Its harshness on the goods transport notwithstanding, it plays a significant role in augmenting the municipal finance. Most of the Committees and Commissions that have examined the issue of Octroi abolition have perhaps not cared to appreciate the revenue importance of Octroi and the adverse impact of the abolition on the much constrained state finances and the municipal finances. Abolition of Octroi has, therefore, to be viewed in the context of urbanisation process, national policies and the requirement to match the demographic growth with augmentation of civic services.

It may be mentioned that the new economic policies of government of India are aimed at stepping up of economic growth, improving market efficiency and competitiveness, and integrating the Indian economy with the global commodity markets. Such changes have significant implications for the different sectors of the economy especially the urban sector and cities where, most of the new investments are expected to be made. The likely increase in urban productivity and population will place a heavy demand on all kinds of urban infrastructure and services. The infrastructure bottlenecks in urban centres are likely to pose serious impediments

¹ This includes Taxation Enquiry Committee, 1953; Committee on Ministers, constituted by the Central Council of Local Government (Zakaria Committee), 1963; Rural-Urban Relations Committee, 1966; Committee on Substitution of Octroi, Govt of Maharashtra, (Kasbekar, Committee), 1987; and Mathura Das Mathur Committee on Octroi, Govt. of Rajasthan, 1992.

in enhancing urban productivity. The municipal bodies are already under considerable strain to cope up with the maintenance of existing services. The revenue base of these local bodies has been eroding consistently, while their responsibilities for augmenting existing services has been growing. NIUA in its recent study has estimated that the urban local bodies of India would require an investment in basic infrastructure and services of about Rs.30,000 crores over a period of next five years i.e. 1996 to 2001, if the deficiencies in the existing level of services are to be eliminated and all sections of urban population have to be provided an access to a modicum of core services according to norms proposed by the Zakaria Committee at 1994-95 prices.²

In addition, approximately Rs.49945 crores or Rs.8324 crores annually will be needed in order to operate and maintain there services at barest minimum level. The requirement of financial resources is thus substantial. On the supply side, however, the share of municipal sector in the total public expenditure of all levels of governments declined from 8 per cent in 1960-61 to 3.4 per cent in 1986-87³.

Obviously, the municipal authorities are undergoing serious fiscal stress. A large number of them are not in a position to pay even the salary to their staff for months together. A study conducted by NIUA⁴ in 1989 revealed that out of 157 of those surveyed, about 86 per cent were incurring per capita revenue expenditure which were below the per capita norm suggested by the Zakaria Committee for operations and maintenance of urban services. In the prevailing situation, a substantial proportion of total urban population is deprived of even the basic services like water, sanitation, street lighting and public health.

Such a grim financial situation of municipal authorities does not permit to further allow the shrinking of their fiscal base. Octroi contributes about 60 to 70% of the total tax revenues of the municipal authorities. Property Tax, another premier source of revenue, has lost all its

² NIUA; Norms & Standards for expenditures of Municipal Services, paper prepared for the State Finance Commissions Workshop at Mussorie, 1995.

³ NIUA; Upgrading Municipal Services: Norms & Financial Implication Vol.I, 1989.

⁴ Ibid.

buoyancy and elasticity due to a host of administrative and legal reasons. Abolition of Octroi thus has direct implications on municipal finances.

Though Octroi does not exist in many states, some of them have abolished it in recent years. The states of Punjab, Maharashtra, Gujarat, Orissa, Rajasthan, West Bengal and Manipur continue to levy Octroi whereas the states of Karnataka, Madhya Pradesh and Uttar Pradesh (U.P.), and Himachal Pradesh have abolished it. Five states, namely, Andhra Pradesh, Assam, Bihar, Kerala and Tamil Nadu never had Octroi at all. It is significant to note that the National Capital Territory of Delhi has recently abolished Terminal Tax which is a variation of Octroi levy. The list of Octroi and non octroi states is given in Table 1.1.

Table 1.1

Status of Octroi in States and Union Territories

S.No.	State and Union Territory	Octroi State	Non-Octroi State
1	Andhra Pradesh	-	Yes
2	Arunachal Pradesh	-	Yes
3	Assam	-	Yes
4	Bihar	-	Yes
5	Goa	-	Yes
6	Gujarat	Yes	-
7	Haryana	-	Yes
8	Himachal Pradesh	-	Yes
9	J & K	-	Yes
10	Karnataka	-	Yes
11	Kerala	-	Yes
12	Madhya Pradesh	-	Yes
13	Maharashtra	Yes	-
14	Manipur	Yes	-
15	Meghalaya	-	Yes

16	Mizoram	-	Yes
17	Nagaland	-	Yes
18	Orissa	Yes	-
19	Punjab	Yes	-
20	Rajasthan	Yes	-
21	Sikkam	-	Yes
22	Tamil Nadu	-	Yes
23	Tripura	-	Yes
24	Uttar Pardesh	-	Yes
25	West Bengal	-	Yes2]
Union Territories			
1	Andaman & Nicobar Islands	Yes	-
2	Chandigarh	-	Yes
3	Dadar & Nagar Haveli	-	Yes
4	Damab & Diu	Yes	-
5	Delhi ¹	-	Yes
6	Lakshadweep	-	Yes
7	Pondicherry	Yes	-

- Note: 1. Abolished in 1993.
2. Abolished in 1995.

With its adverse impact on goods transport, and consequently on costs and prices of inputs, one of the positive economic implications of octroi abolition is expected to be the substantial gain to transporters, traders and even manufacturers. These gains taken together are expected to have positive impact on the local urban economy and are supposed to be actualised through reduction in transport time, low cost of inputs, lower prices of goods and commodities for the consumers. However, no such gains have yet been documented for the states where Octroi has been abolished.

Objectives, Scope and Methodology

With a view to examine the economic and financial implications of octroi abolition, this report attempts to provide an assessment of the situation by addressing the following set of questions :

- What is the nature and efficacy of substitute of Octroi in the states where it has been abolished? Has it fully taken care of the loss of revenue including the built-in rate of growth in proceeds from Octroi when it was not abolished and does it favourably compare with the proceeds from Octroi in the Octroi states in terms of buoyancy?
- Has the abolition of octroi improved the efficient movement of goods and commodities in the states where it has been abolished and how does it compare with that of the Octroi states?
- Has the abolition of octroi any positive impact on the urban economy in terms of growth in trade and commerce and the price of consumption goods as compared to the octroi states?
- Is there any marked variation in the state of municipal finances in the octroi and non-octroi states in terms of per capita revenues and expenditures in real terms and the budgetary position of municipal authorities.

In an attempt to examine the issues set out above, states where octroi is abolished have been compared with the states where octroi is still prevalent. The following steps were involved in the selection of sampled states and collection of data from these states:-

- Six states, three each from amongst the octroi states and non-octroi states have been selected for the study purpose. Rajasthan, Gujarat and Maharashtra were selected under the category of octroi states, and the states of Madhya Pradesh, Karnataka and Uttar Pradesh were selected from the non-octroi group, as the states where octroi, once levied, has now been abolished.
- At the next stage, in each of the selected states, two cities (one, a major urban center and another an intermediary or secondary city with a population size of upto 5 lakhs, as per 1991 census) have been selected. The name, population, etc. of these selected urban centres are given in Table 1.2.

Table 1.2

Selected States and Sample Cities

Octroi States			Non-octroi States		
States	Cities	Population '91	State	Cities	Population '91
Maharashtra	Bombay(MC)	9925891	Madhya Pradesh	Bhopal(MC)	1062771
	Nasik (MC)	646896		Indore (MC)	1091674
Gujarat	Ahmedabad (MC)	2876710	Karnataka	Bangalore (MC)	2660088
	Jamnagar (MC)	341637		Mysore (MC)	480692
Rajasthan	Jaipur (MC)	1458483	Uttar Pradesh	Lucknow (MC)	1619115
	Alwar (MCL)	205086		Mathura (MB)	235922

Note: MC- Municipal Corporation; MB - Municipal Board; MCL - Municipal Council.

Source: Census of India 1991, Series-I, Paper 2 of 1992 Final Population Totals, Brief Analysis of Primary Census Abstract.

In order to collect the data from the sampled states/cities, five sets of data (information) sheets were prepared. These were :

- I. State level Information Sheet;
- II. Municipal Information Sheet;
- III. Wholesalers Information Sheet;
- IV. Manufacturer's Schedule; and
- V. Transporter's opinion survey

The data collection methods, tools and sources are given in Table 1.3.

In addition, a survey of transport vehicles was conducted in the selected urban centre from the sampled octroi states in order to assess the time taken by the vehicles at Octroi barriers. For this purpose, one of the busiest check posts in the sample city was selected. This survey was conducted at two points of time for a week. One, at the peak hours of vehicles movement and another at the lean hours of vehicles movement.

Table 1.3
Data Collection Tools and Sources

Tools	Level	Method	Agencies/Sources
I. State level information sheet	Selected state headquarter	Discussion and collection from the official records/documents	Directorate of Local Bodies Department of Urban Development Department of Finance and Sales Tax
II. Municipal information sheet	Sample city	Discussion and collection from the official records/documents	Municipal Body concerned District Indstry Office Department of Transport
III. Wholesalers information sheet	Sample City	Sample Survey	Interview of five wholesalers in each sample city, selected randomly
IV. Manufacturers Schedule	Sample City	Sample Survey	Interview of five manufacturers/industrialist in each sample city, selected randomly
V. Transporters opinion survey	Sample City	Sample Survey	Interview of five transporters in each sample city, selected randomly

It is important to mention that collection of data, especially from the wholesalers and manufacturers posed great difficulties. In most of the cases, the data on contribution of octroi to the prices of commodities could not be available with the wholesalers and manufacturers.

II

State of Municipal Finances in Octroi and Non Octroi States

As stated earlier, octroi is one of the most controversial levies in the Indian tax structure. The decision to abolish octroi yielding substantial revenue has far reaching repercussions not only on the finances of municipal bodies but also on the economy of the urban India in question. In this section of the study, we propose to analyse the resource structure of municipal bodies and significance of octroi in municipal finances. This would be useful in order to understand the effect and implications of abolition of octroi on the overall financial structure of municipal governments.

The following table showing the major components of revenue income of the municipal bodies serves as a useful starting point in this regard.

Table 2.1
Components of Municipal Income

Revenue Sources	Components
<u>Internal</u>	
a. Tax revenue	Property tax; octroi/entry tax and other taxes
b. Non tax revenue	User charges; fee & fines; rents & Prices from the municipal assets etc.
<u>External</u>	
a. Shared Taxes	Entertainment tax; motor vehicle tax, etc.
b. Grants	General purpose; specific purpose and in lieu of taxes such as octroi etc.

Besides above, municipal bodies are also empowered to raise loans from the recognised financial institutions with the approval of state governments for developmental projects. The

borrowings of corporations like Bombay, Madras, Calcutta are defined in their respective legislations. This study, is however, confined to the revenue aspects of municipal finances. The capital nature of financing which witnesses quite a substantial degree of variations from place to place, depending upon the geo-socio-economic and other regional/local disparities, have been excluded.

Pattern of Municipal Finances

The state level aggregates on municipal finances indicate that there appears to be no consistent pattern in fiscal health of municipalities in octroi and non-octroi states. Kerala, a non-octroi state, had deficit budget while Andhra Pradesh also a non-octroi state, had surplus budget in the fiscal year 1986-87. The picture of octroi states is in no way different from that of non-octroi states. For example, Uttar Pradesh (U.P.) and Maharashtra, the two major octroi states⁵, had deficit and surplus respectively in 1986-87. Karnataka, an entry tax state, shows a deficit whereas Madhya Pradesh where octroi has been abolished long back also shows deficit in the year in reference (Table 2.2).

The picture is similarly mixed in the case of sample municipal bodies for this study. Whereas Nasik Municipality of Octroi State - Maharashtra, has recorded deficit budget in 1991-92, Mathura Municipal Corporation of non-octroi state of Uttar Pradesh has recorded a surplus budget in the reference year. Even within the Octroi States, some municipal bodies have shown surplus balances in their revenue account while others have deficits (Table 2.3)

The budgetary balance or surplus on the revenue account should not be treated as an indicator of good financial health of municipal bodies. It may be mentioned that under various state Municipal Acts, municipal bodies are legally barred from preparing deficit budgets. For example, the Karnataka Municipal Act, 1964, states that the municipal council shall "allow for a balance at the end of the said year of not less than such sums as may be required to meet the establishment charges for a period of 3 months". The marginal surplus balance in the budget of the municipal bodies both in octroi and non-octroi states is, therefore, illusory as it is maintained only to satisfy the statutory provisions only. Moreover, the budgetary surplus is also due to inability of the municipal bodies to spend the realised funds.

⁵ Prior to abolition of octroi in U.P. in 1990.

Table 2.2
Income - Expenditure Differential in Octroi and
Non-Octroi States, 1986-87

(Rs. in lakhs)

States	Revenue Income	Revenue Expenditure	Income-Expenditure Differential	
			Amount	% to Income
<u>Octroi States</u>				
Gujarat	7509.48	7218.32	291.16	3.88
Maharashtra	19140.40	16772.96	2367.45	12.37
Manipur	11.44	-	11.44	100.00
Orissa	1765.66	1494.50	271.16	15.36
Punjab	5444.98	4865.74	579.24	10.64
Rajasthan	2430.13	2130.06	300.07	12.35
West Bengal	514.77	354.69	160.08	31.10
Uttar Pradesh	53336.53	5839.56	503.03	9.42
<u>Non-Octroi States</u>				
Andhra Pradesh	6740.84	5851.93	888.91	13.19
Assam	61.34	84.47	-23.13	-37.71
Bihar	123.60	215.60	-91.70	-74.01
Haryana	1258.77	1095.93	162.84	12.94
Himachal Pradesh	368.34	320.75	47.59	12.92
Jammu & Kashmir	1059.91	663.83	396.08	37.37
Karnataka	4215.26	4823.31	608.05	14.42
Kerala	1306.56	1709.92	-403.36	-30.87
Madhya Pradesh	1345.91	1753.86	-407.95	-30.3

Source: NIUA, Upgrading Municipal Services, Norms and Financial Implications, 1989.

Table 2.3
Income-Expenditure Differential of Selected Cities in
Octroi/Non-Octroi States (Sampled Municipal Bodies), 1991-92
(Rs. in lakhs)

States/cities	Revenue income	Revenue expenditure	Income-expenditure differential	
			Amount	% to income
Octroi States:				
<u>Gujarat</u>				
Ahmedabad	17747.84	17485.13	262.71	1.48
Jamnagar	1401.87	1158.65	243.22	17.35
<u>Maharashtra</u>				
Bombay	73704.39	70483.09	3221.30	4.37
Nasik	5253.31	7064.11	-1810.80	-34.47
<u>Rajasthan</u>				
Jaipur	3214.55	3275.06	-60.51	-1.88
Alwar	237.95	205.59	32.36	13.60
Non-Octroi States:				
<u>Karnataka</u>				
Bangalore	11984.05	9002.96	2981.09	24.87
Mysore	1617.61	1490.55	127.06	7.85
<u>Madhya Pradesh</u>				
Bhopal	1892.05	1704.60	187.45	9.90
Indore	2665.03	2797.82	-132.79	-4.98
<u>Uttar Pradesh</u>				
Lucknow	1979.04	1943.22	35.82	1.81
Mathura	289.17	281.43	7.74	2.68

Source :NIUA Survey, 1993-94

Significance of Octroi

Octroi plays a vital role in the municipal tax structure. With a view to examine its importance in municipal finances, a comparison of non-octroi and octroi states has been made in terms of levels of tax structure in the states.

Data presented in Table 2.4 show that the proportionate share of tax income is higher in the selected cities of octroi states as compared to the cities of non-octroi states. In octroi states, more than 70 per cent of the total revenue has accrued from municipal taxation in the fiscal year 1991-92. In non octroi states, however, the contribution from tax sources was in the range of 18-40 per cent of the total municipal revenues during the said period. Among the non-octroi states, proportionate share of tax income in the total municipal revenues is highest in Karnataka, (43-45%), followed by U.P. (28-35%), lowest in Madhya Pradesh (18-33%).

Table 2.4
Compositon of Municipal Revenue, 1991-92

States/Cities	Total revenue income (Rs. in lakhs)	% share to total			
		Tax	Non Tax	Grants	Grants in lieu of octroi
Octroi states					
<u>Gujarat</u>					
Ahmedabad	17747.84	76.55	5.26	14.37	-
Jamnagar	1401.87	79.31	9.31	8.69	-
<u>Maharashtra</u>					
Bombay	73704.39	76.79	14.23	4.25	-
Nasik	5253.31	74.51	9.66	9.58	-
<u>Rajasthan</u>					
Jaipur	3214.55	71.81	20.76	7.42	-
Alwar	237.95	74.57	14.04	11.38	-
Non-Octroi states					
<u>Karnataka</u>					
Bangalore	11984.05	44.94	10.20	6.20	28.07
Mysore	1617.61	43.23	0.75	1.99	19.79
<u>Madhya Pradesh</u>					
Bhopal	1892.05	18.01	23.49	12.65	45.85
Indore	2665.03	32.76	6.04	8.64	52.56
<u>Uttar Pradesh</u>					
Lucknow	1979.04	34.70	13.22	12.98	39.10
Mathura	289.17	28.02	8.69	30.66	32.64

Source: NIUA Survey, 1994.

Whereas taxes continue to be the largest single source of municipal revenue of the municipal bodies of octroi states, in case of non-octroi states, the proportionate share of taxes in the total municipal revenues is generally on the decline, and state transfers are the major source of income for these municipal governments.

Table 2.5
Trends in Municipal Taxes in Octroi/Non-octroi
states (% share to total revenue)

Cities	States	% share of tax revenue to total revenue		Increase(+)/Decrease(-)
		1989-90	1991-92	
Octroi				
Ahmedabad	Gujarat	76.30	76.55	+0.3
Jamnagar	Gujarat	68.40	79.31	+16.0
Bombay	Maharashtra	77.67	76.79	+0.20
Nasik	Maharashtra	71.05	74.51	+4.9
Jaipur	Rajasthan	67.93	71.81	+5.7
Alwar	Rajasthan	75.54	74.57	+0.03
Non-Octroi				
Bangalore	Karnataka	38.72	44.94	+16.0
Mysore	Karnataka	44.36	43.23	-2.5
Bhopal	Madhya Pradesh	21.78	18.01	-71.3
Indore	Madhya Pradesh	36.66	32.76	-10.6
Lucknow	Uttar Pradesh	76.47	34.70	-54.6
Mathura	Uttar Pradesh	65.17	28.02	-57.0

Source : NIUA Survey, 1993-94.

It is seen from Table 2.5 that, with the exception of Bangalore, in all the other non-octroi municipal bodies, the share of tax revenues in the total municipal income has declined. The decline is ranges from as high as 57 per cent in Mathura. In Bangalore, tax income has gone up by 16 per cent, from 38.7 per cent in 1989-90 to approximately 45 per cent in 1991-92. This is mainly because of increase both in terms of proportionate share as well as in absolute collection from 'other taxes' sources in the corporation. In Bangalore, the share of 'other taxes' in the total municipal revenue has gone up from roughly 11 per cent in 1989-90 to more than 18 per cent in 1991-92. In absolute terms, it has increased from Rs.939 lakh to Rs.2165 lakhs during the reference years, recording an increase of over 130 per cent within a period of 3 years.

'Other taxes' include income from advertisement tax, entertainment tax, surcharge on stamp duty, etc. However, the detailed break-up of this sector is not available to analyse it further.

In the above analysis the situation of municipal taxation is depicted only after abolition of octroi in the sample cities. The analysis of pre and post octroi abolition period of these municipal bodies is important in order to examine the impact of octroi abolition on municipal tax income. It can be seen from the Annex Table IV that in all the existing (sample) non-octroi states i.e. Karnataka, M.P. and U.P., the proportionate share of tax income has declined substantially after abolition of octroi in these states. In fact, among the various municipal taxes, octroi and property taxes are the most important ones. Table shows that prior to abolition of octroi, the municipal bodies of Karnataka and U.P., were receiving 25-50 per cent of their total tax income from octroi alone. In case of M.P., this share was significantly high as the municipal bodies of this state, were receiving anywhere between 58-70% of their total tax income from octroi levy before its abolition. After abolition of octroi in these states, however, property taxes become the main source of income for these municipal bodies. Analysis of data given in Annex Table VI and Table 2.6 show that after abolition of octroi in all the six sample municipal bodies, property tax ratio in the total tax revenue has gone up substantially as compared to pre-abolition days, and now the property tax is the major source of income in non-octroi states as compared to octroi states where the income from this source is 9-20 per cent of the total tax revenue (Table 2.6).

Table 2.6
Proportionate Share of Property Taxes in Octroi/Non-Octroi
Municipal Bodies - Before and after Octroi Abolition

Cities	% Property tax to total tax revenues	
	1989-90	1991-92
Octroi States		
Ahmedabad	20.52	18.96
Jamnagar	9.14	15.30
Bombay	14.72	13.12
Nasik	8.49	8.53
Jaipur	8.82	10.79
Alwar	10.09	8.52
Non-Octroi States	BOA*	AOA**
Bangalore	24.30	59.80
Mysore	20.54	39.57
Bhopal	6.78	78.93
Indore	2.84	52.91
Lucknow	29.26	92.84
Mathura	6.61	17.32

Note:* BOA - Before Octroi Abolition

** AOA - After Octroi Abolition

Source: NIUA Survey 1993-94

Trends in Octroi Income

It is evident from the preceding analysis that octroi is the most important source of income for the municipal bodies in India. Despite the fact that it is viewed as an inherently bad tax and that a policy decision to abolish it has been taken by the Government of India., its overall position in the municipal incomes remains almost dominant and unchanged over the period of time (Table 2.7)

Table 2.7
% Share of Octroi in Total Municipal Revenues
in the Selected Municipal Bodies

Year	Ahmedabad	Bombay	Jaipur
1987-88	55.17	63.47	58.75
1989-90	54.13	62.41	61.93
1990-91	53.83	62.19	58.27
1991-92	56.35	63.17	64.06

Source : NIUA Survey, 1993-94

For instance, the proportion of octroi in the total municipal revenues of Jaipur Municipal Corporation has gone up from approximately 59 per cent in 1987-88 to more than 64 per cent in 1991-92. In Bombay and Ahmedabad, the proportionate share of octroi with the total municipal receipts remains over 50 per cent during the last three years of study. It may be mentioned that its proportion with the total tax income also remains unchanged over the period of time, confirming the elastic character of octroi and its significance in the overall municipal tax resources.

In absolute terms, on an average, the receipts from octroi levy among the sampled municipal bodies has gone up from roughly Rs.8239 lakhs in 1987-88 to more than Rs.10466 lakhs in 1991-92, making an average growth of 17.49 per cent per annum. Among the sample cities, Jaipur has recorded the highest growth in income from octroi (44.73%), followed by Jamnagar (19.31%), Nasik (17.81%), Ahmedabad (16.80%) and Bombay (16.23%) (Table 2.8). It may be mentioned that income from this source of revenue depends on a number of factors such as growth in trade and commerce, rate of octroi levy, consumption of goods, communication network tax collection efficiency, etc.

Table 2.8

Proceeds from Octroi in the Selected Cities of Octroi States

(Rs. in lakhs)

Year/ Cities	Octroi Receipts						All	Average
	Ahmedabad	Jam-nagar	Bombay	Nasik	Jaipur	Alwar		
1987-88	5374.21	301.19	25512.8	1766.01	-	-	32954.21	8238.55
1988-89	5755.66	402.77	29755.91	2473.43	-	-	38387.77	9596.94
1989-90	7339.53	489.32	35159.12	2371.55	983.14	126.15	46468.81	7744.80
1990-91	8002.3	550.55	40563.03	3028.35	1244.07	138.54	53526.84	8921.14
1991-92	10000.57	610.24	46561.82	3401.51	2059.39	162.34	62795.87	10465.98
ACGR	16.80	19.31	16.23	17.81	44.73	13.44	17.49	17.49
RANK	4	2	5	3	1	6	2	3

Source: NIUA Survey, 1993-94.

As octroi has been a productive local fiscal instrument, it plays an important role in the total municipal revenue vis-a-vis the property tax. Table 2.9 show that the revenue receipts from octroi is found to be quite elastic to the total municipal revenues in most of the cities in reference. It is highest in Nasik (1.20), followed by Ahmedabad (1.17) and Jaipur (1.07). It can also be seen from the Table that with the exception of Jamnagar and Jaipur, in all the other cities, the elasticity level of property taxes is lower than the growth in octroi incomes. In Ahmedabad, Bombay and Alwar property taxes found to be inelastic to total municipal revenues during the study period 1989-90 to 1991-92 Table 2.9.

It is important to note that a similar situation obtains in Bangalore, Bhopal and Lucknow Municipal Corporations where octroi is abolished. Till it was abolished, the revenue from property tax was not elastic to total municipal revenues (Table 2.10). Thus the above analysis suggests that in the presence of octroi, property tax played a subdued role in a majority of municipal bodies in India. Although after abolition of octroi, property tax constitutes the main source of revenue, its productivity has always been disputed. Rampant tax evasion, under estimation of the property, inefficient and unqualified staff are some of the glaring weakness of the property tax.

Table 2.9
Growth in Total Municipal Incomes, Octroi and Property
Tax in Sampled Municipal Bodies (Octroi Cities)

(Rs.in lakhs)

Octroi cities	Total receipts		Property tax		Octroi		Growth (%)		
	1989-90	1991-92	1989-90	1991-92	1989-90	1991-92	Total	Property tax	Octroi
Ahmedabad	13545.34	17747.84	2779.67	3364.51	7339.53	10000.57	31.03	21.04 (0.68)	36.26 (1.17)
Jamnagar	1139.22	1401.87	104.16	214.53	489.32	610.24	23.06	105.96 (4.59)	24.71 (1.07)
Bombay	56333.82	73704.39	8294.23	9667.56	35159.12	46561.82	30.84	16.56 (0.54)	32.43 (1.05)
Nasik	3856.54	5253.31	327.27	448.05	2371.55	3401.51	36.22	36.91 (1.02)	43.43 (1.20)
Jaipur	1587.43	3214.55	95.11	249.13	983.14	2059.39	102.50	161.94 (1.58)	109.47 (1.07)
Alwar	185.74	237.95	14.16	15.11	126.15	162.34	28.11	6.71 (0.24)	28.69 (1.02)

Figures in bracket refer to elasticity

Source: NIUA Survey, 1993-94.

The above analysis based on the absolute figures does not, however, give a real picture of the present status and trends in octroi revenue unless the implications of population growth and inflation on municipal revenues are taken into consideration. An attempt has been made to do so in the following paragraphs.

The analysis of municipal incomes in per capita terms lends support to the earlier statement that octroi plays a dominant role in municipal finance. This is obvious from the level of per capita incomes and its growth in octroi cities as compared to those municipal bodies which do not have octroi (Table 2.11). On an average, the aggregate per capita income in octroi cities are almost twice than the non-octroi cities. Although at constant prices, the per capita municipal revenue in both types of municipal bodies has gone down in 1991-92 fiscal year as compared to base year of 1989-90, the decline is substantial in non-octroi cities (8.2%) as compared to octroi cities (2.8%) thus showing the significance of octroi in municipal finances.

Table 2.10
Growth in Total Municipal Incomes, Octroi and Property
Taxes in Sampled Municipal Bodies of Non Octroi States (Before Octroi abolition)
(at Constant Prices)

Non octroi cities	Receipts (lakhs Rs.)			Growth (%)		
	Total	Property tax	Octroi	Total	Property tax	Octroi
Bangalore						
1974-75	1273.95	282.78	444.65	-	-	-
1978-79	2414.59	414.95	1053.13	89.09	46.73 (0.52)	136.84 (1.53)
Bhopal						
1973-74	148.68	9.06	94.80	-	-	-
1975-76	236.44	12.20	155.65	59.16	34.65 (0.58)	64.18 (1.08)
Lucknow						
1987-88	1137.98	233.93	557.48	-	-	-
1990-91	1549.01	276.46	776.72	36.12	18.18 (0.50)	39.33 (1.09)

Figures in brackets refer to elasticity

Source: NIUA Survey, 1993-94.

Octroi vis-a-vis Compensation Grant:

An analysis of growth in compensation grant in lieu of octroi and actual receipts from octroi in the selected municipal bodies show that average growth rate in compensation grant is higher than the growth in actual proceeds from octroi. It can be seen from the Table 2.11 that as against the average growth rate of 18.39 per cent per annum in compensation grants in non-octroi cities, the rate of growth in actual proceeds from octroi is 16.25 per cent. However, individual variations are noticed in both the cases. For instance, Jaipur, an octroi city performed better in terms of growth rate than any of the non-octroi cities in reference. Whereas, Jamnagar - another octroi city has the lowest growth rate in this regard among all the sample cities undertaken for the study.

Although compensation received in lieu of octroi grew faster (average) than the actual growth in octroi during the reference years 1989-90 and 1991-92, in terms of magnitude and per capita values, the performance of octroi is better as compared to compensation grants. Indicators such as proportionate share in the total income and per capita income on current and constant prices are used to assess the performance of octroi receipts vis-a-vis compensation grants in the selected municipal bodies. Results pertaining to these indicators are presented in Table 2.11

Table 2.11

Trends in Income in Octroi and Non-Octroi Cities

Cities	1989-90				1991-92							
	Actual receipts from octroi/substitute (Rs. in lakh)	%share of octroi/substitutes in total income	Per capita income (total) (Rs.)	Per capita income from octroi/substitute (Rs.)	Actual receipt from octroi/substitutes (Rs. in lakhs)	ACGR(%) 1989-90 to 1991-92	%share of octroi substitutes in total income	Per capita income (total) Rs.		Per capita income from octroi/substitute (Rs.)		
			Current	Current				Current	Constant	Current	Constant	
Octroi Cities												
Ahmedabad	7339.53	54.18	503.41	272.77	10000.57	16.73	56.35	616.95	488.84	347.64	275.45	
Jamnagar	489.32	42.95	347.59	149.30	610.24	11.67	43.53	410.34	325.13	178.62	141.53	
Bombay	35159.12	62.41	589.02	367.62	46561.82	15.08	63.17	715.47	566.90	451.99	358.13	
Nasik	2371.55	61.49	652.45	401.22	3401.51	19.76	64.75	742.02	587.94	480.46	380.69	
Jaipur	983.14	61.93	113.29	70.16	2059.39	44.73	61.06	211.75	167.78	135.66	107.49	
Alwar	126.15	67.92	93.71	63.65	162.34	13.74	68.22	112.13	88.85	76.50	60.62	
Average	7744.80	60.53	518.84	316.42	10465.98	16.25	61.74	636.42	504.27	379.58	300.76	
Non-Octroi Cities												
Bangalore	2657.52	29.94	336.08	100.62	3363.42	12.50	28.07	447.30	354.42	125.54	99.47	
Mysore	252.92	21.12	251.22	53.06	320.10	12.50	19.79	333.69	264.40	66.03	52.32	
Bhopal	451.14	40.92	108.62	44.45	867.58	38.68	45.85	170.00	134.72	77.96	61.18	
Indore	884.85	54.27	153.52	83.31	1400.70	25.82	52.56	237.50	188.19	124.83	98.90	
Average	1061.61	33.16	246.52	81.74	1487.95	18.39	32.78	336.34	266.50	110.26	87.36	

Source: NIUA Survey, 1993-94.

Per capita analysis of octroi receipts vis-a-vis compensation grants in lieu of octroi show that average per capita incomes from octroi levy in the sample octroi municipal bodies is almost three times higher than the receipts from higher governments in the form of compensatory grants in the non-octroi municipal bodies. Whereas per capita receipts from octroi in the sampled municipal bodies of octroi states was Rs.379.58 in 1991-92, it was only Rs. 110.26 in non-octroi states during the same year. In terms of actual receipts on an average, compensation grants account for roughly 13-15 per cent of the proceeds from actual octroi levy.

Thus, it appears that abolition of octroi has led to huge losses to the municipal governments, and compensation by the State Governments in lieu of this tax is in no way substitute of octroi. The Jyoti Basu Committee on octroi has suggested that unless alternative sources of revenue are made available to the local bodies, the abolition of octroi will lead to

losses to State Governments.⁶ This Committee established, following the nation wide strike of truck operators in 1993, felt that octroi essential for local administration to meet increasing demands for basic facilities and services. Conceding that truckers were put to difficulties in the course of levying octroi, it said, that it was necessary to streamline the collection system. The other observations of the committee were:-

- The committee said truckers were put to harassment by those at the collection centres and therefore, felt the system followed by the Calcutta Corporation could be pursued under which payment would be made by those sending the goods and not by the transport.
- The committee stated that states were earning a revenue of almost Rs.2,000 crore from the levy of octroi and it was not possible for them to forego it unless a similar grant was given by the centre. It quoted the example of Bombay Municipal Corporation which was earning a revenue of about Rs.1,000 crore from octroi alone annually. Unless the revenue loss was adequately compensated, it was not possible to abolish octroi.
- Another factor which irked the state governments was that truckers had gone on strike only to protest against levies imposed by them and not by the centre. The committee felt it was a constitutional right of state governments getting the levy of octroi.
- The committee conceded there was corruption in the method on collection of octroi but said this would be removed through strict measures by the state governments.
- The committee felt that goods carriers could be checked at one point to see that nothing other than what was declared by the transporters was in the truck.

The octroi collection system could be improved through procedural and administrative reforms, and if necessary, privatization of octroi collection. Many state government have taken a policy decision to invite private parties for octroi collection in order to improve the finances of local bodies and efficiency in the collection system. In Rajasthan, for example, a decision has been taken at the state government level, to handover octroi collection to private agencies. The government decision does not, however, bind all the municipal bodies to switch over to the private contract system. Among the municipal corporation cities of Kota, Jodhpur and Jaipur, Jaipur has not accepted the scheme as yet. According to Directorate of local bodies, Rajasthan, out of 181 municipal governments, 35 have already accepted the scheme, and others are in the process of inviting quotations. The official sources pointed out that the collection for each municipal governments, may be increased at least two to three times through such system. For instance, the Bikaner Municipal Council, which was the first one to switch over to the private contract system, the bid amount was quoted for Rs.12 crores, which was three times higher than the collection of octroi by the municipality. It may be mentioned that there will be no change

⁶ Octroi abolition will hit states: Basu Panel, The Hindu, Monday, July 11, 1994.

in the rate of octroi during the period of contract. However, the exemptions announced by the government from time to time will be applicable to the private agencies concerned.

Regarding octroi staff, state officials printed out that as per the draft terms of reference, the private operators will retain 30 per cent of the existing municipal staff for the same duty whereas the remaining 70 per cent will be redeployed for the municipal works. Thus there will be no retrenchment in this system.

Although, privatization of octroi collection has many advantages, it should be handled cautiously. According to recent press report after privatization of octroi collection in Rajasthan, the state government has started receiving complaints of harassment by contractors and other associated with the contract in various parts of the state. Thus strict vigil and monitoring is needed in this arrangement by the official agency concerned in order to avoid the above situation.

Financial Dependence on Higher Levels of Government:

Presence or absence of Octroi is supposed to have perceptible impact on the resource structure of municipal bodies in different ways. The financial dependence of municipal governments on state governments is expected to be higher in non-octroi states as compared to the octroi states. To examine this hypothesis, an analysis of revenue composition in the selected municipal bodies of octroi and non-octroi states has been attempted here.

It can be seen from Table 2.12 that state transfers are more important than taxes in the non-octroi cities. In case of octroi cities, however, dependence on higher levels of government is not much. In non-octroi cities, on an average, more than 40 per cent of the municipal revenues accrues from state transfers and roughly 34 per cent from tax sources. Income from non-tax sources comes last in order (10.41%). In octroi cities, however, a significant proportion of income, more than 75 per cent, has been derived from municipal taxation alone. The share of state transfers in this case is only 7 per cent. A very large proportion of transfers from the higher levels of government, in a way, tells upon the autonomy of the municipal bodies and also the way they try to plan their finance. Abolition of octroi thus has increased the dependence of municipal bodies on state for financing critical urban services.

Table 2.12
Dependence on Higher Governments - An Analysis of
Octroi and Non-Octroi Cities, 1991-92

Cities	Total Revenues (lakhs Rs.)	% share		
		Taxes	Non tax	States transfer (revenue grants/in lieu of octroi)
Octroi states				
Ahmedabad	17747.84	76.55	5.26	14.37
Jamnagar	1401.87	79.31	9.31	8.69
Bombay	73704.39	76.79	14.23	4.25
Nasik	5253.31	74.51	9.66	9.58
Jaipur	3214.55	71.81	20.76	7.42
Alwar	237.95	74.57	14.04	11.38
All	101559.91	76.66	12.56	6.82
Non octroi states				
Bangalore	11984.05*	44.94	10.20	34.27
Mysore	1617.61*	43.23	0.75	21.78
Bhopal	1892.05	18.01	23.49	58.50
Indore	2665.03	32.76	6.04	61.20
Lucknow	1979.04	34.70	13.22	52.08
Mathura	289.17	28.02	18.69	63.30
Total	20426.95	33.61	10.41	63.30

* including 'others' in Bangalore & Mysore.

Source: NIUA Survey, 1993-94.

III

An Assessment of Octroi and its Substitute in Six States

Octroi is a levy on the goods and services which are meant for local use, sale and consumption. The realisation of this is carried out through a system of check posts (barriers/nakkas) at the point of entry into the municipal limits. The states derive the authority to impose this levy under List II of Schedule VII (item No.52) of the Constitution of India. However, goods exempted from the levy of octroi and rates of octroi levy vary significantly from one state to another and within a state from one municipality to another municipality. The procedure to levy and collection of octroi in some of the municipal bodies is given in Appendix I. This is based on the observations made by the NIUA researchers during their recent visit to the selected cities.

With regard to exemptions, some commodities are exempted from octroi tax in one state or the other, through state government notification. For example, in Rajasthan goods related to atomic energy department, goods imported by Information Ministry of Rajasthan government, printed newspapers, wheat imported for sale through fair price shops, handloom cloth, goods imported by Red Cross society, family planning clinics, etc., have been exempted from octroi through Government of Rajasthan notifications issued at different points of time. Besides above, some of the goods are allowed tax free entry in many of the municipal bodies of different octroi states. Usually, bonafide personal luggage subject to a ceiling; articles imported through post office; bonafide property of Central/State Governments or the municipality; books, newspapers and other reading materials; the luggage of circus, theater companies or travelling exhibition; raw materials required for in the production of goods produced by khadi and village industries; old household goods sent out for repairs; goods imported by organisations for providing relief affected by natural calamities or goods imported for free distribution by non-profit organisation; etc., are exempted from octroi duty.

It is important to mention that lack of uniformity among the municipal bodies of octroi states is observed not so much in the matter of commodities exempted, as in the rates of tax charged on different commodities. Such variations could cause substantial differences in the yield from octroi, leading to distortions in the flow of resources into different jurisdiction and their mis-allocation.

Table 3.1

Proceeds from Octroi, 1991-92

Octroi Cities	Total receipts from octroi (lakh Rs.)	% Octroi to total tax revenue	Per capita octroi receipts (Rs.)
Ahmedabad	10000.57	73.61	347.64
Jamnagar	610.24	54.88	97.61
Bombay	46561.82	82.26	451.99
Nasik	3401.51	86.91	480.46
Jaipur	2059.39	89.21	135.66
Alwar	162.34	91.48	76.50

Source: NIUA Survey, 1993-94.

Data given in Table 3.1 shows that per capita receipts from octroi vary significantly from one municipality to another, ranging from as high as Rs.480 per capita revenue generation from octroi levy in Nasik Municipality of Maharashtra State to as low as Rs.77 per capita in case of Alwar Municipality of Rajasthan State. Although it is not possible within the span of this study to analyse, in detail, the rate differences among all six municipal bodies. However, a picture of the extent of differences in the prevailing tax rates on some of the important commodities in the selected cities is presented in Table 3.2 and Annex XII.

Table 3.2
Octroi Rates (average) of Selected Commodities
in the Sample Municipalities

(in Rs.)

Selected Commodity	Unit	Bombay	Nasik	Ahmedabad	Jamnagar	Jaipur	Alwar
Rice	Kg.	0.15	0.025	0.12	0.05	-	0.01
Desi Ghee	Kg.	2.00	-	-	1.80	0.22	0.05
Dal Channa	Kg.	0.23	0.25	0.36	0.32	-	-
Cooking Oil	Kg.	1.95	1.88	0.18	0.21	0.10	0.07

Source: NIUA Survey, 1993-94.

It can be observed from the above Table that not only the rates of tax differ among the municipal bodies of various states but the character of the levy itself is different in many cases. For example, in Rajasthan State, the same commodity is subject to an advalorem tax in some municipalities whereas in others, it suffers a specific levy (Annex.XII) It seems that in determining the character of the tax, simplicity and ease of administration have been the prime consideration rather to consider it on the basis of economic rationality. Thus the rates have been fixed for tractors and parts, electric and electronic items in terms of rupees per quintal even in the biggest municipality of the state i.e. Jaipur.

Inter and intra state variations in the exemptions as well as in the structure of rates do not seem to be guided by the consideration of equity. This is perhaps due to the limited role, the lower levels of government can play achieving equity in a federal set up. It is well recognised in theory that equity is an objective that should be pursued primarily by the Central Government; the pursuit of this objective by lower levels of government such as municipality could be self-defeating due to the possibilities of migration of richer individual from places where rates are higher. Differences in the list of commodities exempted, character and structure of rates have contributed to the existence of the differentials in receipts from octroi as a proportion of total tax revenues among the different municipal bodies. The extent of dependence on inputs from outside municipal jurisdictions, the nature of commodities imported, financial health of municipal bodies, administrative efficiency, socio-economic profile of the urban centre concerned, etc. are seem to be the chief reasons for above variations.

Components of Octroi

There are variety of articles and commodities which are subject to levy octroi in a municipality or a corporation. These articles could be grouped into following 10 categories :

- I. Articles of food & drink;
- II. Animals;
- III. Articles used for fuel, lighting, washing and industrial use;
- IV. Articles used in construction, wood/cane goods, etc;
- V. Chemical fertilizers, perfumes, toilet requisition, dying material, etc;
- VI. Cosmetics and other commodities for general use;
- VII. Tobacco requisites;
- VIII. All types of readymade garments/cloths, thread and leather, etc;
- IX. Metals and articles made of metal; and
- X. Other miscellaneous goods.

It is important to note that with the exception of two categories of articles viz; (i) cosmetics and other commodities of general use, and (ii) metals and metal made articles; where some weightage (5%) has been given on the value of items while calculating octroi on them; in all the other categories of articles, octroi is being charged on the basis of their weights. Even the high value electric goods and electronic items are being charged on the basis of their weights in many octroi states including Rajasthan. Thus the municipal bodies are losing sizeable amount of revenue due to absence of advalorem system for determination of octroi levy on goods and commodities, especially on high value item like video, Television sets, etc.

Table 3.3
Componentwise Collection of Octroi during 1993-94 in Jaipur City

Group of commodities	Basis to levy octroi			Percent share to group total	Total amount of octroi collected (Rs. in lakhs)	Percentage to grand total
	Per Piece	5% of Value	95% of Weight			
I. Articles of food & drink						
i. All kind of grains cereals	-	-	#	30	89.96	2.74
ii. Oil seeds & oil	-	-	#	30	59.97	1.83
iii. Butter & Ghee	-	-	#	30	89.96	2.74
iv. Dry fruit, Soft Drinks Liquers	-	-	#	20	59.97	1.82
Sub total				100	299.86	9.13
II. Animals						
i. Goats	#	-	-	80	16.95	0.52
ii. Cow, Bull, Camel, etc.	#	-	-	20	4.24	0.13
Sub total				100	21.19	0.65
III. Articles used for Fuel, lighting, washing, indus. etc.						
i. Coak Coal, Fire wood	-	-	#	5	53.78	1.64
ii. Electric goods	-	-	#	25	268.85	8.19
iii. LPG Petrol, Diseal, Kerosine	-	-	#	60	645.25	19.66
iv. Electronic item etc.	-	-	#	10	107.55	3.27
Sub total				100	1075.43	32.76

IV. Articles used in construction, Wood/Cane goods, ivory and glasses etc.						
i. Plywood						
ii. Cement, Stone						
iii. Glass Sheet	-	-	#	30	8.53	0.26
iv. Ivory goods etc.	-	-	#	40	11.37	0.35
Sub total	-	-	#	15	4.27	0.13
	-	-	#	15	4.27	0.13
				100	28.44	0.87
V. Chemical fertilizers Perfumes, toilet requisites dying material etc.						
i. All kinds of Chemical						
ii. Fertilizers						
iii. Perfumes, Soaps	-	-	#	30	11.81	0.36
iv. Washing powder, Colour, etc.	-	-	#	35	13.77	0.42
Sub total	-	-	#	10	3.94	0.12
	-	-	#	25	9.83	0.30
				100	39.35	1.20
VI. Cosmetics and other commodities for general consumptions						
i. Poods, General merchants goods						
ii. Cosmetics etc.	-	#	#	70	82.58	2.52
Sub total	-	#	#	30	35.39	1.07
				100	117.97	3.59
VII. Tobacco Requisites						
i. Beedi						
ii. Ciggrattes	-	-	#	40	35.19	1.08
iii. Cigar, Chewing	-	-	#	30	26.40	0.80
Tabacco etc.	-	-	#	30	26.40	0.80
Sub total				100	87.99	2.68

VIII. All types of ready made garments and cloths, thread and leather etc.						
i. All kinds of Woolen						
ii. Cotton, Synthetic cloths	-	-	#	20	59.14	1.81
iii. Ready-made garments	-	-	#	40	118.23	3.60
iv. Threads & leathers & leather goods, etc.	-	-	#	30	88.71	2.70
Sub total	-	-	#	10	29.57	0.90
				100	295.65	9.01
IX. Metals and articles made of metal						
i. All kind of utensils						
ii. Jewellery	-	#	#	15	178.64	5.45
iii. Machinery						
iv. Iron, Bran, Copper,	-	#	#	5	59.54	1.81
Gold, Silver,	-	#	#	40	476.39	14.51
Stainless Steel, other steel, Raw materials	-	#	#	40	476.39	
Sub total						
				100	1190.96	36.28
X. Miscellaneous Photo goods, optical good, surgical goods, watches, atishbaji, Armm, Armyfire, All kinds of stationery, Bhang, Musical instruments, sports articles etc.						
Sub total					125.91	3.83
Grand total					3282.75	

Refers to 'YES'.

Source: NIUA Survey, 1994-95.

Cost of Collection :

It is generally argued that octroi has a high cost of collection in relation to its yield. An examination of cost of collection of octroi in the selected municipal bodies, however, does not supported the above statement. The cost of collection as a proportion of octroi receipts, as well as average cost of collection of octroi from 1987-88 to 1991-92 fiscal years in each of the selected municipal bodies is presented in Table 3.4.

Table 3.4
Average Cost of Collection of Octroi in the
Selected Municipal Bodies

Cities	Cost of collection as percentage of octroi receipts		Average cost of collection (from 1987-88 to 1991-92)		% to expenditure on establishment & coll. of revenue
	1987-88	1991-92	Amount (Rs. in lakh)	% to total revenue expenditure*	
Ahmedabad	2.50	3.08	220.94	1.59	3.93
Jamnagar	3.86	3.38	16.14	1.73	3.33
Bombay	1.73	1.91	664.68	1.21	3.30
Nasik	2.76	2.58	68.27	1.35	n.a.
Jaipur	n.a.	n.a.	n.a.	n.a.	n.a.
Alwar	n.a.	n.a.	n.a.	n.a.	n.a.

Note:n.a.- Not available.

* - the amount worked out on the basis of average cost of collection to total revenue expenditure.

Source: NIUA Survey, 1993-94.

The Table suggests the following :

- The cost of octroi collection in relation to the revenue collected is quite low. In sample municipal bodies of Ahmedabad, Jamnagar, Bombay and Nasik, it was in the range of 1.91% to 3.38% during 1991-92;
- No significant change is noticed between 1987-88 and 1991-92 in the above municipal bodies in their of cost of collection of octroi levy.

- The cost of collection in the municipalities of Gujarat State is significantly low as compared to the municipal bodies of Maharashtra State; and
- In all the four sample municipal bodies, the collection cost in 1991-92 was either below or almost at the similar level as usually suggested by the experts. As per accepted norms, the collection cost should not exceed 3 per cent of the revenue collected on account of octroi by the municipality concerned in a year.⁷

The above analysis thus suggests that cost of collection in relation to the revenue receipts from octroi is not high, it has also not been showing an increasing trend. In major municipal corporations like Bombay, the cost of collection accounted for as low as 2 per cent of the revenue collected. It may be mentioned that, expenditures on octroi collection as a proportion of total revenue expenditure is also not high in any of the municipal body in reference.

Alternatives to Octroi in Other States:

Various committees and reports have repeatedly suggested for abolition of octroi. The debate is mainly seized of the issues of hinderance to free flow of trade, unscientific assessment of the tax, rampant corruption at the checkpoints, high costs of collection and wastage in terms of time and fuel loss.

Despite these shortcomings, this tax continues to be levied in eight states and plays an important role in financing urban services. Reasons for reluctance to remove it are obvious. Octroi provides day to day liquidity to municipal bodies and it is the most elastic source of revenue for them.

Various alternatives of octroi have been discussed from time to time. These are entry tax, business property tax, surcharge/additional sales tax, etc. Entry tax has replaced octroi in Madhya Pradesh and Karnataka. Task Force (1983) and Kasbekar Committee (1987) recommended this tax as a substitute of octroi. This is a tax on entry of goods into a local area for consumption, use or sale, hence viewed as a similar to octroi. However, it is different from octroi in number of angles. Firstly, it is not collected at the checkpoint. It is payable by sales tax dealers by furnishing returns as to how much of their purchases are from outside the local areas. Therefore, entry tax is argued to be less costly to administer. Secondly, it has been conceived as an ad valorem tax as against octroi which is a combination of specific and ad valorem levies. Thirdly, entry tax is a State-level levy where as octroi is a local levy. The entry tax revenue, however, is treated as local revenue because it is passed on to local bodies as a compensation for the loss of octroi revenue. Thus entry tax is a revenue substitute of octroi only in the form of a compensatory grant. The existing entry tax administration in Madhya Pradesh and Karnataka are as follows :

⁷ NIPFP; Alternatives to octroi in Rajasthan, September, 1985 pp.29-30.

Madhya Pradesh

Entry tax replaced octroi in Madhya Pradesh on May 1, 1976. It was conceived as a multi-point tax to be payable at the point of each entry of goods into any local area by every dealer liable to pay tax under the Sales Tax Act. There are three schedules for the entry tax administration. Schedule I enumerates goods which are exempt from entry tax, and includes more or less the same set of goods covered by the Madhya Pradesh General Sales Tax Act, 1958. Sugar, cotton textile and tobacco are not included here because these three commodities are covered by additional excise duties in lieu of sales tax. Schedule II mainly consists of goods which have been declared as goods of special importance and are taxed under the Central Sales Tax Act, 1956. For entry tax purposes, sugar, textiles and tobacco are included in this schedule. Schedule III includes residuary goods not included in the earlier schedules.

When octroi was abolished in Madhya Pradesh, the aggregate proceeds from octroi in the state was approximately Rs.18.26 lakhs. As entry tax was supposed to contribute revenue to the state exchequer, a system of compensation grant to municipal bodies was introduced. Of the total 210 local bodies in the state as on 1.5.1976, 176 were collecting octroi and they had received compensation grant from May 1976 - March 1977, equivalent to the octroi receipts during 1975-76. From the fiscal year 1977-78, the compensation was allowed to grow at the rate of 10 per cent per annum. For those municipal bodies which did not impose octroi, compensation was calculated on the following pro rata basis, using 1971 population as a base.

Table 3.5
Pro rata Compensation in Madhya Pradesh

Category	Population Size (1971 census)	Pro rata (per- capita/annum) Rs.
IV	upto 10,000	17.00
III	10,001 - 20,000	22.00
II	20,001 - 30,000	25.00
I	Above 30,000	29.00

Source :Government of Madhya Pradesh - A note on octroi abolition .

It may be mentioned that entry tax is being collected by the Department of Commercial Tax, Bhopal and transferred to the local bodies after deducting administrative expenses on collection of it. The payment to local bodies is made in monthly installments through bank draft.

Karnataka

Although, Karnataka more or less, follow the Madhya Pradesh Model, some variations are noticed which needs to be discussed here. In Karnataka, the second State to introduce entry tax, a package consisting of 10 per cent surcharge on sales tax - a 10 per cent surcharge on motor vehicles tax and a levy of entry tax at the rate of 2 per cent on certain items like sugar, textiles and tobacco on which sales tax was not leviable, was introduced. Surcharge on motor vehicles, however, was not levied at all. But in addition to sales tax surcharge at the rate of 10 per cent, a rural development cess of 10 per cent on sales tax was introduced in April 1984. Later, in August 1985, a new levy, called development cess, of 30 per cent of sales tax replaced both sales tax surcharge and rural development cess. This cess has not been merged with the basic sales tax.

As in Madhya Pradesh, in Karnataka, entry tax is levied on the entry of scheduled goods into any local area for consumption, use or sale. Due to administrative and legal hurdles, Government of Karnataka could introduce this tax only in the latter half of 1980-81. It may be mentioned that the rate of 2 per cent proposed initially was reduced to 1 per cent when this tax was levied for the first time. In view of its multi-point nature, a rate of 2 per cent was considered to be high.

All the sales tax dealers in scheduled goods, doing business are subject to payment of this tax. A person who is not a dealer is not liable to pay entry tax. No exemption limit was set initially for the levy of this tax in respect of small dealers. With a view, however, to exempting the petty dealers doing business in scheduled goods in the rural area, the levy of this tax is confined only to corporations and municipal cities and towns.

As in Madhya Pradesh, compensatory grants to local bodies do not have any relation with the amount of entry tax collection in Karnataka. It depends on the octroi collections in earlier years with an allowance, however, for some growth. The base year figure was allowed to grow at the rate of 5 per cent initially i.e. upto 1981-82. The growth rate formula is as follows:-

Table 3.6
Rate of Compensation and its Growth in Karnataka

Year	Rate of compensation (% growth)
1979-80 to 1981-82	5
1982-83 to 1987-88	10
1988-89 to 1992-93	12.5
1992-93 to continue	15

Source : Government of Karnataka, Bangalore.

It is contended that this growth rate along with some saving on account of cost of octroi collection would be able to neutralise loss of octroi revenue. In respect of local bodies which were not collecting any octroi as on April 1, 1979 (27 out of 227 municipalities), compensation grant is being paid at the rate of Rs.6.83 per capita per annum as per 1971 census. The distribution of compensation grant to the municipalities is done quarterly.

Uttar Pradesh:

Where as entry tax has replaced octroi in Madhya Pradesh and Karnataka, a surcharge on sales tax has been imposed in Uttar Pradesh as an alternative of octroi, after its abolition in August 1990. In order to levy surcharge on sales tax, the State Government Amended Section 3 (E) of the U.P. Sales Tax Act, 1948, and increased the rate of surcharge payable on sales tax from 10 per cent to 25 per cent. The compensation grant to each municipality has been worked out on the basis of average collection of octroi during the last three years - prior to octroi abolition, with an increasing trend of 10 per cent for each subsequent year. It has been done on the basis of guidelines suggested by the U.P. Taxation Enquiry Committee and the Indirect Taxation Enquiry Committee. Recently, this surcharge has been replaced with the trade tax in Uttar Pradesh.

Entry Tax vis-a-vis Octroi:

Although entry tax is viewed similar to octroi. But it is different from octroi in many ways. First, it is not collected at the checkpoint. It is payable by sales tax dealers by furnishing returns. Secondly, it has been conceived as an **ad valorem** tax as against octroi which is a combination of specific and ad valorem levies. Thirdly, entry tax is a State-level tax as against octroi which is a local tax. Its revenue, however, is treated as local revenue because it is passed on to municipal bodies to compensate them for the loss of octroi revenue. Thus entry tax is a revenue substitute of octroi only in the form of a compensatory grant. Further, it is restrictive in application as only selected commodities transacted by registered dealers are subjected to entry tax.

Thus octroi and entry tax have different revenue implications. However, whether the two are substitutes in terms of revenue productivity requires empirical analysis. An attempt has been made in the following Table 3.7.

Table 3.7
Estimated Octroi Collection, Entry Tax yield and Compensation Grants
to Municipal Bodies in Karnataka State

Year	Estimated octroi collection * (EOC)	Entry tax yield (ET)	Actual compensation (AC)	Short Fall			
				EOC-ET		EOC-AC	
				Actual	% to EOC	Actual	% to EOC
1979-80	2774.88	-	2384.93	-	-	389.95	14.05
1980-81	3208.32	13.96	2553.82	3194.36	99.56	854.50	26.63
1981-82	3709.46	518.87	2688.12	3190.59	86.01	1021.34	27.53
1982-83	4288.87	1110.06	2688.18	3178.81	74.12	1600.69	37.32
1983-84	4958.79	1116.34	3165.96	3842.45	77.49	1792.83	36.15
1984-85	5733.36	1723.63	4642.55	4009.73	69.94	1090.81	19.03
1985-86	6628.91	2568.41	3427.03	4060.50	61.25	3201.88	48.30
1986-87	7664.34	3201.74	4379.12	4462.60	58.23	3285.22	42.86
1987-88	8861.51	4146.81	4560.73	4714.70	53.20	4300.78	48.53
1988-89	10245.68	4740.60	5331.90	5505.08	53.73	4913.78	47.96
1989-90	11846.06	5690.91	5974.50	6155.15	51.96	5871.56	49.57
1990-91	13696.41	6549.42	6681.30	7146.99	52.18	7015.11	51.22
1991-92	15835.79	8206.09	7683.28	7629.70	48.18	8152.51	51.48
1992-93	18309.34	10984.27	9145.79	7325.07	40.01	9163.55	50.05
1993-94	21169.26	14297.00	8585.02	6872.26	32.46	12584.24	59.45

* Worked out by using the annual compound growth rate (%) of octroi receipts from 1976-77 to 1978-79 in the sampled cities of Bangalore and Mysore. Base year (1978-79) octroi yield = Rs.2400 lakhs.

- Source: 1. Directorate of Local Bodies, Karnataka;
2. Sales Tax Department, Karnataka;
3. Report on Urban Local Bodies in Karnataka State, Govt of Karnataka;
4. NIUA Survey, 1993-94.

The data related to estimated (projected) octroi proceeds along with compensation paid in lieu of octroi and entry tax collections in Karnataka State is presented in Table 3.7. Octroi projections have been made by using annual compound growth rate (ACGR) of octroi receipts in the selected cities of Karnataka. It can be seen from the table that octroi collections stood at approximately Rs.2400 lakhs in 1978-79 when the levy was abolished. It would have grown to Rs. 15,836 lakhs in 1991-92 and to Rs.21,169 lakhs in 1993-94 if it was not abolished in the State. Compared to these figures, entry tax, a substitute of octroi could collect only Rs.8206 lakhs in 1991-92 and a little over Rs.14000 lakhs in 1993-94. However, compensation was paid to the tune of Rs.7683 lakhs and Rs.8585 lakhs in the respective years. If compensation paid to municipal bodies in lieu of octroi considered to be a substitute, it is far from adequate to make up for the loss of revenue to these municipal bodies. The above analysis indicates that compensation grants have been even less than 50 per cent of the projected octroi collection in

1993-94. It is worth mentioning that compensation paid to local bodies of Karnataka in lieu of Octroi is consistently at higher side in almost all the years in reference than the actual collections from entry tax. In fact, when entry tax was decided to levy as a substitute for Octroi in this State, two other taxes, namely, surcharge on sales tax and surcharge on motor vehicle tax also constitute the package in order to replace Octroi. Therefore, entry tax was designed to offset the revenue loss due to Octroi abolition only partially. As a result of this, while designing the compensation formula, the State Government might have considered to supplement entry tax revenue by other measures in order to compensate municipal bodies of Karnataka adequately.

The above analysis thus suggests that entry tax does not serve as an effective alternative of Octroi. The compensatory grant is not adequate to replace Octroi as it constitutes even less than 50 per cent of Octroi collectible. In some states like Maharashtra, where the revenue from Octroi is substantial, the rate of entry tax may have to be kept very high in order to adequately compensate the municipal bodies for abolition of Octroi. This may not be desirable and would not create a situation sufficiently flexible in yielding revenue in years to come. Besides, by abolishing Octroi, the municipal bodies would lose a buoyant revenue source, collected on a daily basis, which they could have used more intensively as and when necessary. It is thus important, that Octroi should not be abolished without providing appropriate substitute for it.

The feasible alternative to octroi should have at least the following characteristics:

- The yield of the proposed alternative should be adequate to compensate for the loss of revenue by the abolition of octroi and it should grow at least at the same rate.
- The new levy should be account and return based.
- It should ensure free flow of inter-jurisdictional trade and commerce.
- It should be free from the major drawbacks of the octroi.
- It should be a local level tax and should be administered easily by the local bodies concerned.

In the public finance literature, various alternatives of octroi have been discussed. These are entry tax; surcharge on sales tax; Business property tax; local business tax; etc. A brief note on these alternatives have been given in Appendix III. Since octroi has been the most important revenue source for the municipal bodies and it is on its way out, there is a great need to search for an alternative tax. It is a matter of debate whether entry tax or surcharge on sales tax or any other form of tax on trade and business would be most suitable. The present practices of giving compensatory grants in lieu of octroi without adequate revenue neutralisation has no justification and it needs to be modified keeping in view the revenue generation from octroi levy when it was not abolished, growth in it and economic activities in the city concerned.

IV

Impact of Octroi on Urban Economy

As mentioned earlier, rates of octroi levy vary considerably from one state to another and even within a state from one municipality to another municipality. These rates are specific in some states and ad-valorem in others. It is generally argued that this has an adverse impact on the urban economy. It is assumed that the levy of octroi on diverse articles with different rates by different local bodies gives rise to unequal incidence and in the process creates unfavorable conditions for promotion of trade and commerce and also has cascading effects in varying degrees. Besides, the movement of goods is obstructed due to octroi barriers on the way, causing wastage of fuel, loss of vehicular time and delay in conveyance of goods.

However, octroi is an indirect tax and its real incidence falls on the public at large. There are several other indirect taxes such as Excise Duties, Income Tax, Customs Duties, Sales Tax, etc. whose incidence is much more than that of Octroi. These indirect taxes also have adverse economic effects. However, levy of octroi by municipal jurisdictions make it much more conspicuous. Moreover, by virtue of its age-old practices, it does adversely affect the transportation of goods and commodities. The Road Transport Committee had observed that the detention time of trucks at octroi and other checkpoints was very high, ranging from 20 to 80 per cent of the trucks' total journey time. There are approximately 5000 such barriers all over the country, and as per the crude estimates, the time lost by the trucks at these checkpoints was computed as approximately 5000 truck hours per day. It was estimated that the abolition of octroi will create about 10 per cent of additional transport capacity.

In order to examine the impact of octroi on urban economy, an attempt is made in the following sections to compare octroi and non-octroi states/cities in terms of (i) Transport efficiency; (ii) Prices of selected commodities and industrial growth; and (iii) level of core municipal services.

Transport Efficiency

With a view to gain insight into the loss of efficiency in the movement of transport trucks due to prevalence of octroi, a survey of goods transport vehicles was carried out on the octroi barriers in sample octroi cities of Jaipur, Alwar, Ahmedabad, Jamnagar, Bombay and Nasik in terms of the waiting time of vehicles.

The data collected is presented in Table 4.1. A look at this table reveals that waiting time for the goods transport vehicles such as trucks at the octroi checkpoints is not very high. This is reflected from a low median value of the detention time, on an average 10.44 minutes per vehicle. For Bombay the median value is worked out to be 13.32 minutes during the peak hours

whereas for Ahmedabad it is 7.60 minutes per vehicle during the same period. A close look at the data suggests that more than 60 percent of vehicles in Bombay have to stop at the octroi barriers only upto 15 minutes during the peak hours. In other cities this proportion is as follows:

Ahmedabad	-	86.88%
Jamnagar	-	64.58%
Nasik	-	76.97%
Jaipur	-	57.83%
Alwar	-	60.38%

Even in lean hours much variation is not found in the number of vehicles which have to wait upto 15 minutes. In Bombay, approximately 65 per cent of the surveyed vehicles have to stop for 15 minutes during the lean hours. In aggregate terms, on an average, the detention time almost half of the surveyed vehicles is only upto 10 minutes, and only a few vehicles (12.16%) have to stop at the control checkpoints for more than 30 minutes. Thus, in a majority of cases, the detention time does not seem to be as high as it is made out to be. It may be mentioned that a long waiting time of more than 60 minutes for some of the vehicles in Jaipur, Nasik, etc. was observed by the survey team due to taking of meals and relaxing by the truck drivers at the road side dhabas near the octroi checkpoint. It is also observed that during the halt at octroi barriers, the loss of fuel is not much (only 10-15 liters per trip) as the engine of vehicle is generally kept off by truck drivers during the long waiting time. Any way, loss of time at octroi checkpoints in the above cities has resulted in transport efficiency gains in non-octroi states as the transport vehicles do not have to stop there.

Table 4.1
Average Time Loss at Octroi Check Posts in the
Sampled Cities

Survey time	No. of vehicles	Duration of Detention (Minutes)											Detention time (minutes) median value
		0-5	5-10	10-15	15-20	20-30	30-40	40-50	50-60	60-120	120-180	180+	
Jaipur													
Peak hours	332	70	90	32	12	18	10	5	7	52	26	10	10.94
% to total vehicles	100.00	21.08	27.11	9.64	3.62	5.42	3.01	1.51	2.11	15.66	7.83	3.01	
Lean hours	75	20	14	8	4	4	3	8	4	9	1	-	12.19
% to total vehicles	100.00	26.67	18.67	10.67	5.33	5.33	4.00	10.67	5.33	12.00	1.33	-	
Both	407	90	104	40	16	22	13	13	11	61	27	10	11.19
% to total vehicles	100.00	22.11	25.55	9.83	3.93	5.41	3.19	3.19	2.70	14.99	6.63	2.46	
Alwar													
Peak hours	106	11	28	25	23	13	6	-	-	-	-	-	12.30
% to total vehicles	100.00	10.38	26.42	23.58	21.70	12.26	5.66						
Lean hours	33	20	11	2	3	2	-	-	-	-	-	-	4.75

% to total vehicles	100.00	52.64	28.95	5.26	7.89	5.26	-	-	-	-	-	-	-
Both	144	31	39	27	26	15	6	-	-	-	-	-	10.37
% to total	100.00	21.53	27.08	18.75	18.06	10.42	4.17						
Ahmedabad													
Peak hours	221	75	68	49	14	9	1	5					7.60
% to total vehicles	100.00	33.94	30.77	22.17	6.33	4.07	0.45	2.26					
Lean hours	161	56	39	19	19	22	5	1					8.14
% to total vehicles	100.00	34.78	24.22	11.80	11.80	13.66	3.11	0.62					
Both	382	131	107	68	33	31	6	6					7.80
% to total vehicles	100.00	34.29	28.01	17.80	8.64	8.12	1.57	1.57					
Jamnagar													
Peak hours	209	33	74	29	12	11	26	24					9.83
% to total vehicles	100.00	15.79	35.41	13.88	5.74	5.26	12.44	11.48					
Lean hours	51	27	13	7	-	2	-	-	-	2			0.89
% to total vehicles	100.00	52.94	25.49	13.73		3.92				3.92			
Both	260	60	87	36	12	13	26	24	-	2			9.02
% to total vehicles	100.00	23.07	33.46	13.85	4.62	5.00	10.00	9.23		0.77			
Bombay													
Peak hours	506	25	107	182	133	31	15	8	2	3			13.32
% to total vehicles	100.00	4.94	21.15	35.97	26.28	6.13	2.96	1.58	0.40	0.59			
Lean hours	140	7	50	52	20	6	1	-	2	2			11.25
% to total vehicles	100.00	5.00	35.71	37.14	14.29	4.29	0.71		1.43	1.43			
Both	646	32	157	234	153	37	16	8	4	5			12.86
% of total vehicles	100.00	4.95	24.30	36.22	23.68	5.73	2.48	1.24	0.62	0.77			
Nasik													
Peak hours	152	28	58	31	17	4	7	2	3	-	2		9.14
% to total vehicles	100.00	18.42	38.16	20.39	11.18	2.63	4.61	1.32	1.97		1.32		
Lean hours	106	45	40	11	5	2	1	-	2	-	-		6.00
% to total vehicles	100.00	42.45	37.74	10.38	4.72	1.89	0.94	-	1.89				
Both	258	73	98	42	22	6	8	2	5	-	2		7.86
% to total vehicles	100.00	28.29	37.98	16.28	8.53	2.33	3.10	0.78	1.94		0.78		
Total	2097	417	592	447	262	124	75	53	20	68	29	10	10.44
% to total vehicles	100.00	19.89	28.23	21.32	12.49	5.91	3.58	2.53	0.95	3.24	1.38	0.48	

Source: NUA Survey, 1993-94.

The above analysis is confined only to the loss of time in the movement of goods and traffic in the octroi states. With a view to bring out the opinion of the transporters and manufacturers on the levy of octroi for imported goods and the impediments they face at the octroi checkpost, a survey of selected transporters and industrial units (manufacturers) was conducted in the sample octroi cities. They were interviewed on their business premises and octroi checkposts by the research team of NIUA.

The survey results show that transporters and manufacturers are facing numerous problems in transporting goods to the city due to presence of octroi check posts at the entry point of the city. Some of the common problems cited are:

- It is a clear hindrance to smooth flow of goods and traffic;
- It is regressive in nature as it is sometimes levied as a specific duty on the weight of an item;
- Unloading and checking of goods involves considerable loss of time where octroi is levied on unit or weight basis. Weather and security risks are also involved in such cases;
- Checkposts personnel are ill - equipped to determine ad-valorem rates of duties. Power delegated to naka staff either leads to levy of duty on ad hoc basis and or to corrupt practices. This obviously leads to escalation in rates of octroi duty and unnecessary increase in cost;
- To hold up vehicles at the checkposts immobilises large number of vehicles for longer duration resulting in undue detention, high maintenance cost and wastage of precious fuel;
- Lack of uniformity in octroi rates levied by various municipal bodies within the same state leads to differences in prices of the same commodity;
- Imposition of octroi on inputs escalates the cost of production and prices;
- Octroi leads to concentration of ancillary industries into metropolitan areas;
- There is considerable difficulty in getting refund of octroi duty for goods which are re-exported;
- Except for the big corporations, the other local bodies can not afford to have qualified and trained staff to deal with complex problems of administration of commodity tax;
- Harassment is common and severe. Generally there is a dispute over valuation of goods. Even when documents are in order, the declared value is not always accepted and even entry of the commodity is also indiscriminately changed, resulting in over payment and cumbersome procedure of getting refunds.

Besides above, the specific problems of manufacturers are :-

- Most manufacturing units feel that they are forced to deal through octroi agents who charge high rates of commission. In spite of having the services of agents, companies sometimes are forced to depute their officers to sort out matters pertaining to the value of goods carried, thereby wasting valuable time of their personnel;
- At times arbitrary decisions are being taken by Octroi authorities. This problem is generally encountered in the valuation of goods brought into the city. This could be attributed to the lack of training to the officials at the Octroi nakas. Hence, the necessary knowledge has to be imparted to the officials to distinguish between the grades of Engineering and Electronic items manufactured in the country as well as the prevailing prices of raw materials and finished goods. A periodical updating of prices of goods prevailing in the market would bring down the controversies in the valuation of goods that are brought through the octroi points.
- Companies which import high value item feel that they undertake heavy risks in giving huge sums of cash to transporter/octroi agents for the payment of octroi. While delineating on the alternative methods of collecting octroi which will be acceptable to all parties concerned, the respondents have suggested the following:
 - a. to fix a lump sum octroi amount for each truck coming into the city. Replying to the query - whether this would not be unfair to parties importing low value items vis-a-vis those importing high value goods, the suggestion was to have 4 or 5 main categories (such as very high value, high value, low value etc.) into which all major items could be classified, and to impose different rates of octroi on these few categories. Another suggestion made is that the unit value of goods could be linked to some index such as the wholesale price index of each category of commodity.
 - b. Another suggestion was made to impose a cess on the total turnover of a company. The amount could be collected on a monthly or quarterly basis. This would not only increase the revenue but would also do away with the cost of collection being incurred by the local bodies presently;
 - c. The third suggestion made by the respondents was to introduce automation in all the octroi nakas, and change the present method of collection. It is suggested that a comprehensive database of the prices of major goods coming into the city, could be formulated in consultation with representatives from industry and the entire process of octroi collection could be computerised. This data-base could be updated at regular intervals. This would considerably reduce congestion at entry points, decrease corruption and increase the revenue of all the local bodies in the octroi states;
 - d. Some of the manufacturing units proposed the idea of collecting octroi as a surcharge on Sales Tax or Excise Duty. This would reduce paper work to a large extent. They felt it should be made mandatory for companies to file returns.

Octroi has become a much maligned tax primarily due to the modality of assessment which leads to long waiting time for the transport vehicles. There is no denying the fact that its adverse impact on transport efficiency notwithstanding, it plays dominant fiscal role for the revenue starved municipalities. The official committees and commissions appointed on octroi have suggested to do away with this tax chiefly due to its adverse impact on transport efficiency. The adverse effect is due to a host of reasons which include hackneyed procedure for assessment of this tax, procedural delays, inefficiency and untrained staff having vested interest in delaying the vehicles, lack of vigilance and administrative control at the octroi barriers and inability of the importers of goods and commodities to comply speedily with the procedural requirements for want of relevant documents, submission by them of false documents, under declarations, and break down of vehicles. These do not seem to be insurmountable in nature.

Impact on Prices:

With a view to examine the impact of Octroi on consumers, the data on share of Octroi in the prices of goods and commodities in the selected Octroi cities and that of its substitute in the non-octroi cities have been collected from the selected wholesalers. The data collected is presented in Tables 4.2 to 4.5. The data suggest two things so far as the impact of Octroi and its substitute on prices is concerned. First, both in Octroi cities and non-octroi cities the share of Octroi or its substitute is found to be much less as compared to other taxes. Second, the incidence of Octroi in a majority of cases is lower as compared to the incidence of its substitute. To give a few illustrations, the share of Octroi in the prices in Jaipur is less than 0.4 per cent for all the commodities for which data were collected (Table 4.2). In Lucknow, a non-octroi city, the share of surcharge on Sales Tax which is the substitute of Octroi,⁸ is found to be much higher in the prices as it is in the range of 1.22 to 3.16 per cent (Table 4.3).

With a view to analyse the incidence of Octroi and its substitute on the same brand of commodities in the Octroi and non-octroi cities, an attempt has been made in the Table 4.4. It may be mentioned that data for the common commodities in all the sample cities was not available with the sample traders. Therefore, this analysis is limited to the only two cities namely, Jaipur (Octroi City) and Lucknow (non-octroi city). It can be seen from the table that the incidence of the substitute of Octroi, is much higher in non-octroi city of Lucknow as compared to that of Octroi city of Jaipur. For example, whereas the share of Octroi in the price of hair oil of the same brand in Jaipur is only 0.34 per cent, it is 3.02 per cent in Lucknow. Thus it is not correct to say that Octroi has much higher an incidence on consumers.

⁸ Recently this was replaced with the trade tax.

Table 4.2
Share of Octroi and Other Taxes in the Price of Sample Goods in
the Octroi City of Jaipur, 1993-94

Commodities	Unit	Price Per Unit (Inclusive of all Taxes) Rs.	Octroi (Rs.)	Other ¹⁾ Taxes (Rs.)	% Share	
					Octroi	Other taxes
1. Bayogen spray	One litre bottle	66.43	0.08	2.66	0.12	4.00
2. Old spice after shaving lotion	120 ml. bottle	86.60	0.02	10.39	0.02	12.00
3. Old spices shaving cream	70gms.tube	20.50	0.02	2.46	0.10	12.00
4. Paper	Kg.	24.50	0.05	1.47	0.20	6.00
5. Ground Nut oil	Kg.	33.33	0.12	2.00	0.36	6.00
6. Mustar oil	Kg.	29.33	0.10	1.76	0.34	6.00
7. Coconut oil	Kg.	56.67	0.20	3.40	0.35	6.00
8. Rapid oil	Kg.	26.67	0.09	1.60	0.34	6.00
9. Soya bjar oil	Kg.	33.33	0.12	2.00	0.36	6.00
10. Amul Ghee (Desi)	Kg.	64.00	0.22	4.86	0.34	7.59
11. Madhu (Ghee)	Kg.	72.33	0.25	5.50	0.35	7.60
12. Milk food	Kg.	77.00	0.27	5.85	0.35	7.60
13. Vijay brand	Kg.	68.00	0.24	5.17	0.35	7.60

1) Other taxes = STC + Sales + Mandi charge, etc.

Source : NIUA Survey, 1993-94.

In order to assess the impact of Octroi and its substitute on prices further, the data on consumer price index for urban non-manual workers in the selected Octroi and non-octroi cities have been collected for 1994 and 1995 and presented in Table 4.5. The analysis of data show that presence or absence of Octroi make no impact on the prices of consumer goods and commodities. It may be mentioned that prices of goods and commodities are governed by number of factors which include government policy, demand and supply situations, socio-economic profile of consumers, etc. Therefore, both inter states as well as intra state variation are found in the prices of goods & commodities. It may be mentioned that prices of the certain commodities are set by government fiat such as crude oil and petroleum products, coal, electricity, nitrogenous fertilizers, non-ferrous metals, drugs and pharmaceuticals and levy sugar. These commodities therefore, have less variations in the prices which is not the case with other items and commodities.

Table 4.3

Share of Surcharge on Sales Tax (Substitute of Octroi) and
Other Taxes in the Price of Sample Goods in the Non-Octroi
City of Lucknow, 1993-94

Commodities	Unit	Price Per Unit (Inclusive of all Taxes) (Rs.)	Octroi/its Substitutes (Rs.)	Other Taxes (Rs.)	% Share	
					Octroi	Other taxes
1. Charry polish	15 gram tin box	5.13	0.16	0.62	3.12	12.09
2. Delton soap	100 gram soap	7.66	0.23	0.92	3.00	12.01
3. Delton liquid	Bottle 50 ml.	3.16	0.10	0.38	3.16	12.03
4. Paracute coconut oil	Bottle 200 grams	18.06	0.54	2.17	2.99	12.02
5. Keo-Karpin oil	Bottle 100 ml.	15.15	0.46	1.82	3.04	12.01
6. Lal Manjan	Bottle 150 grams	15.13	0.46	1.82	3.04	12.01
7. Anik ghee	Box 200 grms	17.33	0.52	2.08	3.00	12.00
8. Tea (Brooke-bond)	Box 500 grams	47.20	1.42	5.66	3.01	11.99
9. Soap (Lux)	100 gram	5.60	0.17	0.67	3.04	11.96
10. Paste (Colgate)	Tube 50 grams	7.60	0.23	0.91	3.03	11.97
11. Baniyan (VIP) Male	Single	26.25	0.32	1.26	1.22	4.80
12. Underwear (VIP) Male	Single	22.00	0.28	1.10	1.27	5.00

Source : NIUA Survey, 1993-94.

Table 4.4
Incidence of Octroi and Substitutes in the Selected Cities, 1993-94

Selected Common Commodities	Whole Sale Prices (Rs.)		Octroi/ Substitutes (Rs./unit)		% Share to Total	
	Non-Octroi (Lucknow)	Octroi (Jaipur)	Non-Octroi (Lucknow)	Octroi (Jaipur)	Non-Octroi (Lucknow)	Octroi (Jaipur)
1. Amla Hair Oil (200 gms.)	32.50	26.67	0.98	0.09	3.02	0.34
2. Pure Ghee (One kg.)	86.65	64.00	2.60	0.22	3.00	0.34
3. Coconut Oil (200 gms.)	18.06	11.33	0.54	0.11	2.99	0.97

Source : NIUA Survey, 1993-94.

Table 4.5
Consumer Price Index Number for Urban Non-Manual Employees
in Octroi and Non-Octroi Cities

(Base : 1984-85=100)

Octroi and Non-Octroi Cities	Feb.' 1994	Feb.' 1995	% change Feb.'94 - Feb.'95
Octroi Cities			
1. Ahmedabad	204	225	10.3
2. Bombay	224	245	9.4
3. Jaipur	229	251	9.6
Non-Octroi Cities			
1. Lucknow	212	228	7.5
2. Bhopal	232	239	3.0
3. Banglore	223	243	9.0

Source :CMIE, Monthly Review of the Indian Economy May, 1995.

Impact on Industrial Growth

Attainment of industrialisation over the last 48 years has been a striking feature of Indian economic development process which was launched as a conscious and deliberate policy in the early fifties. A significant aspect of industrial development during the above period has been the predominant role assigned to public sector in establishment of basic industries. Public sector has taken initiative for development of various industries such as steel, non-ferrous metals, petroleum, coal, fertilizers and heavy engineering. It has also made investment in consumer industries like textiles, drugs and pharmaceuticals, cement and sugar. According to CMIE, the number of public sector enterprises which was only 5 in numbers in March 1951 rose to 244 in March 1991. In the year 1961 the number of factories were 54,588 which rose to 1,96,068 in 1990. It may be mentioned that in 1985-86, the union government initiated a number of measures aimed at removing constraints on industrial growth providing a more congenial environment for development (Table 4.6).

Table 4.6
Industrial Growth in India, from 1961 to 1990

Nature of Industry	1961	1971	1981	1985	1989	1990	ACGR	
							1961-81	1981-90
Food products	15130	26548	45432	51875	55348	55752	5.7	1.1
Beverages & tobacco products	2409	14091	1524	1508	1584	1473	-2.3	-0.2
Textiles	5555	9389	19272	21235	22519	22665	6.4	0.9
Wood & cork, furniture	2539	6526	12975	18607	21162	21242	8.5	2.6
Paper & paper products	256	4955	9182	9425	10561	9393	19.6	0.1
Leather (except footwear)	455	580	917	1074	1247	1279	3.6	1.8
Rubber, plastics & petroleum products	596	1745	4405	5953	6971	8026	10.5	3.2
Chemical & chemicals products	1498	2709	6033	7245	9625	86633	7.2	1.9
Non-metallic minerals	2080	2809	6467	9428	12366	13084	5.8	3.8
Basic metals	1287	3188	6015	7295	8463	8489	9.0	1.8
Metal products	2722	4956	8589	10486	11481	12034	5.9	1.8
Non-elec. & elec. mach.	4496	7339	13538	14806	16755	16525	5.7	1.1
Non electrical mach.	3770	5767	10233	10664	11876			
Electrical machinery	723	1572	3305	4142	4879			
Transport equipment	2129	1388	2269	2775	3098	3194	0.3	1.8
Miscellaneous industries	1820	1213	1602	1805	2026	2004	-0.6	1.2
Electricity, gas & steams	665	813	1200	1397	1636	1613	0.3	1.6
Others	6461		7008	8060	10246	10662	0.4	2.2
All Industries	54588	81078	159966	187780	211543	196068	5.5	1.1

Source: Economic Outlooks, CMIE, 1993-94.

With a view to analyse the impact of octroi levy on industrial development, an attempt has been made in the following Table 4.7.

Table 4.7
Industrial Growth in the Selected
Octroi and Non-Octroi States

States	No. of factories			ACGR (%)			% share to total Industries in India		
	1970-71	1980-81	1988-89	1970-71 to 1980-81	1970-71 to 1988-89	1980-81 to 1988-89	1970-71	1980-81	1988-89
<u>Octroi</u>									
Gujarat	7040	11208	11103	4.8	2.56	0.1	10.9	11.6	10.7
Maharashtra	11741	15576	15127	2.9	1.42	0.4	18.2	16.1	14.5
Rajasthan	1308	2696	3162	7.5	5.03	8.0	2.0	2.8	3.0
<u>Non-Octroi</u>									
Uttar Pradesh	4492	7151	9494	4.8	4.25	3.5	7.0	7.4	9.0
Madhya Pradesh*	2657	3488	3636	2.8	1.76	0.5	4.1	3.6	3.5
Karnataka*	3489	5381	5649	4.5	2.71	0.6	5.4	5.6	5.4

Note: * Octroi abolished before 1980.

Source: Annual Survey of Industries, CMIE, 1993-94.

An analysis of data given in Table 4.7 indicates no definite trend in growth of industries in octroi and non-octroi states. Presence or absence of octroi makes no difference on the industrial development of any state or a city. It may be mentioned that octroi states of Maharashtra and Gujarat has a highest number of industries in the country despite the fact that they are levying octroi since last so many years. Thus octroi has no adverse affect on the industrial growth of cities and states.

Impact on Urban Services

Here an attempt has been made to analyse the municipal government expenditure on urban basic services in octroi and non-octroi states. This will help to understand if the presence or absence of octroi makes any difference in the level of services.

Municipal Governments are responsible for a wide range of public services such as water supply, solid and liquid waste disposal, street lighting, roads, preventive health and medical services etc. Many of these services are property based and can be provided through the market mechanism also. However, they are considered to be so meritorious that their supply is undertaken through the municipal budgetary process.

Level of services could be measured in terms of either annual budgetary allocations or the physical performance of services. Whereas in the former, municipal government expenditure may be used as a surrogate for municipal service output, in the latter, services output themselves in physical terms serve as indicator of service level.

As the data is not available on physical performance of services, the budgetary allocation approach has been used here in order to assess the performance of services in octroi and non-octroi states. Here again, per capita annual revenue expenditure on municipal services both in octroi and non-octroi states have been taken as an indicator to analyse the performance of municipal bodies in delivery of core urban services.

Data presented in Table 4.8 indicate a mixed trend in this regard. However, some generalisation could be made from this analysis. It can be seen from the table that the aggregate per capita spendings on services in octroi states is usually higher than that for non-octroi states. Whereas the per capita expenditure in all the non-octroi states except the state of Himachal Pradesh, is below than the national level average of Rs.143.14 (at 1986-87 prices), it is higher than the national average in the octroi states of Maharashtra (Rs. 294.12), Gujarat (Rs. 246.87) and Punjab (Rs.186.05).

Table 4.8

Level of Per Capita Revenue Expenditure on Municipal Services
in Octroi and Non-Octroi States, 1986-87

States	Per capita revenue expenditure (Rs.)	States above (+)/ below(-) All India Level	% variation from the All India Average
All India Average	143.14		
Octroi States			
Gujarat	246.87	+	+72.46
Maharashtra	294.12	+	+105.39
Orissa	130.96	-	-8.50
Punjab	186.05	+	+29.97
Rajasthan	71.72	-	-49.89
West Bengal	34.41	-	-75.96
Non-Octroi States			
Andhra Pradesh	116.66	-	-18.49
Assam	15.31	-	-89.30
Bihar	34.04	-	-76.21
Goa	122.43	-	-14.46
Haryana	100.52	-	-29.78
Himachal Pradesh	392.65	+	+174.31
Jammu & Kashmir	76.25	-	-46.74
Karnataka	141.45	-	-1.19
Kerala	86.47	-	-39.60
Madhya Pradesh	133.43	-	-6.79
Meghalaya	76.81	-	-46.34
Tamil Nadu	119.61	-	-16.44
Uttar Pradesh	90.09	-	-37.07

Source: NIUA, Upgrading Municipal Services; Norms and Financial Implications, Vol. II, 1989.

An analysis of municipal spendings on services among the surveyed cities show that the aggregate per capita expenditure in octroi cities are more than twice than that for non-octroi cities. Whereas the average per capita expenditure in octroi cities was Rs.624.58 in 1991-92, in non-octroi cities it was approximately Rs.234. It may be mentioned that per capita expenditure on services in octroi municipal bodies is generally higher than that for non-octroi sample cities. This suggests the importance of octroi in delivery of basic urban services in any city or a town (Table 4.9).

Table 4.9

Per Capita Revenue Expenditure on Services in Sample
Municipal Bodies in Octroi/Non-Octroi States, 1991-92
(at Current Prices)

Cities	Per capita expenditure (Rs.) 1991-92	Below (-)/Above (+) average
<u>Octroi</u>		
Ahmedabad	607.82	-
Jamnagar	339.15	-
Bombay	684.20	+
Nasik	997.79	+
Jaipur	215.75	-
Alwar	96.98	-
Average	624.88	-
<u>Non-Octroi</u>		
Bangalore	336.03	+
Mysore	307.48	+
Bhopal	153.18	-
Indore	249.34	+
Lucknow	113.12	-
Mahtura	118.92	-
Average	234.19	-

Source: NIUA Survey, 1993-94.

It is important to note that the aggregate per capita expenditure on services in the octroi cities has gone up considerably (26%) over the period of time as compared to non-octroi cities where the increase is not significant - just 7%, from Rs.219 in 1989-90 to Rs.234 in 1991-92. In real terms, whereas aggregate per capita expenditure on services in octroi cities has remained almost constant over the period of time, in case of non-octroi cities, the per capita spendings on critical municipal services has declined from Rs.219 in 1989-90 to Rs.185 in 1991-92, registering negative growth of expenditure on services @5 per cent per annum.

Further examination of data in non-octroi cities show that per capita spendings on services has declined most in Bangalore (25.00%), followed by Mathura (21.91%), Mysore (8.51%), Lucknow (7.76%) and Bhopal (1.24%). The above analysis thus suggests that compensation in lieu of octroi is not elastic as the proceeds from octroi. In U.P. for instance, the octroi was abolished in August 1990, and prior to its abolition, the per capita expenditure on services was considerably higher as compared to post abolition year of 1991-92. This is mainly due to declined resource base of municipal bodies in this state as a result of octroi abolition.

It may be mentioned that the revenues of Lucknow and Mathura Municipal Corporations in real terms had gone down substantially in 1991-92 as compared to base year, 1989-90. This decline is noticed both in total receipts as well as tax receipts of these municipal bodies.

As the growth in municipal expenditure as well as in revenue is higher in octroi cities/states as compared to non-octroi cities/states, it has a negative impact on the levels of core municipal services in the cities of non-octroi states. A study conducted by the NIUA for the 8th Finance Commission (1983) also substantiates this. It can be seen from the Table 4.11 that the per capita gap between desirable expenditures and ordinary revenues in octroi states vary between Rs.18.9 in Maharashtra and Rs.97.60 in West Bengal. The range of this gap in non-octroi states was found to be between 82.20 in Kerala and Rs.122.60 in Bihar which is substantially higher than that in octroi states. The level of revenues prevailing in non-octroi states was enough only to meet the desired level of expenditure in the range of approximately 10 per cent in Bihar and 39 per cent in Kerala. In contrast, the revenue capacity of octroi states to meet expenditure needs was higher, ranging from roughly 27 per cent in Rajasthan to 90 per cent in Maharashtra.

Table 4.10
Per Capita Expenditure in Octroi/Non-Octroi Cities (at 1989-90 prices)
(Rs.)

Cities	At Current Prices		At Constant Prices		% Variation
	1989-90	1991-92	1989-90	1991-92	
Octroi Cities					
Ahmedabad	454.98	607.82	454.98	481.60	5.85
Jamnagar	343.65	339.15	343.65	268.72	(-)21.80
Bombay*	563.94	684.20	563.94	542.13	(-) 3.87
Nasik	667.49	997.79	667.49	790.60	18.44
Jaipur	111.31	215.75	111.31	170.57	53.24
Alwar	88.63	96.98	88.63	76.84	(-)13.30
AVERAGE	494.04	624.58	494.04	494.89	0.17
Non- Octroi Cities					
Bangalore	352.59	336.03	352.59	264.46	(-)25.00
Mysore	265.49	307.48	265.49	242.91	(-)8.51
Bhopal	122.52	153.18	122.52	121.01	(-) 1.24
Indore	155.47	249.34	155.47	196.98	26.70
Lucknow	96.88	113.12	96.88	89.36	(-) 7.76
Mathura	120.29	118.92	120.29	93.94	(-) 21.91
AVERAGE	219.26	234.19	219.26	185.02	(-)15.62

Source : NIUA Survey, 1993-94

* Budget (A.B.E) These figures were provided by the M.C. Bombay.

Table 4.11

Estimated Gap Between Desired Expenditure and Revenue
Income in Octroi and Non-Octroi States, 1979-80

States	Per capita gap (Rs.)	Revenue Income as % of Desired Expenditure
Octroi States		
Gujarat	35.2	77.2
Haryana	72.8	41.9
Maharashtra	18.9	89.8
Orissa	84.7	34.9
Punjab	43.2	64.7
Rajasthan	93.5	26.7
Uttar Pradesh	98.8	29.5
West Bengal	97.6	36.3
Non-Octroi States		
Andhra Pradesh	85.6	42.9
Assam	115.5	17.3
Bihar	122.6	10.4
Kerala	82.2	39.1
Karnatka	85.9	36.7
Madhya Pradesh	87.0	36.4
Tamil Nadu	95.8	38.0

Source: NIUA, Financial Resources of Urban Local Bodies in India and the Level of Services Provided, 1983.

According to above analysis, the preference of octroi states seem to be better to that of non-octroi states. In the absence of statistically significant ratio for the indicators used in this analysis, however, one may only conjecture about the behaviour of municipal bodies with regard to level of municipal services in octroi and non-octroi states. An examination of data on municipal receipts and expenditure in the sample municipal bodies show that municipal governments probably attempt to consider their expenditure priorities on the availability of own resources in order to avoid uncertainty. Thus the substitution of octroi by any other form of intergovernmental fiscal transfers may not have contributed positively on the level of services.

Study Highlights

- Octroi has been a major source of income to most municipal bodies in India. However, it has continued to be one of the most controversial levies in the municipal tax structure. Octroi plays a vital and dominant role wherever it levies. The study suggests that the structure of municipal finance in terms of proportion of revenue derived remarkably from tax source is markedly different in the octroi and non-octroi. In octroi states, more than 70% of the total revenue is generated through the municipal taxation alone whereas in non-octroi states, the contribution from the tax sources was in the range of 18-40% during the fiscal year 1991-92. But it certainly does not mean that the municipal bodies without octroi is not having sound budgetary positions. For example Kerala, a non-octroi states, had deficit budget while Andhra Pradesh also a non-octroi states had surplus budget in the fiscal year 1986-87. The picture of octroi states is in no way different from that of non-octroi states. Another example is Uttar Pradesh and Maharashtra, the two major octroi states had deficit and surplus respectively in 1986-87. Karnataka, an entry tax state shows a deficit whereas Madhya Pradesh where octroi has been abolished long back also shows deficit in the year 1986-87. The same mixed picture could be seen in the sample municipal bodies undertaken for this study. Nasik Municipality of Maharashtra, the octroi state has recorded deficit budget in 1991-92. Mathura Municipal Corporation of non-octroi state of Uttar Pradesh has recorded a surplus budget in the reference year. Even within the Octroi states, some municipal bodies have shown surplus balance in their revenue account while others have deficit.
- As far as trend of municipal taxes are concerned, the taxes continue to be the largest single source of municipal revenue in the municipal bodies of octroi states. In non-octroi states, the proportionate share of taxes in the total municipal revenue is generally on the decline with the exception of Bangalore. The state transfers are the major source of income in most of the civic bodies of non-octroi states.
- Whereas octroi and compensation are concerned, indicators suggest that performance of octroi is better than amount received from the higher governments as the compensatory grants in lieu of it. Octroi shared on an average more than 60% of the total municipal incomes, while the share of compensation grant is not more than 1/3 in the total municipal incomes. Although compensation received in lieu of octroi grew faster (average) than the actual growth in octroi during the reference years 1989-90 and 1991-92, in terms of scale and per capita values, however, variations are found at individual municipality level both in octroi and non-octroi cities, ranges from as high as 68.22% contribution from octroi levy in the total municipal revenue of Alwar city to as low as about 20% share of compensation

grants in a non-octroi city of Mysore. This study also found that abolition of octroi lead to huge losses to the municipal governments and the compensation received is quite uneven and unpredictable. Other taxes contribute negligible and the receipts from property tax is almost frozen due to variety of reasons including rent control laws. It is also observed that wherever octroi is abolished and substituted by a compensatory grant, the dependence of municipal bodies on higher governments is increasing day by day even to maintain the core municipal services.

- The interesting picture could be seen while conducting this study regarding the levy of octroi. The rates of octroi levy vary significantly not only from one state to another but also within a state from one municipality to another municipality. With regard to exemption, some commodities could be exempted from this tax in one state or the other through state government notification. Such variations could cause substantial differences in the yield from octroi, leading to distortion in the flow of resources into different jurisdiction and their mis-allocation. The another interesting finding which could be noticed from the study is that not only the rules of tax differ among the municipal bodies of various states but the character of the levy in itself is different in many cases. For example, in Rajasthan state, the same commodity is subject to an advalorem tax in some municipalities whereas in others, it suffer a specific levy. This shows that in determining the character of the tax, simplicity and ease of administration have been the prime consideration rather to consider it on the basis of economic rationality.
- It is worth mentioning here that in the tax literature, various alternatives have been suggested from time to time in lieu of octroi. These are: i) Surcharge on sales tax or additional sales tax; ii) Municipal sales tax; iii) Municipal surcharge on sales tax or turnover tax; iv) Entry tax; and v) Other levies.

Where as entry tax has replaced octroi in Madhya Pradesh and Karnataka, a surcharge on sales tax has been imposed in Uttar Pradesh as an alternative of octroi, after its abolition in August 1990. Recently, this surcharge has been replaced with the trade tax in Uttar Pradesh. The study suggests that entry tax does not serve as an effective alternative of octroi. The compensatory grant is not adequate to replace octroi as it constitutes even less than 50 per cent of octroi collectible. In some states like Maharashtra, where the revenue from octroi is substantial, the rate of entry tax may have to be kept very high in order to adequately compensate the municipal bodies for abolition of octroi. This may not be desirable and would not create a situation sufficiently flexible in yielding revenue in years to come. Besides, by abolishing octroi, the municipal bodies would lose a buoyant revenue source, collected on a daily basis which they could have used more intensively as and when necessary. It is thus important, that octroi should not be abolished without providing appropriate substitute for it. The suggestion of Jyoti Basu Committee on octroi are important in this regard. The Committee has suggested that

unless alternative sources of revenue are made available to the local bodies, the abolition of octroi will lead to losses to State Governments. This Committee felt that octroi is essential for local administration to meet the increasing demands for basic facilities and services. Many state government have taken a policy decision to invite private parties for octroi collection in order to improve the finances of local bodies and efficiency in the collection system. In Rajasthan, for example, a decision has been taken at the state government level, to handover octroi collection to private agencies. The government decision does not however, bind all the municipal bodies to switch over to the private contract system. Among the municipal corporation cities of Kota, Jodhpur and Jaipur, Jaipur has not implemented the scheme as yet. According to the Directorate of local bodies, out of 181 municipal governments, 35 have already accepted the scheme, and others are in the process of inviting quotations. The official sources pointed out that the collection for each municipal government, may be increased at least two to three times through such system. It may be mentioned that there will be no change in the rate of octroi during the period of contract. However, the exemptions announced by the government from time to time will be applicable to the private agencies concerned.

Regarding octroi staff, state officials pointed out that as per the draft terms of reference, the private operators will retain 30 per cent of the existing municipal staff for the same duty whereas the remaining 70 per cent will be redeployed for the municipal works. Thus there will be no retrenchment in this system.

Although, privatization of octroi collection has many advantages if it handled cautiously. According to recent press report after privatization of octroi collection in Rajasthan, the state government has started receiving complaints of harassment by contractors and other associated with the contract in various parts of the state. Thus strict vigil and monitoring is needed in this arrangement by the official agency concerned in order to avoid the above situation.

- In order to examine the impact of octroi on transport efficiency, a survey of goods transport vehicle was carried out on the octroi barriers in sample octroi cities. Our analysis presents that waiting time for the goods transport vehicles such as trucks at the octroi checkpost is not very high. This is reflected from a low median value of the detention time. The data also suggest that the detention time does not seem to be as high as it is made out to be. Long waiting time of more than 60 minutes for some of vehicles in Jaipur, Nasik etc. could be observed due to taking of meals and relaxing by the truck drivers at the road side dhabas near the octroi checkpost. It is also observed that during the halt at octroi barriers, the loss of fuel is not much (only 10-15 liters per trip) as the engine of vehicle is generally kept off. However, loss of time at octroi checkpost in the above cities has resulted in transport efficiency gains in non-octroi states as the transport vehicles do not have to stop there.

- As far as industrial growth is concerned, only an upward moving trend could be noticed irrespective of octroi and non-octroi states. This may be due to the government initiation which aimed at removing constraints on industrial growth providing more congenial environment for development.
- Whereas prices are concerned both in octroi and non-octroi cities, the share of octroi or its substitute is found to be much less as compared to other taxes. And the incidence of octroi in a majority of case is lower as compared to the incidence of its substitute. However, it is difficult to say that substitute of octroi has higher incidence on consumers as compared to octroi levy as prices of goods and commodities directly or indirectly influenced by many factors including government policy, inter state tax variations, demand profile of consumers, inflation trend, etc.
- In the section of Municipal Services, an attempt is made to examine whether presence or absence of octroi makes any differences in the level of services or not. The study suggests that per capita spending on services in octroi states is usually higher than that for non-octroi states. It may be mentioned that among the sample cities, the per capita expenditure on services in octroi cities are more than twice than that for non-octroi cities. This suggests the importance of octroi in delivery of basic urban services in any city or a town.

Annex 1

**Revenue Income and Expenditure of Sampled Municipal Bodies
in Octroi states (1989-90 to 1991-92)**

(Rs.in lakhs)

States/Cities	Income	Expenditure	Income Expenditure Differential (+) / (-)		Per Capita on current prices (in Rs.)	
			Amount	% to Income	Income	Expendi- ture
Gujarat						
Ahmedabad						
1989-90	13545.34	12242.28	1303.06	9.62	503.41	454.98
1990-91	14866.52	16043.74	-1177.22	-7.92	534.36	576.67
1991-92	17747.84	17485.13	262.71	1.48	616.95	607.82
Jamnagar						
1989-90	1139.22	1126.30	12.92	1.13	347.59	343.65
1990-91	1389.11	1323.25	65.86	4.74	415.14	395.46
1991-92	1401.87	1158.65	243.22	17.35	410.34	339.15
Maharashtra						
Bombay						
1989-90	56333.82	53935.29	2398.53	4.26	589.02	563.94
1990-91	65229.11	64178.46	1050.65	1.61	657.16	646.58
1991-92	73704.39	70483.09	3221.30	4.37	715.47	684.20
Nasik						
1989-90	3856.54	3945.44	-88.90	-2.31	652.45	667.49
1990-91	4933.33	5184.45	-251.12	-5.09	762.62	801.43
1991-92	5253.31	7064.11	-1810.80	-34.47	742.02	997.79
Rajasthan						
Jaipur						
1989-90	1587.43	1559.44	27.99	1.76	113.29	111.30
1990-91	2134.89	2079.90	54.99	2.58	146.38	142.61
1991-92	3214.55	3275.06	-60.51	-1.88	211.75	215.74
Alwar						
1989-90	185.74	175.48	10.26	5.52	93.71	88.53
1990-91	206.96	197.73	9.23	4.46	100.91	96.41
1991-92	237.95	205.59	32.36	13.60	112.13	96.88
All States						
1989-90	76648.09	72984.23	3663.86	4.78	383.25	371.65
1990-91	88759.92	89007.53	-247.61	-0.28	436.10	443.19
1991-92	101559.91	99671.63	1888.28	1.86	468.11	490.26
Average						
1989-90	12774.68	12164.04	610.64	4.78	63.88	61.94
1990-91	14793.32	14834.59	-41.27	-0.28	72.68	73.87
1991-92	16926.65	16611.94	314.71	1.86	78.02	81.71

Source: NIUA Survey, 1993-94.

Annex II

**Revenue Income and Expenditure of Sampled Municipal Bodies
in Non-Octroi States (1989-90 to 1991-92)** (Rs. in lakh)

States/Cities	Income	Expenditure	Income-expenditure differential (+) / (-)		Per capita on current prices (in Rs.)	
			Amount	% to income	Income	Expenditure
Karnataka						
Bangalore						
1989-90	8876.18	9312.20	-436.02	-4.91	336.08	352.59
1990-91	9817.01	7781.37	2035.64	20.74	369.05	292.52
1991-92	11984.05	9002.96	2981.09	24.88	447.30	336.03
Mysore						
1989-90	1197.45	1265.45	-68.00	-5.68	251.22	265.49
1990-91	1299.31	1371.99	-72.68	-5.59	270.30	285.42
1991-92	1617.61	1490.55	127.06	7.85	333.69	307.48
Madhya Pradesh						
Bhopal						
1989-90	1102.47	1243.62	-141.15	-12.80	108.62	122.52
1990-91	1503.27	1497.33	5.94	0.40	141.45	140.89
1991-92	1892.05	1704.60	187.45	9.91	170.00	153.18
Indore						
1989-90	1630.45	1651.23	-20.78	-1.27	153.52	155.47
1990-91	2062.09	2099.56	-37.47	-1.82	188.89	192.32
1991-92	2665.03	2797.82	-132.79	-4.98	237.50	249.34
Uttar Pradesh						
Lucknow						
1989-90	1490.78	1478.50	12.28	0.82	97.69	96.88
1990-91	1549.01	1485.68	63.33	4.09	95.67	91.76
1991-92	1979.04	1943.22	35.82	1.81	115.20	113.12
Mathura						
1989-90	249.77	261.22	-11.45	-4.58	115.02	120.29
1990-91	238.60	248.74	-10.14	-4.25	105.25	109.73
1991-92	289.17	281.43	7.74	2.68	122.19	118.92
Total						
1989-90	14547.10	15212.22	-665.12	-4.57	209.67	219.26
1990-91	16469.29	14484.67	1984.62	12.05	230.63	202.84
1991-92	20426.95	17220.58	3206.37	15.70	277.79	234.19
Average						
1989-90	2424.52	2535.37	-110.85	-4.57	209.67	219.26
1990-91	2744.88	2414.11	330.77	12.05	230.63	202.84
1991-92	3404.49	2870.10	534.39	15.70	277.79	234.19

Source: NIUA Survey, 1993-94.

Annex - III

Composition of Revenue Income of Sampled Municipal Bodies in Octroi states (1989-90 to 1991-92)

States/Cities	Income Component (Rs.in lakhs)					Percent share to total income				
	Total income	Tax	Non-tax	Grants	In lieu of octroi	Total Income	Tax	Non-tax	Grants	In lieu of octroi
Gujarat										
Ahmedabad										
1989-90	13545.34	10335.14	774.12	1914.21		100.00	76.30	5.72	14.13	
1990-91	14866.52	11095.22	1103.81	2247.22		100.00	74.63	7.42	15.12	
1991-92	17747.84	13585.3	934.05	2551.16		100.00	76.55	5.26	14.37	
Jamnagar										
1989-90	1139.22	779.26	95.19	217.06		100.00	68.40	8.36	19.05	
1990-91	1389.11	960.21	119.75	284.62		100.00	69.12	8.62	20.49	
1991-92	1401.87	1111.89	130.45	121.78		100.00	79.31	9.31	8.69	
Maharashtra										
Bombay										
1989-90	56333.82	43756.3	7425.89	2281.38		100.00	77.67	13.18	4.05	
1990-91	65229.11	49871.42	9273.18	2577.85		100.00	76.46	14.22	3.95	
1991-92	73704.39	56600.78	10486.38	3130.11		100.00	76.79	14.23	4.25	
Nasik										
1989-90	3856.54	2739.99	330.01	441.72		100.00	71.05	8.56	11.45	
1990-91	4933.33	3464.59	517.58	739.3		100.00	70.23	10.49	14.99	
1991-92	5253.31	3914.05	507.27	503.28		100.00	74.51	9.66	9.58	
Rajasthan										
Jaipur										
1989-90	1587.43	1078.31	337.36	171.76		100.00	67.93	21.25	10.82	
1990-91	2134.89	1368.84	643.2	122.85		100.00	64.12	30.13	5.75	
1991-92	3214.55	2308.52	667.38	238.65		100.00	71.81	20.76	7.42	
Alwar										
1989-90	185.74	140.31	30.85	14.58		100.00	75.54	16.61	7.85	
1990-91	206.96	149.36	22.02	35.58		100.00	72.17	10.64	17.19	
1991-92	237.95	177.45	33.42	27.08		100.00	74.57	14.04	11.38	
All States										
1989-90	76648.09	58829.31	8993.42	5040.71		100.00	76.75	11.73	6.58	
1990-91	88759.92	66909.64	11679.54	6007.42		100.00	75.38	13.16	6.77	
1991-92	101559.9	77697.99	12758.95	6572.06		100.00	76.50	12.56	6.47	
Average										
1989-90	12774.68	9804.885	1498.903	840.1183		100.00	76.75	11.73	6.58	
1990-91	14793.32	11151.61	1946.59	1001.237		100.00	75.38	13.16	6.77	
1991-92	16926.65	12949.67	2126.492	1095.343		100.00	76.50	12.56	6.47	

Source: NIUA Survey, 1993-94.

Annex IV

Composition of Revenue Income of Sampled Municipal Bodies in Non-Octroi States (1989-90 to 1991-92)										
States/Cities	Income components (Rs. in lakhs)					Percent share in total income				
	Total Income	Tax	Non-tax	Grants	In lieu of octroi	Total income	Tax	Non-tax	Grants	In lieu of octroi
Karnataka										
Bangalore										
1989-90	8876.18	3436.71	1658.99	123.47	2657.52	100.00	38.72	18.69	1.39	29.94
1990-91	9817.01	4796.10	1813.27	185.26	1970.93	100.00	48.85	18.47	1.89	20.08
1991-92	11984.05	5385.22	1221.78	742.79	3363.42	100.00	44.94	10.20	6.20	28.07
Mysore										
1989-90	1197.45	531.24	18.19	37.21	252.92	100.00	44.36	1.52	3.11	21.12
1990-91	1299.31	590.17	16.67	44.21	284.54	100.00	45.42	1.28	3.40	21.90
1991-92	1617.61	699.22	12.10	32.20	320.10	100.00	43.23	0.75	1.99	19.79
Madhya Pradesh										
Bhopal										
1989-90	1102.47	240.14	278.03	133.16	451.14	100.00	21.78	25.22	12.08	40.92
1990-91	1503.27	298.60	425.51	194.62	584.54	100.00	19.86	28.31	12.95	38.88
1991-92	1892.05	340.68	444.52	239.27	867.58	100.00	18.01	23.49	12.65	45.85
Indore										
1989-90	1630.45	597.69	104.82	43.09	884.85	100.00	36.66	6.43	2.64	54.27
1990-91	2062.09	646.52	89.32	161.89	1164.36	100.00	31.35	4.33	7.85	56.47
1991-92	2665.03	873.02	160.94	230.37	1400.70	100.00	32.76	6.04	8.64	52.56
Uttar Pradesh										
Lucknow										
1989-90	1490.78	1140.03	132.02	218.73	-	100.00	76.47	8.86	14.67	-
1990-91	1549.01	1097.05	144.25	307.71	-	100.00	70.82	9.31	19.86	-
1991-92	1979.04	686.67	261.69	256.92	773.76	100.00	34.70	13.22	12.98	39.10
Mathura										
1989-90	249.77	162.77	21.08	65.92	-	100.00	65.17	8.44	26.39	-
1990-91	238.60	174.84	13.52	50.24	-	100.00	73.28	5.67	21.06	-
1991-92	289.17	81.02	25.12	88.65	94.38	100.00	28.02	8.69	30.66	32.64
All States										
1989-90	14547.10	6108.58	2213.13	621.58	4246.43	100.00	41.99	15.21	4.27	29.19
1990-91	16469.29	7603.28	2502.54	943.93	4004.37	100.00	46.17	15.20	5.73	24.31
1991-92	20426.95	8065.83	2126.15	1590.20	6819.94	100.00	39.49	10.41	7.78	33.39
Average										
1989-90	2424.52	1018.10	368.86	103.60	707.74	100.00	41.99	15.21	4.27	29.19
1990-91	2744.88	1267.21	417.09	157.32	667.40	100.00	46.17	15.20	5.73	24.31
1991-92	3404.49	1344.31	354.36	265.03	1136.66	100.00	39.49	10.41	7.78	33.39

Source: NIUA Survey, 1993-94

Annex - V

Components of Tax income of Sampled Municipal Bodies in Octroi states (1989-90 to 1991-92)

States/Cities	Tax Income (Rs.in lakhs)				Percent share to total tax income			
	Tax Income	Octroi	Property tax	Other taxes	Tax Income	Octroi	Property tax	Other taxes
Gujarat								
Ahmedabad								
1989-90	10335.14	7339.53	2779.67	215.94	100.00	71.02	26.90	2.09
1990-91	11095.22	8002.3	2868.3	224.62	100.00	72.12	25.85	2.02
1991-92	13585.3	10000.57	3364.57	220.22	100.00	73.61	24.77	1.62
Jamnagar								
1989-90	779.26	489.32	104.16	185.78	100.00	62.79	13.37	23.84
1990-91	960.21	550.55	154.36	255.3	100.00	57.34	16.08	26.59
1991-92	1111.89	610.24	214.53	287.12	100.00	54.88	19.29	25.82
Maharashtra								
Bombay								
1989-90	43756.3	35159.12	8294.23	302.95	100.00	80.35	18.96	0.69
1990-91	49871.42	40563.03	8967.56	340.83	100.00	81.34	17.98	0.68
1991-92	56600.78	46561.82	9667.56	371.4	100.00	82.26	17.08	0.66
Nasik								
1989-90	2739.99	2371.55	327.27	41.17	100.00	86.55	11.94	1.50
1990-91	3464.59	3028.35	369.74	66.5	100.00	87.41	10.67	1.92
1991-92	3914.05	3401.51	448.05	64.49	100.00	86.91	11.45	1.65
Rajasthan								
Jaipur								
1989-90	1078.31	983.14	95.11	0.00	100.00	91.17	8.82	0.00
1990-91	1368.84	1244.07	124.77	0.00	100.00	90.88	9.12	0.00
1991-92	2308.52	2059.39	249.13	0.00	100.00	89.21	10.79	0.00
Alwar								
1989-90	140.31	126.15	14.16	0.00	100.00	89.91	10.09	0.00
1990-91	149.36	138.54	10.82	0.00	100.00	92.76	7.24	0.00
1991-92	177.45	162.34	15.11	0.00	100.00	91.48	8.52	0.00
All States								
1989-90	58829.31	46468.81	11614.60	745.84	100.00	78.99	19.74	1.27
1990-91	66909.64	53526.84	12495.55	887.25	100.00	80.00	18.68	1.33
1991-92	77697.99	62795.87	13958.95	943.23	100.00	80.82	17.97	1.21
Average								
1989-90	9804.89	7744.80	1935.77	124.31	100.00	78.99	19.74	1.27
1990-91	11151.61	8921.14	2082.59	147.88	100.00	80.00	18.68	1.33
1991-92	12949.67	10465.98	2326.49	157.21	100.00	80.82	17.97	1.21

Source: NIUA Survey, 1993-94.

Annex VI

**Components of Tax Income of Sampled Municipal Bodies in
Non-Octroi States (1989-90 to 1991-92)**

States/Cities	Tax income components (Rs.in lakhs)				Percent share to total Tax income			
	Total tax income	Octroi/ substitutes (comp grant)	Property tax	Other taxes	Total tax income	Octroi/ substitutes (comp grant)	Property tax	Other taxes
Karnataka								
Bangalore								
1989-90	6094.23	2657.52	2497.64	939.07	100.00	43.61	40.98	15.41
1990-91	6767.03	1970.93	3022.34	1773.76	100.00	29.13	44.66	26.21
1991-92	8748.64	3363.42	3220.66	2164.56	100.00	38.45	36.81	24.74
Mysore								
1989-90	784.16	252.92	243.02	288.22	100.00	32.25	30.99	36.76
1990-91	874.71	284.54	246.43	343.74	100.00	32.53	28.17	39.30
1991-92	1019.32	320.10	276.74	422.48	100.00	31.40	27.15	41.45
Madhya Pradesh								
Bhopal								
1989-90	691.28	451.14	180.41	59.73	100.00	65.26	26.10	8.64
1990-91	883.14	584.54	231.17	67.43	100.00	66.19	26.18	7.64
1991-92	1208.26	867.58	268.92	71.76	100.00	71.80	22.26	5.94
Indore								
1989-90	1482.54	884.85	326.47	271.22	100.00	59.68	22.02	18.29
1990-91	1810.88	1164.36	347.57	298.95	100.00	64.30	19.19	16.51
1991-92	2273.72	1400.70	461.99	411.03	100.00	61.60	20.32	18.08
Uttar Pradesh								
Mathura								
1989-90	1140.03	765.05	333.59	41.39	100.00	67.11	29.26	3.63
1990-91	1097.05	776.72	276.46	43.87	100.00	70.80	25.20	4.00
1991-92	1460.43	773.76	637.48	49.19	100.00	52.98	43.65	3.37
Indore								
1989-90	162.77	101.52	10.76	50.49	100.00	62.37	6.61	31.02
1990-91	174.84	98.25	12.31	64.28	100.00	56.19	7.04	36.77
1991-92	175.40	94.38	14.03	66.99	100.00	53.81	8.00	38.19
All States								
1989-90	10355.01	5113.00	3591.89	1650.12	100.00	49.38	34.69	15.94
1990-91	11607.65	4879.34	4136.28	2592.03	100.00	42.04	35.63	22.33
1991-92	14885.77	6819.94	4879.82	3186.01	100.00	45.82	32.78	21.40
Average								
1989-90	1725.84	852.17	598.65	275.02	100.00	49.38	34.69	15.94
1990-91	1934.61	813.22	689.38	432.00	100.00	42.04	35.63	22.33
1991-92	2480.96	1136.66	813.30	531.00	100.00	45.82	32.78	21.40

Source: NIUA Survey, 1993-94.

Annex VII

Componentwise Per Capita Income of Sampled Municipal Bodies in Octroi States (1989-90 to 1991-92)

(in Rs.)

States/Cities	At current prices							At constant prices						
	Total Income	Octroi Substitutes	Property Tax	Other Taxes	All	Non-tax	Grants	Total Income	Octroi Substitutes	Property Tax	Other Taxes	All	Non-tax	Grants
Gujarat														
Ahmedabad														
1989-90	503.41	272.77	103.31	8.03	384.1	28.77	71.14	503.41	272.77	103.31	8.03	384.1	28.77	71.14
1990-91	534.36	287.63	103.1	8.07	398.8	39.68	80.77	481.26	259.05	92.85	7.27	359.17	35.73	72.75
1991-92	616.95	347.64	116.96	7.66	472.25	32.47	88.68	488.84	275.45	92.67	6.07	374.19	25.73	70.27
Jamnagar														
1989-90	347.59	149.3	31.78	56.68	237.76	29.04	66.23	347.59	149.3	31.78	56.68	237.76	29.04	66.23
1990-91	415.14	164.53	46.13	76.3	286.96	35.79	85.06	373.89	148.18	41.55	68.72	258.45	32.23	76.61
1991-92	410.34	178.62	62.79	84.04	325.46	38.18	28.24	325.13	141.53	49.76	66.59	257.88	30.25	28.24
Maharashtra														
Bombay														
1989-90	589.02	367.62	86.72	3.17	457.51	77.64	23.85	589.02	367.62	86.72	3.17	457.51	77.64	23.85
1990-91	657.16	408.66	90.35	3.43	502.44	93.42	25.97	591.85	368.05	81.37	3.09	452.51	84.14	23.39
1991-92	715.47	451.99	93.85	3.61	549.44	101.79	30.38	566.9	358.13	74.36	2.86	435.35	80.66	24.08
Nasik														
1989-90	652.45	401.22	55.37	6.97	463.55	55.83	74.73	652.45	401.22	55.37	6.97	463.55	55.83	74.73
1990-91	762.62	468.14	57.16	10.28	535.57	80.01	114.28	686.83	421.61	51.48	9.26	482.35	51.48	102.93
1991-92	742.02	480.46	63.29	9.11	552.85	71.65	71.09	587.94	380.69	50.14	7.22	438.05	50.14	56.33
Rajasthan														
Jaipur														
1989-90	113.29	70.16	6.79	0	76.95	24.08	12.26	113.29	70.16	6.79	0	76.95	24.08	12.26
1990-91	146.38	85.3	8.55	0	93.85	44.1	8.42	131.83	76.82	7.7	0	84.53	39.72	7.59
1991-92	211.75	135.66	16.41	0	152.07	43.96	15.72	167.78	107.49	13	0	120.49	34.83	12.46
Alwar														
1989-90	93.71	63.65	7.14	0	70.79	15.56	7.36	93.71	63.65	7.14	0	70.79	15.56	7.36
1990-91	100.91	67.55	5.28	0	72.83	10.74	17.35	90.89	60.84	4.75	0	65.59	9.67	15.62
1991-92	112.13	76.5	7.12	0	83.62	15.75	12.76	88.85	60.62	5.64	0	66.26	12.48	10.11
Average														
1989-90	383.25	220.79	48.52	12.48	281.78	38.49	42.60	383.25	220.79	48.52	12.48	281.78	38.49	42.60
1990-91	436.10	246.97	51.76	16.35	315.08	50.62	55.31	392.76	222.43	46.62	14.72	283.77	42.16	49.82
1991-92	468.11	278.48	60.07	17.40	355.95	50.63	41.15	370.91	220.65	47.60	13.79	282.04	39.02	33.58

Source: NIUA Survey, 1993-94.

Annex VIII

Componentwise Per Capita Income of Sampled Municipal Bodies in Non-Octroi States (1989-90 to 1991-92)														(in Rs.)
States/Cities	At current prices							At constant prices						
	Total tax income	Octroi/substitutes	Property tax	Other taxes	All tax	Non tax	Grants	Total tax income	Octroi/substitutes	Property tax	Other taxes	All tax	Non tax	Grants
Karnataka														
Bangalore														
1989-90	336.08	100.62	94.57	35.56	130.12	62.81	4.67	336.08	100.62	94.57	35.56	130.12	62.81	4.67
1990-91	369.05	74.09	113.62	66.68	180.30	68.17	6.96	332.37	66.73	102.33	60.05	162.38	61.39	6.27
1991-92	447.30	125.54	120.21	80.79	201.00	45.60	27.72	354.42	99.47	95.25	64.02	159.26	36.13	21.97
Mysore														
1989-90	251.22	53.06	50.99	60.47	111.45	3.82	7.81	251.22	53.06	50.99	60.47	111.45	3.82	7.81
1990-91	270.30	59.19	51.27	71.51	122.78	3.47	9.20	243.44	53.31	46.17	64.40	110.57	3.12	8.28
1991-92	333.69	66.03	57.09	87.15	144.24	2.50	6.64	264.40	52.32	45.23	69.05	114.29	1.98	5.26
Madhya Pradesh														
Bhopal														
1989-90	108.62	44.45	17.77	5.88	23.66	27.39	13.12	108.62	44.45	17.77	5.88	23.66	27.39	13.12
1990-91	141.45	55.00	21.75	6.34	28.10	40.04	18.31	127.39	49.54	19.59	5.71	25.30	36.06	16.49
1991-92	170.00	77.96	24.17	6.45	30.62	39.95	21.50	134.72	61.18	19.15	5.11	24.26	31.65	17.04
Indore														
1989-90	153.52	83.31	30.74	25.54	56.28	9.87	4.06	153.52	83.31	30.74	25.54	56.28	9.87	4.06
1990-91	188.89	106.66	31.84	27.38	59.22	8.18	14.83	170.12	96.06	28.67	24.66	53.34	7.37	13.36
1991-92	237.50	124.83	41.17	36.63	77.80	14.34	20.53	188.19	98.91	32.62	29.02	61.65	11.36	16.27
Uttar Pradesh*														
Lucknow														
1989-90	97.69	50.13	21.86	2.71	74.70	8.65	14.33	91.63	47.02	20.50	2.54	70.07	8.11	13.44
1990-91	95.67	47.97	17.07	2.71	67.76	8.91	19.00	80.81	40.52	14.42	2.29	57.24	7.53	16.05
1991-92	115.20	45.04	37.11	2.86	39.97	15.23	14.96	115.20	45.04	37.11	2.86	39.97	15.23	14.96
Mathura														
1989-90	115.02	46.75	4.96	23.25	74.96	9.71	30.36	115.02	46.75	4.96	23.25	74.96	9.71	30.36
1990-91	105.25	43.34	5.43	28.36	77.13	5.96	22.16	94.79	39.03	4.89	25.54	69.46	5.37	19.96
1991-92	122.19	39.88	5.93	28.31	34.24	10.61	37.46	122.19	39.88	5.93	28.31	34.24	10.61	37.46
Average														
1989-90	149.25	73.70	51.77	23.78	88.04	31.90	8.96	149.25	73.70	51.77	23.78	88.04	31.90	8.96
1990-91	162.55	68.33	57.92	36.30	106.47	35.04	13.22	146.29	61.50	52.13	32.67	95.83	31.54	11.90
1991-92	202.44	92.75	66.36	43.33	109.69	28.91	21.63	159.92	73.27	52.43	34.23	86.65	22.84	17.08

Note: * Base year for constant prices in U.P. is 1988-89 (before octroi abolition) and 1991-92 (after octroi abolition)
Source: NIUA Survey, 1993-94.

Annex IX

Revenue Income of Sampled Municipal Bodies before Abolition of Octroi in Non-Octroi States

States/Cities	Year in which octroi abolished	Income components (Rs. in lakhs)					Percent share to total income				
		Total	Tax	Non-tax	Grants	In lieu of octroi	Total	Tax	Non-tax	Grants	In lieu of octroi
Karnataka											
Bangalore	1978-79										
	76-77	1943.85	1362.67	288.68	38.47	-	100.00	70.10	14.85	1.98	-
	77-78	2080.48	1449.28	364.86	4.57	-	100.00	69.66	17.54	0.22	-
	78-79	2414.59	1707.34	440.33	19.71	-	100.00	70.71	18.24	0.82	-
Mysore	1978-79										
	76-77	236.18	161.29	3.73	4.23	-	100.00	68.29	1.58	1.79	-
	77-78	289.70	163.29	5.11	6.62	-	100.00	56.37	1.76	2.29	-
	78-79	373.98	206.02	4.86	24.55	-	100.00	55.09	1.30	6.56	-
Both											
	76-77	2180.03	1523.96	292.41	42.70	-	100.00	69.91	13.41	1.96	-
	77-78	2370.18	1612.57	369.97	11.19	-	100.00	68.04	15.61	0.47	-
	78-79	2788.57	1913.36	445.19	44.26	-	100.00	68.61	15.96	1.59	-
Average											
	76-77	1090.02	761.98	146.21	21.35	-	100.00	69.91	13.41	1.96	-
	77-78	1185.09	806.29	184.99	5.60	-	100.00	68.04	15.61	0.47	-
	78-79	1394.29	956.68	222.60	22.13	-	100.00	68.61	15.96	1.59	-
Madhya Pradesh											
Bhopal	1975-76										
	73-74	148.68	111.17	33.93	3.58	-	100.00	74.77	22.82	2.41	-
	74-75	214.87	142.76	54.42	17.69	-	100.00	66.44	25.33	8.23	-
	75-76	236.64	179.82	51.23	5.59	-	100.00	75.99	21.65	2.36	-
Indore	1975-76										
	73-74	256.75	202.26	42.13	12.36	-	100.00	78.78	16.41	4.81	-
	74-75	410.77	287.44	52.30	71.03	-	100.00	69.98	12.73	17.29	-
	75-76	484.11	374.06	69.44	40.61	-	100.00	77.27	14.34	8.39	-
Both											
	73-74	405.43	313.43	76.06	15.94	-	100.00	77.31	18.76	3.93	-
	74-75	625.64	430.20	106.72	88.72	-	100.00	68.76	17.06	14.18	-
	75-76	720.75	553.88	120.67	46.20	-	100.00	76.85	16.74	6.41	-
Average											
	73-74	202.72	156.72	38.03	7.97	-	100.00	77.31	18.76	3.93	-
	74-75	312.82	215.10	53.36	44.36	-	100.00	68.76	17.06	14.18	-
	75-76	360.38	276.94	60.34	23.10	-	100.00	76.85	16.74	6.41	-
Uttar Pradesh											
Lucknow	August 1990-91										
	89-90	1490.78	1140.03	132.02	218.73	-	100.00	76.47	8.86	14.67	-
	90-91	1549.01	1097.05	144.25	307.71	-	100.00	70.82	9.31	19.86	-
Mathura	August 1990-91										
	89-90	249.77	162.77	21.08	65.92	-	100.00	65.17	8.44	26.39	-
	90-91	238.60	174.84	13.52	50.24	-	100.00	73.28	5.67	21.06	-
Both											
	89-90	1740.55	1302.80	153.10	284.65	-	100.00	74.85	8.80	16.35	-
	90-91	1787.61	1271.89	157.77	357.95	-	100.00	71.15	8.83	20.02	-
Average											
	89-90	870.28	651.40	76.55	142.33	-	100.00	74.85	8.80	16.35	-
	90-91	893.81	635.95	78.89	178.98	-	100.00	71.15	8.83	20.02	-

Source: NIUA Survey, 1993-94.

Annex X

Income - Expenditure Differential in Non-Octroi Cities before Abolition of Octroi

States/Cities	Year in which octroi abolished	Income-expenditure Differential				Per capita on current prices	
		Income	Expenditure	Amount	% to total Income	Income	Expenditure
Karnataka							
Bangalore	1978-79						
76-77		1943.85	1943.54	0.31	0.02	94.90	94.90
77-78		2080.48	1952.35	128.13	6.16	96.87	90.90
78-79		2414.59	2099.96	314.63	13.03	107.21	93.24
Mysore	1978-79						
76-77		236.18	247.95	-11.77	-4.98	58.31	61.21
77-78		289.70	306.32	-16.62	-5.74	69.98	74.00
78-79		373.98	385.11	-11.13	-2.98	88.41	91.04
Both							
76-77		2180.03	2191.49	-11.46	-0.53	88.87	89.34
77-78		2370.18	2258.67	111.51	4.70	92.51	88.16
78-79		2788.57	2485.07	303.50	10.88	104.25	92.90
Average							
76-77		1090.02	1095.75	-5.73	-0.53	88.87	89.34
77-78		1185.09	1129.34	55.75	4.70	92.51	88.16
78-79		1394.29	1242.54	151.75	10.88	104.25	92.90
Madhya Pradesh							
Bhopal	1975-76						
73-74		148.68	126.43	22.25	14.97	39.11	33.25
74-75		214.87	149.30	65.57	30.52	52.11	36.21
75-76		236.64	189.75	46.89	19.81	52.92	42.43
Indore	1975-76						
73-74		256.75	235.90	20.85	8.12	41.62	39.89
74-75		410.77	367.48	43.29	10.54	63.83	59.57
75-76		484.11	391.72	92.39	19.08	72.12	60.87
Both							
73-74		405.43	362.33	43.10	10.63	40.66	36.34
74-75		625.64	516.78	108.86	17.40	59.25	48.94
75-76		720.75	581.47	139.28	19.32	64.47	52.01
Average							
73-74		202.72	181.17	21.55	10.63	40.66	36.34
74-75		312.82	258.39	54.43	17.40	59.25	48.94
75-76		360.38	290.74	69.64	19.32	64.47	52.01
Uttar Pradesh							
Lucknow	August 1990-91						
89-90		1490.78	1478.50	12.28	0.82	97.69	96.88
90-91	August	1549.01	1485.68	63.33	4.09	95.67	91.76
Mathura	1990-91						
89-90		249.77	261.22	-11.45	-4.58	115.02	120.29
90-91		238.60	248.74	-10.14	-4.25	105.25	109.73
Both							
89-90		1740.55	1739.72	0.83	0.05	99.86	99.81
90-91		1787.61	1734.42	53.19	2.98	96.84	93.96
Average							
89-90		870.28	869.86	0.41	0.05	99.86	99.81
90-91		893.81	867.21	26.59	2.98	96.84	93.96

Source: NIUA Survey, 1993-94.

Annex XI

Component of Tax Income in Non-Octroi Cities before Abolition of Octroi													
States/Cities	Year in which octroi abolished	Tax income components (Rs. in lakhs)				Percent share in Total tax income				Per capita on current price (Rs.)			
		Total	Octroi	Property tax	Others	Total	Octroi	Property tax	Others	Total	Octroi	Property tax	Others
Karnataka													
Bangalore	1978-79												
76-77		1362.67	781.79	379.07	201.81	100.00	57.37	27.82	14.81	66.53	38.17	18.51	9.85
77-78		1449.28	868.14	372.91	208.23	100.00	59.90	25.73	14.37	67.48	40.42	17.36	9.70
78-79		1707.34	1053.13	414.95	239.26	100.00	61.68	24.30	14.01	75.81	46.76	18.42	10.62
Mysore	1978-79												
76-77		161.29	78.12	34.29	48.88	100.00	48.43	21.26	30.31	39.82	19.29	8.47	12.07
77-78		163.29	85.51	29.19	48.59	100.00	52.37	17.88	29.76	39.45	20.66	7.05	11.74
78-79		206.02	96.40	42.32	67.30	100.00	46.79	20.54	32.67	48.70	22.79	10.00	15.91
Both													
76-77		1523.96	859.91	413.36	250.69	100.00	56.43	27.12	16.45	62.13	35.06	16.85	10.22
77-78		1612.57	953.65	402.10	256.82	100.00	59.14	24.94	15.93	62.94	37.22	15.69	10.02
78-79		1913.36	1149.53	457.27	306.56	100.00	60.08	23.90	16.02	71.53	42.97	17.09	11.46
Average													
76-77		761.98	429.96	206.68	125.35	100.00	56.43	27.12	16.45	62.13	35.06	16.85	10.22
77-78		806.29	476.83	201.05	128.41	100.00	59.14	24.94	15.93	62.94	37.22	15.69	10.02
78-79		956.68	574.77	228.64	153.28	100.00	60.08	23.90	16.02	71.53	42.97	17.09	11.46
Madhya Pradesh													
Bhopal	1975-76												
73-74		111.17	94.80	9.06	7.31	100.00	85.27	8.15	6.58	29.24	24.94	2.38	1.92
74-75		142.76	124.81	9.74	8.21	100.00	87.43	6.82	5.75	34.62	30.27	2.36	1.99
75-76		179.82	155.65	12.20	11.97	100.00	86.56	6.78	6.66	40.21	34.81	2.73	2.68
Indore	1975-76												
73-74		202.26	175.66	6.45	20.15	100.00	86.85	3.19	9.96	32.79	28.48	1.05	3.27
74-75		287.44	259.10	6.83	21.51	100.00	90.14	2.38	7.48	44.67	40.26	1.06	3.34
75-76		374.06	339.48	10.64	23.94	100.00	90.76	2.84	6.40	55.72	50.57	1.58	3.57
Both													
73-74		313.43	270.46	15.51	27.46	100.00	86.29	4.95	8.76	31.44	27.13	1.56	2.75
74-75		430.20	383.91	16.57	29.72	100.00	89.24	3.85	6.91	40.74	36.36	1.57	2.81
75-76		553.88	495.13	22.84	35.91	100.00	89.39	4.12	6.48	49.54	44.29	2.04	3.21
Average													
73-74		156.72	135.23	7.76	13.73	100.00	86.29	4.95	8.76	31.44	27.13	1.56	2.75
74-75		215.10	191.96	8.29	14.86	100.00	89.24	3.85	6.91	40.74	36.36	1.57	2.81
75-76		276.94	247.57	11.42	17.96	100.00	89.39	4.12	6.48	49.54	44.29	2.04	3.21
Uttar Pradesh													
Lucknow	1990-91												
89-90		1140.03	765.05	333.59	41.39	100.00	67.11	29.26	3.63	74.70	50.13	21.86	2.71
90-91		1097.05	776.72	276.46	43.87	100.00	70.80	25.20	4.00	67.76	47.97	17.07	2.71
Mathura	1990-91												
89-90		162.77	101.52	10.76	50.49	100.00	62.37	6.61	31.02	74.96	46.75	4.96	23.25
90-91		174.84	98.25	12.31	64.28	100.00	56.19	7.04	36.77	77.13	43.34	5.43	28.36
Both													
89-90		1302.80	866.57	344.35	91.88	100.00	66.52	26.43	7.05	74.74	49.72	19.76	5.27
90-91		1271.89	874.97	288.77	108.15	100.00	68.79	22.70	8.50	68.90	47.40	15.64	5.86
Average													
89-90		651.40	433.29	172.18	45.94	100.00	66.52	26.43	7.05	74.74	49.72	19.76	5.27
90-91		635.95	437.49	144.39	54.08	100.00	68.79	22.70	8.50	68.90	47.40	15.64	5.86

Source: NIUA Survey, 1993-94.

ANNEXURE XII
CONSTRUCTION ESTIMATE OF CENTRAL P.S. STATION OF MUNICIPAL COUNCILS IN RAJASTHAN

Sl. No.	Name of the Commodity	Unit	M/ton	Alumac	Dimer	Dusar	Bhirkul	Mullawa	Blamar	Churu	Humana	Jalpur	Jodhpur	Kishan	Kotah	Pali	Sikring	Tonk	Udaipur
A. FOOD GROUP																			
1.	Rice	Quintal	1.70	1.00	0.25	0.50	0.50	0.10	0.75	1.00	0.35	1.00	0.50	0.25	0.75	1.00	0.15	0.40	0.50
2.	Onions and pulses	-do-	0.40	0.20	0.25	0.20	0.10	0.50	0.10	0.50	0.25	1.00	0.25	0.15	0.25	1.00	0.10	0.50	0.70
3.	Soyl, mung, cow, starch	-do-	0.60	0.70	0.25	1.50	1.50	0.10	0.60	1.00	0.25	1.00	0.25	0.15	0.25	1.00	0.10	0.50	0.70
4.	Sugar, buta, wheat,	-do-	3.00	1.50	1.00	2.00	1.50	0.80X	2.00	2.50	3.00	1.00	2.00	1.00	0.75	2.00	0.25	3.00	1.60X
5.	Guc, lch, chila, rickpak etc.	-do-	0.75	0.60	1.00	1.50	1.00	0.80X	1.00	1.00	1.20	1.00	1.00	0.50	0.50	1.00	0.25	1.00	1.60X
6.	Hydrogenated refined oil	-do-	5.00	5.75	5.00	3.00	1.00	1.00X	1.00X	0.60	0.60	3.00	4.50	3.00	2.00X	3.00	2.00	4.00	6.00
7.	Groundnut oil	-do-	5.00	5.00	6.00	3.00	3.00	1.60X	5.00	8.00	5.00	5.00	6.00	3.00	0.60	3.00	2.00	4.00	5.00
8.	Edible oils	-do-	4.00	5.75	4.50	2.50	2.00	0.80X	1.00	5.10	2.00	2.75	3.00	1.00	1.00X	1.00	2.00	4.00	5.00
9.	Oil seeds	-do-	1.50	1.50	1.00	1.00	1.00	0.40	1.00	2.00	0.50	1.00	1.00	0.50	0.50X	1.00	1.00	2.00	2.50
10.	Wheat, coco, wa leaf and dust	-do-	3.00X	14.50	2.00X	6.00	1.00X	1.00X	1.00X	2.00X	3.00	4.00	8.00	2.00	1.00X	2.00X	4.00	1.50X	1.50X
11.	Sanctioned bottled water	-do-	7.00X	13.00	1.00X	2.00X	0.80	1.00X	0.60X	0.80X	0.75X	1.00	0.80	0.80	1.00X	1.00X	3.00	0.60X	3.00X
12.	Provisions (k-m)	Quintal	2.00X	5.00	1.00X	2.00X	6.00	0.80X	1.00X	6.00	0.75X	4.00	5.00	3.00	1.00X	1.00X	1.50	1.00X	2.00X
13.	Dry fruits	-do-	2.00X	7.25	1.00X	2.00X	6.00	0.80X	1.00X	6.00	0.75X	4.00	5.00	3.00	1.00X	1.00X	1.50	1.00X	2.00X
14.	Fer	-do-	1.00	0.85	0.50	1.00	1.50X	0.80X	1.00X	8.00	0.15X	3.00	3.00	1.00	1.00X	1.00X	3.00	1.50X	2.00X
15.	Meal leaves	bag	3.00	NA	0.50/dl	3.00/dl	3.00	NA	0.75	1.00	1.25	5.00	5.00	3.00/dl	3.00/dl	NA	0.25	1.00	1.00X
B. CLOTHING MATERIALS																			
17.	Cotton	Quintal	0.75	1.40	1.00X	12.00	2.00	0.15	2.00	1.00X	1.00	1.50	3.00/dl	0.30	1.00	5.00	1.00X	1.00	5.00
18.	Wool animal hair	-do-	4.00	8.00	1.00X	2.00	10.00	0.60X	5.00	2.00X	30.00	2.00	3.00	25.00	1.00X	2.00	6.00	1.00X	3.00
19.	Wool, silk yarn and synthetic yarn	-do-	12.00X	8.00	1.00X	0.75X	1.00	0.80X	6.00	1.00X	3.00	8.00	6.00	1.00X	1.00X	2.00X	1.00X	2.00X	6.00
20.	Cotton yarn	-do-	2.00	8.00	1.00X	1.00X	1.50	1.00X	6.00	1.00X	30.00	2.00	3.00	0.75	1.00X	2.00	1.50	3.00	10.00
21.	Wool, acrylic, warricot, Jari cloth etc	-do-	21.00	8.00	1.00X	20.00	1.50X	16.00	1.00X	1.00X	1.00X	10.00	10.00	10.00	1.00X	1.00X	1.00X	6.00	20.00
22.	Carpet (galich)	-do-	1.00X	8.00	1.00X	0.75X	10.00	0.80X	20.00	6.00	10.00	10.00	8.00	0.75X	1.00X	1.50X	2.00	1.00X	5.00
23.	Wool blanket	-do-	16.00	8.00	1.00X	12.00	10.00	6.00	20.00	1.00X	10.00	10.00	8.00	0.75X	1.00X	1.50X	2.00	1.00X	5.00
24.	Wool, raw-cotton rope	-do-	1.00	8.00	1.00X	2.00	2.00	0.80X	5.00	6.00	10.00	8.00	5.00	0.75X	1.00X	1.50X	2.00	1.00X	5.00
25.	Cotton carpet, mats	-do-	5.00	8.00	1.00X	0.75X	2.00	0.80X	10.00	6.00	10.00	8.00	5.00	0.75X	1.00X	1.50X	2.00	1.00X	5.00
26.	Canvas, binding cloth and other cloth	-do-	0.00	5.00	1.00X	0.75X	2.00	0.80X	1.00	4.00	10.00	8.00	3.00	0.75X	1.00X	2.00X	2.00	1.00X	6.00
C. BUILDING MATERIALS																			
27.	Bamboos, sleepers, ballies	Quintal	0.65	0.75	NA	0.85	1.00	0.80X	1.00	1.50	0.70	0.50	0.25	0.25	1.00X	1.00	1.00X	2.00	3.00X
28.	Construction wood and wood saws	-do-	0.00	1.75	2.00X	2.00X	2.00X	0.80X	2.50	1.50	1.10	0.50	1.00	2.00X	1.00X	2.50X	1.00	1.50X	10.00/dl
29.	Fly wood, hard board and wooden sheets	-do-	1.00X	1.75X	2.00X	2.00X	2.00X	0.70X	1.00X	1.00X	1.00X	4.00	4.00	2.00X	1.00X	2.50X	1.00	1.50X	4.00
30.	Plastic chemical goods etc.	-do-	3.00X	14.50	NA	2.00X	2.00X	1.00X	1.00X	6.00	1.00X	8.00	10.00	2.00X	1.00X	2.00X	1.00X	2.00X	7.50
31.	Boors, windows, coats etc.	-do-	2.00X	1.75	2.00X	2.00X	2.00X	0.80X	1.00X	1.50	1.00	8.00	3.00	2.00X	1.00X	2.50X	1.00	1.50X	4.00
32.	Port and cement	Bag	0.25	7.10	0.25	0.15	1.50X	0.15	0.25	0.15	0.25	0.50	0.25	0.20	1.00/dl	0.50	1.00	1.00X	2.00X
33.	Wool-coloured cement	Quintal	0.50	3.00	0.75	0.30	1.00X	1.10X	1.00/dl	0.50	0.20	1.00	1.00/dl	0.50	1.00X	1.00X	0.50	1.00X	2.00X
34.	Mould stones, chips etc.	-do-	0.50	0.10	3.00X	2.00X	2.00X	0.10	1.00	2.00	1.00X	1.00	2.00	1.00X	1.00X	2.50X	1.00X	3.00X	
35.	Bricks	1000 lbs	NA	1.12	NA	0.50	0.50	NA	1.00	2.00	0.50	1.00	1.00	0.25	1.00	0.10/dl	1.00	1.00	0.75
36.	French chalk, marble powder, chips, plaster of Paris, China clay, fire bricks	Quintal	3.00X	0.10	0.25	3.00X	0.10	0.80X	1.00X	0.05	1.00X	2.00	2.00	0.05	0.25	0.20	0.05	2.00	0.15
37.	Sand for construction (M-1, M-2, M-3, M-4, M-5, M-6, M-7, M-8, M-9, M-10, M-11, M-12, M-13, M-14, M-15, M-16, M-17, M-18, M-19, M-20, M-21, M-22, M-23, M-24, M-25, M-26, M-27, M-28, M-29, M-30, M-31, M-32, M-33, M-34, M-35, M-36, M-37, M-38, M-39, M-40, M-41, M-42, M-43, M-44, M-45, M-46, M-47, M-48, M-49, M-50, M-51, M-52, M-53, M-54, M-55, M-56, M-57, M-58, M-59, M-60, M-61, M-62, M-63, M-64, M-65, M-66, M-67, M-68, M-69, M-70, M-71, M-72, M-73, M-74, M-75, M-76, M-77, M-78, M-79, M-80, M-81, M-82, M-83, M-84, M-85, M-86, M-87, M-88, M-89, M-90, M-91, M-92, M-93, M-94, M-95, M-96, M-97, M-98, M-99, M-100)	Truck (Net)	0.50	0.02	3.00	0.10/dl	0.05	0.80X	0.05/dl	2.00	0.10	6.00	0.03/dl	0.01/dl	0.50	0.20/dl	0.01/dl	0.10/dl	0.25
38.	Wash, high, dry colourant	Quintal	2.00X	2.00X	2.00X	2.00X	2.00X	2.00X	2.00X	2.00X	2.00X	5.00	2.00X	2.50X	2.00X	2.50X	1.00X	2.00X	2.00X
39.	Paints, distemper etc.	-do-	3.00	13.00	NA	3.00X	1.50X	1.00X	4.00	3.00	4.00	4.00	3.00	1.50X	1.00X	1.00X	2.00X	2.00X	
40.	Roofs, water-pipe, Grist, sheets and cement goods	-do-	1.00	3.00	NA	2.00X	2.00X	1.00	1.00X	2.00	1.00X	1.50	1.00	1.00X	1.00X	1.00	2.00X	2.00X	
D. EXHAUSTIVE ITEMS GROUP																			
41.	Foreign lighters	Ad. Valorem (1000 lbs)	3.00	6.00	2.00	2.00	0.25/dl	3.20	2.00	2.00	0.75/dl	6.00/dl	5.00/dl	0.25/dl	0.25/dl	2.50	1.00	2.00	0.50/dl
42.	Indian made foreign lighters	-do-	3.00	6.00	2.00	2.00	0.25/dl	3.20	2.00	2.00	0.75/dl	6.00/dl	5.00/dl	0.25/dl	0.25/dl	2.50	1.00	2.00	0.50/dl
43.	Foreign and Indian beer	-do-	3.00	6.00	2.00	2.00	0.25/dl	3.20	2.00	2.00	0.75/dl	6.00/dl	5.00/dl	0.25/dl	0.25/dl	2.50	1.00	2.00	0.50/dl
44.	Foreign and Indian beer	-do-	3.00	6.00	2.00	2.00	0.25/dl	3.20	2.00	2.00	0.75/dl	6.00/dl	5.00/dl	0.25/dl	0.25/dl	2.50	1.00	2.00	0.50/dl

Annex XIII

Population Estimates of Sampled Cities in Octroi States

States/Cities	Census Year		ACGR	Estimated Population							
	1981	1991		1989	1990	1992	1995	2000	2001		
Gujarat											
Ahmedabad	2059725	2876710	3.4	2690738	2782118	2974518	3288352	3886699	4154240		
Jamnagar	277615	341637	2.1	327748	334610	348811	371251	411905	429239		
Maharashtra											
Bombay	8243405	9925891	1.87	9389243	9563942	10111505	10689434	11726982	12175832		
Nasik	262428	646896	9.44	540110	591088	707963	927980	1456865	1745184		
Rajasthan											
Jaipur	977165	1458483	4.09	1346119	1401225	1518135	1712133	2092100	2176882		
Alwar	145795	205086	3.47	191561	198205	212202	235068	278783	288489		

Source: Census of India, 1981 and 1991, General Population Table - IIA.

Annex XIV

Population Estimates of Sampled Cities in Non-Octroi State

States/Cities	Year in which octroi abolished	Census year		ACGR (%)	Estimated Population					
		1981	1991		1989	1990	1992	1995	2000	2001
Karnataka	Bangalore	2476355	2660088	0.72	2622282	2641117	2679195	2737343	2837075	2857453
	Mysore	441754	480692	0.85	472639	476649	484770	497212	518662	523062
Madhya Pradesh	Bhopal	671018	1062771	4.71	969390	1015007	1112782	1277385	1607588	1683237
	Indore	829327	1091674	2.79	1033284	1062078	1122095	1218540	1398052	1437011
Uttar Pradesh	Lucknow	895721	1619115	6.10	1438324	1526045	1717862	2051727	2758495	2926730
	Mathura	147493	226691	4.39	208018	217154	236647	269215	333757	348415

Source: Census of India, 1981 and 1991. General Population Table -II A

Annex XV
Share of Octroi and Other Taxes in the Price of Sample Goods
in the Octroi City of Jamnagar

(in Rs.)

Item	Unit	Price/Unit (incl. of all taxes)	(In Rs.)		% Share	
			Octroi	Other taxes	Octroi	Other taxes
1. Pure ghee (Loose ghee)	Kg.	80.00	1.80	N.A.	2.25	N.A.
2. Rice (Permal)	Kg.	13.50	0.05 (flat rate)	N.A.	0.37	N.A.
3. Dal channa	Kg.	16.00	0.32	0.40	2.0	2.5
4. Cooking oil	Kg.	34.67	0.21	N.A.	0.61	N.A.
5. Refrigerator (Voltas 165 ltrs.)	One	9300.00	372.00	1302.00	4.00	14.00

Note : N.A.- Not available/Not provided.

Source : NIUA Survey, 1994.

Annex XVI

Share of Octroi and Other Taxes in the Price of Sample Goods in
the Octroi City of Alwar, 1993-94

(in Rs.)

Commodities	Unit	Price Per Unit (Inclusive of all Taxes)	Octroi	Other Taxes (OT)	% Share	
					Octroi	Other taxes
1. Ashok vanaspathi	Kg.	34.13	0.09	1.45	0.26	6
2. Ashok refind	Kg.	27.67	0.07	1.66	0.25	6
3. Rice	Kg.	7.25	0.01	0.29	0.14	4
4. Lipton tea	Kg.	27.00	0.14	0.14	0.52	10
5. Dalda	Kg.	36.00	0.09	2.88	0.25	8
6. Surf	Kg.	41.67	0.63	4.17	1.5	10
7. Anik ghee	Kg.	86.60	0.05	5.20	0.06	6
8. Usha fan	One	775.00	15.50	93.00	2	12
9. Khetan fan	One	775.00	15.50	93.00	2	12
10. Poler fan	One	780.00	15.60	93.60	2	12
11. Cinni fan	One	900.00	18.00	108.00	2	12
12. Gulmohar collar	One	2700.00	54.00	324.00	2	12
13. Usha cooler	One	5600.00	112.00	672.00	2	12
14. Kehtan cooler	One	3000.00	60.00	360.00	2	12
15. Bulb	One	8.00	0.16	0.96	2	12
16. Tube	One	34.00	0.68	4.08	2	12
17. Lifebuoy	One	5.24	0.02	0.42	0.37	8

Source : NIUA Survey, 1993-94.

Annex XVII
Share of Octroi and Other Taxes in the price of Sample Goods
in the Octroi City of Bombay

(in Rs.)

Item	Unit	Price/Unit (incl. of all taxes)	(In Rs.)		% Share	
			Octroi	Other taxes	Octroi	Other taxes
1. Desi Ghee (loose)	Kg.	145.00	2.00	N.A.	1.40	N.A.
2. Dal channa	Kg.	18.50	0.23	0.69 (SST)	1.25	3.7
3. Rice (Sela)	Kg.	8.50	0.15	0.30 (SST)	1.75	2.00
4. Cooking oil (Safola)	Kg.	65.00	1.95	2.60 (SST)	3.00	4.00
5. Electrical appliance (Sand layers)	One	550.00	24.75	37.00 (SST)	4.5	6.7

Source : NIUA Survey, 1994.

Annex XVIII

Share of Octroi and Other Taxes in Price of of Sample Goods in the Octroi City of Nasik

(in Rs.)

Item	Unit	Price/Unit (incl. of all taxes)	(In Rs.)		% Share	
			Octroi	Other taxes	Octroi	Other taxes
1. Hardware Paint (Asian)	ltr.	280.00	8.40	33.60 (SST)	3.00	12.00
2. Cooking oil (Goldline)	ltr.	47.00	1.88	2.82 (SST)	4.00	6.00
3. Dal channa	Kg.	16.75	0.25	0.29 (SST)	1.5	1.75
4. Rice (Sela)	Kg.	7.00	1.00 per bag of 40 kg.	N.A.	N.A.	N.A.
5. Electrical appliance (lamps)	One	25.00	0.75	2.50 (SST)	3.00	10.00

Source : NIUA Survey, 1994.

Annex XIX
Share of Octroi and Other Taxes in the Price of Sample Goods
in the Octroi City of Ahmedabad

(in Rs.)

Item	Unit	Price/Unit (incl. of all taxes)	(In Rs.)		% Share	
			Octroi	Other taxes	Octroi	Other taxes
1. Edible oil	Kg.	35.00	0.18	3.90*	0.51	11.14
2. Rice (375)	Kg.	12.00	0.12	0.26	1.00	2.2
3. Dal channa	Kg.	18.00	0.36	0.84	2.00	4.6
4. Timber	Per cubic ft.	200.00	4.00	28.00	2.00	14.00

Source : NIUA Survey, 1994.

* Includes Rs.2.50 (cost of empty 15 Kgs. tin).

Annex XX

Share of Octroi or its Substitutes and Other Taxes in the Price of Sample Goods
in the Non-Octroi City of Mathura, 1993-94

(in Rs.)

Commodities	Unit	Price Per Unit (Inclusive of all Taxes) (Rs.)	Octroi/its Substitutes (Rs.)	Other Taxes/Sales Tax (Rs.)	% Share	
					Octroi	Other taxes
1. Synthetic Enamel Paints	Kg.	118.00	3.54	14.16	3.00	12
2. Decoplest	Kg.	110.00	3.30	13.20	3.00	12
3. Synthetic Washable Destemper	Kg.	45.00	1.35	5.40	3.00	12
4. Apcolite	Kg.	118.00	3.54	14.16	3.00	12
5. Apce Automatic	Kg.	200.00	6.00	24.00	3.00	12
6. Readymade lady suit	One	200.00	3.00	12.00	1.50	6
7. Readymade gents shirt	One	150.00	2.25	9.00	1.50	6
8. Electric Heater	One	100.00	2.50	10.00	2.50	10

Source : NIUA Survey, 1993-94.

Annex XXI
Share of Octroi and Other Taxes in Price of Sample Goods in the
Octroi City of Bhopal, 1993-94

(in Rs.)

Commodities	Unit	Price Per Unit (Inclusive of all Taxes)	Octroi/its substitutes	Other Taxes (OT)	% Share		
					Octroi/its substitutes	Other taxes	
A. Cloth							
Lattha	Kg.	70.00	0.35	4.20	0.5	6	
Towel	Meter	15.00	0.08	0.90	0.5	6	
Lungi	Meter	45.00	0.23	2.70	0.5	6	
Rajai	Meter	130.00	0.65	7.80	0.5	6	
B. Sanitary Fittings & Hardware							
	Feet	6.25	0.03	0.75	0.5	12	
G.I. Pipe 1/2"	Feet	12.00	0.06	1.44	0.5	12	
G.I. Pipe 1"	One	6.00	0.03	0.72	0.5	12	
Band 1/2"	One	4.00	0.02	0.48	0.5	12	
L. Bow 1/2"	One	2.50	0.01	0.30	0.5	12	
Socket 1/2"	One	120.00	0.60	14.40	0.5	12	
Sanitary Sheet	One	650.00	3.25	104.00	0.5	16	
Sink Sheet	One	25.00	0.13	4.00	0.5	16	
Brass Tap							
C. Cement							
Diamond	Cement	Per Beg	100.13	0.45	9.68	0.5	10.76
Modi Cement		Per Beg	100.13	0.45	9.68	0.5	10.76
D. Paints							
Asian Paint	liter	120.00	0.60	19.20	0.5	16	
Rajdoot Paint	liter	115.00	0.58	18.40	0.5	16	
Neroleck Paint	liter	120.00	0.60	19.20	0.5	16	
Fevicol	liter	80.00	40.00	9.60	0.5	12	
M. Seal	100 gm.	10.00	0.05	1.20	0.5	12	
Godrej Lock	One	65.00	0.33	7.80	0.5	12	
E. Rice & Pluses							
Wheat	Kg.	5.20	0.02	0.31	0.5	6	
Wheat Lockven	Kg.	5.18	0.02	0.31	0.5	6	
Wheat Medium	Kg.	6.25	0.03	0.37	0.5	6	
Rice Parmel	Kg.	8.07	0.40	0.80	0.5	6	
Dal Chenna	Kg.	19.10	0.09	1.15	0.5	6	
Dal Moong	Kg.	15.00	0.07	0.90	0.5	6	
Dal	Kg.	16.90	0.08	1.91	0.5	6	
Urad Dal	Kg.	11.00	0.50	66.00	0.5	6	
F. Spices							
Haldi	Kg.	22.00	0.11	2.64	0.5	12	
Dhania	Kg.	21.90	0.11	2.63	0.5	12	
Kali Mirch	Kg.	48.75	0.24	5.85	0.5	12	
Salt-Tata	Kg.	3.00	0.02	0.36	0.5	12	

Source : NIUA Survey, 1993-94.

Annex XXII
Share of Octroi and Other Taxes in Price of Sample Goods in the
Octroi City of Indore, 1993-94

(in Rs.)

Commodities	Unit	Price Per Unit (Inclusive of all Taxes)	Octroi/its substitutes	Other Taxes (OT)	% Share	
					Octroi/its substitutes	Other taxes
A. Cement						
ACC Cement	Per beg	95.00	0.48	10.21	0.5	10.75
Modi Cement	Per beg	92.00	0.46	9.89	0.5	10.75
Diamond Cement	Per beg	92.00	0.46	9.89	0.5	10.75
C & T Cement	Per beg	105.00	0.53	11.29	0.5	10.75
B. Cooking Oil						
Musterd oil	Per kg.	26.50	0.13	0.80	0.5	3
Groundnut oil (local)	Per kg.	33.75	0.17	1.01	0.5	3
Groundnut oil (South)	Per kg.	33.95	0.17	1.02	0.5	3
Edible oil	Per tin	275	1.38	8.25	0.5	3
Dalda (Malwal)	Per tin	525	2.63	15.75	0.5	3
Dalda (Panghet) (1 tin = 15 kg.)	Per tin	530	2.65	15.90	0.5	3
C. Sanitary and Hardware						
PVC Pipe	One	5.50	0.03	0.66	0.5	12
Brass tap	One	24.00	0.12	3.84	0.5	16
Plastic tap	One	15.00	0.08	1.80	0.5	12
Sink	One	250.00	1.25	30.00	0.5	12
Sink Sheet	One	650.00	3.25	104.00	0.5	16
Sanitary Sheet	One	125.00	0.63	15.00	0.5	12
Paint Rajdoot	One	120.00	0.60	14.40	0.5	12
Paint Asian	One	120.00	0.60	14.40	0.5	12
Neroleck	One	120.00	0.60	14.40	0.5	12
Fevicol	One	82.00	0.41	9.84	0.5	12
D. Salt & Spices						
Tata Salt	Kg.	3.00	0.02	0.24	0.5	8
Malwa Salt	Kg.	2.80	0.01	0.22	0.5	8
Sanchi Salt	Kg.	2.80	0.01	0.22	0.5	8
Haldi Salt	Kg.	22.40	0.11	2.69	0.5	12
Kali Mirch	Kg.	48.50	0.24	5.82	0.5	12
Dhania	Kg.	22.10	0.11	2.65	0.5	12
E. Rice & Pulses						
Rice Permal	Kg.	6.95	0.03	0.42	0.5	6
Rice White	Kg.	4.25	0.02	0.26	0.5	6
Dal Channa	Kg.	19.00	0.10	1.14	0.5	6
Dal	Kg.	16.75	0.08	1.01	0.5	6
Dal Moong	Kg.	15.50	0.08	0.93	0.5	6
Dal Chilka	Kg.	11.00	0.06	0.07	0.5	6
Dal Urad	Kg.	12.20	0.06	0.73	0.5	6
Basmati Rice	Kg.	22.40	0.11	1.34	0.5	6

Source : NIUA Survey, 1993-94.

Appendix I

Procedure to levy and Collection of octroi in the selected municipal bodies : An Observation:-

- I. **BOMBAY:** There are in all 62 octroi work centres. Out of these,. the main centres are four road barriers, B.P.T., Docks, Railway stations and Airport.

Import by road

Import by road take place at the four road barriers viz. Bombay Panvel Highway, Eastern Express Highway, Lal Bahadur Shastri Marg and Dahisar. Each of these octroi check post is headed by a Deputy Assessor & Collector. Broadly speaking, five categories of vehicles enter into Greater Bombay by roads are :

- 1 Empty vehicles
- 2 Vehicles carrying not liable articles
- 3 Vehicles carrying single octroiable consignment
- 4 Vehicles carrying multiple octroiable consignment
- 5 Vehicles carrying goods entitled for exemption

At the Docks

The importer / C.H.A has to present bill of entry together with a&b forms. As per standing orders, if the articles under import are not liable or exempted, bill of entry is stamped accordingly by the octroi inspector. In case there is no order, the supervising inspector or superintendent or Assistant Assessor & Collector determines the liability or otherwise on the basis of literature etc.

At the Railways

The Railway authorities refer all railway receipts to the octroi staff, who value the consignments or put the stamp on exemption, not liable etc.thereon. Railways are their agents to cover octroi, pass the receipts and remit payment to Bombay Municipal corporation.

At the Airport

In respect of imports from foreign countries, values accepted in Bills of entry etc. are accepted for octroi purpose also. In respect of imports from out stations in the country values shown in Airway Bills are accepted for octroi purposes. Octroi is however, recovered by departmental staff of octroi office posted at Airport.

EXEMPTIONS:

There are certain criterion for the exemption from the levy of octroi:

1. Exemption in respect of the article imported for immediate exportation i.e. 'N' form procedure;
2. Exemption for the purpose of inspection temporarily for the purpose of inspection demonstration, exhibition, repairs, processing or such other similar purposes i.e. 'R' form procedure;
3. Exemption for the articles imported for export to foreign countries: Export promotion (EP) facility.
4. Exemption on imports by Government.
5. Exemption for Diplomatic officials.
6. Exemption on Gifts etc.

REFUND OF OCTROI

Refund of octroi on account of export of duty paid articles

When any article upon which octroi has been paid is exported out of Greater Bombay limits within a period of six months from the date of its import 93-3/4% of the amount of octroi paid is refunded to the importer/exporter duly filled in and other necessary document should be enclosed.

On account of various improvements in the refund procedure effected during the course of the last over 1-1/2 years, refund claim on account of export is settled now within one month from the date of its lodging.

Refund of octroi on account of excess or wrong recovery

In order to claim refund of octroi paid wrongly or in excess, importers has to lodge a claim accompanied by the original invoice, octroi import bill, and octroi receipt alongwith supporting documents supporting his contention of excess or wrong recovery within 3 months from the date of recovery of u. In case of non- production of invoice, bill or other documents with it copy at the time of importation of the goods for which complaint for refund has been made, the commissioner can in his discretion grant refund on revcovery of penalty not exceeding 10% on refund amount due if he/she is otherwise satisfied of the correctness of the claim.

II. NASIK:

Nasik Municipal Corporation is recovering octroi since its establishment i.e. since 7th November, 1982. As per the definition. Octroi is a levy on import of goods within municipal limit for sale use or consumption. Thus, it follows that no octroi is leviable for eventual export out of octroi make for assembly, testing or repairs, for processing or for outside naka. However, octroi exception on such re-exported goods is available only if proper permission is obtained, proper documentation is made and prescribed procedures are followed. Sometimes, these procedures are so time consuming that the importer gets frustrated and does not avoid of the octroi exemption. The procedure can be simplified by giving such permission at the octroi naka itself.

Problem of Refund

It has been observed that even after the prescribed procedures are followed, refund of deposits takes undue time which irritates the person concerned. On top of it, many times demands are issued alleging short payment of octroi. After the discussing with the octroi agents association, Nasik they gave many suggestions for simplification of procedures. Luckily, administration of Nasik Municipal Corporation is very responsive, practical and considerate. They have considerably simplified the procedure of octroi refund w.e.f. 17.8.92. Though the fact remains that the paper work is cumbersome and it tests patience of the tax payer, refund is quicker if someone follow prescribed procedures and all required paper are submitted.

Need for Refund of Octroi:

Need of claiming refund of octroi from the Municipal Corporation arises in the following cases -

Deposit if original bill not available

If the importer can not produce the purchase bill at octroi post, then the Octroi Inspector on duty, can in his own direction decide the purchase price of the material imported and collect the octroi as deposit. He will issue the receipt of deposit to the importer. However, this importer, within 30 days of payment of such deposit, can produce the purchase bill and can claim the refund out of deposit. If it is in excess of the octroi applicable to such commodity.

Repairs/Processing/Re-Export

Which importing the material/commodity for detention and eventual re-export, the octroi inspector may ask for the deposit from the importer. Such temporary import may be for repairs/assembling and testing or processing or for re-export out of corporation limits. In such cases, if such material/commodity is exported after detention, processing, testing or repairs within 6 months of import, refund of the said deposit can be claimed within one month of the export of the material.

Material passing through city

If the material which is passing through the octroi limits of any city/town, on its way to ultimate port of import & if through oversight or mistake the octroi is charged by the octroi inspector of the town which is intermediate between port of origin & ultimate port of import, then refund of such octroi can be claimed within 6 months after submission of sufficient proof that the material has reached its ultimate destination.

Overpayment by mistakes

If through mistake or oversight, excess octroi is charged & pakka octroi pass is issued by the Naka Inspector, the refund of such octroi can be claimed within 8 months by submitting the necessary proofs. Similarly, sometimes double octroi is charged on the same goods. In such cases too, refund of such octroi can be claimed within 6 months by submitting necessary proofs. (if octroi paid through pakka octroi receipt).

Papers essential for claiming refund

Refund can be obtained quickly if all papers work is complete and correct. Papers required and procedure to be followed for claiming octroi refund is explained below.

Re-exported goods :

If one is claiming the octroi refunds on the basis of octroi deposit submit all papers listed above receipt. Procedure of form 12 (25) has to be completed at the export naka at the time of re-export. Application for refund after re-export should be accompanied by (a) Original Deposit Receipt (b) Original form 12 (25) along with remark of re- export (c) Certified copies of recorded on deposit receipt at the time of import and (d) certified copies of documents related to re-export.

Rejected Goods

Paper work should be as per form 13A. One has to submit (a) Rejection Report from Buyer. (b) Original invoice/challan of seller, under which the material was dispatched to upcountry buyer. (c) Original L/R & LR under which re-booking is made. (d) the octroi/Deposit Receipt.

Procedure for claiming refund

Duly filled in application, in duplicate, alongwith necessary enclosures should be addressed to Dy. Commissioner (octroi) Nasik Municipal Corporation and should be directly submitted in Octroi department of NMC at Pandit Colony, Nasik. Usually the application is checked immediately on the counter and the person will be informed of shortcomings in the application and further papers required. This will enable to complete application in all respects. The complete application is then sent for further processing immediately. One can get the refund within a fortnight after submission of completed application. It is observed that octroi refunds are sometimes delayed in the Audit department of Corporation. This delay can be minimised if paper work is completed. It is very heartening to note that corporation authorities have streamlined the procedures, which has resulted in reducing the hardships faced in obtaining octroi refunds.

AHMEDABAD:

Under section 127 of Bombay Provincial Municipal Corporation Act 1949 Ahmedabad Municipal Corporation is levying octroi. A.M.C. has created 51 nakas (check-post) around the city. In 1992-93 the total collection of octroi was 127 crores. The yearly collection of octroi is 55% of the total revenue income of Ahmedabad Municipal Corporation. The total strength of the octroi staff is about 900/-. Most of them are working on octroi nakas.

Under octroi rule 9 a person bringing into or receiving from beyond the limits of the city any goods shall when required by an officer authorized in this behalf by the commissioner and so far as may be necessary for ascertaining whether octroi is payable on such goods and the amount of tax chargeable.

- a) unload and re-load all the goods or such of them as may be required by that officer.
- b) permit that officer to inspect, examine stamp seal or otherwise mark for purposes of identification of such goods.
- c) permit that officer to inspect, and examine any animal or vehicle on or in which such goods are loaded
- d) communicate to that officer any information and exhibit to him any bill invoice or document of a like nature, which he may possess relating to such animal or goods and
- e) make a declaration in writing to that officer regarding the correctness and accuracy of the document shown to him.
- f) every person incharge of such vehicle shall make a full and correct declaration of the goods carried in such vehicle.

Thus any goods which is imported into the city for the purpose of use consumption or sale is liable for octroi. As soon as the goods enters into the city limits, they are required to stop at octroi naka and should produce the original bills, transport receipt and relevant documents for assessing octroi. Octroi officer will tell the importer to fill in a declaration form in which, description of goods weigh, total value of the goods, vehicle no. name of the sender, name of the receiver and sign the declaration form. If the original invoice is produced, the octroi naka officer will give a pakka octroi receipt. If the original invoice is not produced naka officer will assess the value on market basis and collect the octroi on F form receipt. This form is required to clear in the octroi office within 30 days of import i.e. the concerned importer or his agent has to show the original bills and other relevant document to the octroi office and difference if any is require to pay in the office. If the f form is not cleared within six months, under section 398 of B.P.M.C Act corporation files complaint in the metropolitan magistrate court of city of ahmedabad. In such cases Magistrate of the court can impose 10 times penalty equivalents to octroi amount.

Generally whoever import the goods into the city for the purpose of use consumption or sale is required to pay the octroi. At octroi naka generally if the documents in original bills are produced, octroi procedure lasts for 20 to 30 minutes maximum. Where transporters are given facility of memo they can pass the naka without wasting any time at octroi naka.

There are some railway nakas also. On railway naka - octroi is being received by railway staff. Assessment of octroi is being done by Municipal Corporation staff. Railway pays to corporation at the end of every month. For collection of octroi work A.M.C pays to commission charges to railways which is decided by mutual contract bet between A.M.C. and Railway.

The head cashier collect the cash every day from the various Nakas and deposit the same to Municipal Treasury within 24 hours.
A separate account is maintained by the treasury office.

In the Ahmedabad Municipal Corporation, following facilities are given to the Transporters.

1 Memo facility:-

Under this facility transport vehicle while imports goods into the city are not required to wait at import naka. Transporters are require to handover their memo at import naka. They can enter into the city without paying octroi at naka, at the time of import. Afterwards during 24 hours of import they can produce bills etc. of the imported goods and pay the octroi accordingly. However, before delivery of goods to the customer, they are bound to pay octroi. The benefit of this scheme is that the vehicles are not detained at naka for long time. They have to pass through the naka and handover the list of goods imported which is called transport memo.

2 Crossing facility:-

This facility is given to the transporters only, under this facility transporters while bringing their goods into the city limits can also bring the goods meant for outside city since such goods can only exported from city - transporters the same within 5 days of its imports. They are require to take export pass at the time of export and submit both import and export passes in the octroi office. This is a special facility given only to the transporters.

3 *Current Account Facility:-*

Under this facility large companies which pay sizeable amount of octroi every year are not require to pay octroi at import naka. Simply they handover the details of imported goods and take receipts of the same.

Afterwards at the end of every month they are require to settle the octroi amount at the octroi office and pay octroi accordingly. However, initial deposit is recovered from such account holder. Under this facility large companies have not to bother for daily cash transaction.

4 *Cheque facility:-*

This is a general facility both for transporters and other companies under this facility - companies and transporters are require to submit bank guarantee from the bank and pay octroi by cheque, at specified octroi naka. Cheque facility is provided every year on demand. Under this facility cash transaction are avoided to minimise the cases of fraud on the part of transporters and other large companies.

JAMNAGAR:

Power to examine articles liable to octroi

A person bringing into or receiving from beyond the limits of the city any goods shall when required by an officer authorised in this behalf by the commissioner and so far as may be necessary for ascertaining whether octroi is payable on such goods and the amount of tax chargeable.

- (a) Unload and reload all the goods or such of them as may be required by that officer.
- (b) Permit that officer to inspect examine stamp, seal or otherwise mark for purposes of identification of such goods.
- (c) Permit that officer to inspect and examine any animal or vehicle on or in which such goods are loaded
- (d) Communicate to that officer any information and exhibit to him any bill invoice or document of a like nature which he may possess relating to such animal or goods and

- (e) Make declaration in writing to that officer regarding the correctness and accuracy the document shown to him.

Every person in charge of such vehicles shall make a full and correct declaration of the goods carried in such vehicle. If any person bringing into or receiving from beyond the limits of the city any vehicle or package shall refuse on the demand of an officer authorised by the commissioner in this behalf to permit the officer to inspect the content of the vehicle or package for the purpose of ascertaining whether it contains anything in respect of which octroi is payable, the officer may cause the vehicle or package to be taken without unnecessary delay before a magistrate or such officer of the corporation as the commissioner appoints in this behalf who shall cause the inspection to be made in his presence.

Special Provision in regard to non payment of octroi

In the case of non payment of any octroi on demand by any person authorised in this behalf by the commissioner such person in any case the goods on which the octroi is chargeable and which is in his opinion of sufficient value to satisfy the demand together with the expenses incidental to the seizure and eventual sale of such goods and may detain the same. He shall thereupon give the person in possession of the thing seized the list of the property together with a written notice in the form of schedule 'K'

When any property seized is subject to speedy decay or when the expense of keeping it together with the amount of the octroi chargeable is likely to exceed its value, the person seizing such property may inform the person in whose possession it was that it will be sold at once, and such person may sell it or cause to be sold accordingly unless the amount of octroi demanded and the expenses incidental to the seizure are forthwith paid

If at any time before a sale has begun, the person from whose possession the property has been seized or any other person interested in the goods, tenders at the municipal office the amount of all expenses incurred and of the octroi payable and on production of evidence by such person, the commissioner shall forthwith deliver to him the property seized.

If no such tender is made, the property seized may be sold and the proceeds of such sale shall be applied in payment of such octroi and the expenses incidental to the seizure, detention and sale.

The surplus if any of the sale proceeds, shall be credited to the municipal fund and may on application made to the commissioner in writing within six months next after the sale be

paid to the person in whose possession the property was when seized and if no such application is made shall become the property of the corporation. The expense incidental to the seizure of any property under this rule, shall be determined in such manner as the commissioner may specify in this behalf but shall not in any case exceed 10% of the amount of octroi payable .

Issue of requisition notices:

If the commissioner or any other officer authorised in this behalf is of opinion or has reason to believe that it is necessary in the interest of municipal revenue to issue a requisition notice as per schedule 1 or in such a form as may be prescribed by the municipal commissioner from time to time may issue the same asking any owner or importer of goods or any person connected with the import of goods to return it duly filed in and signed by him within 15 days from the date of receipt of the same. The person who is required by a written notice to do so shall fill in correct details and submit a true account of the goods imported by him.

The commissioner or the officer authorised may require of the said person to produce before him any account or document and to furnish any information relating to the import of goods or any other information in connection therewith as may be required, together with the copies or extract the information received as per question notice or when such information is believed to be incorrect, on such other authentic information as may be obtained shall immediately be paid by the said person on demand. If the amount so demanded is not paid on demand, it shall be recovered as if it were a tax, by processes of recovery as provided in chapter VIII (Rule of the schedule appended to Bombay Provincial Municipal Corporation Act LIX of 1949)

Refunds:

Refunds of octroi paid on goods imported shall be admissible on their export subject to the conditions mentioned in clause (a) to (g) of sub rule (1)

In the case of goods which have broken bulk or quantity prior intimation in writing as to the breaking of bulk or quantity shall be given to the octroi, superintendent in the municipal corporation office setting the places of storages of goods together with the import bill number and date under which and the naka through which the said goods were originally imported.

Application for refund in the form as may be prescribed by the municipal commissioner together with the original import bill and the export certificate is received in the octroi office within

30 days from the date of exportation of the said goods. In the case of goods exported by Rail, the date of railway receipt shall be the date of export.

That the amount due for refund shall not be less than Rs. 5/- five except in cases where the goods are imported and exported by rail.

That the export of the said goods shall take place within one month from the date of their import

That in respect of the goods exported since their import, they have not changed the original form conditions state or appearance by any process of manufacture of otherwise.

That in case of goods sold to a dealer outside municipal limits without any intermediary transaction and exported outside municipal limits as a result of such sale refund will be permissible provided the importer and the exporter remain the same person.

Provided that in case of commodities, the sale whereof is regulated under the agricultural produce markets, act, goods exported by bonafide purchasers have been purchased on the market yard and certified as such by the marked committee, shall be eligible for refund even though the amount of refund is less than Rs. 5/- five.

Refund shall be admissible in all or any of the following cases also subject to the conditions stated therein being fulfilled.

If the rate at which octroi is levied is incorrect in view of the nature of the commodity imported. If it is disputed that the goods imported are not the goods described in the Railway Receipt or other document but are different goods whereon octroi is leviable at the time of import and show the goods for verification to the octroi officer on duty before actually removing the same.

If the weight on which the octroi is charged is incorrect in view of the re-weightment done at the road naka or at the railway station before delivery of the goods.

If octroi is levied on goods which are eligible for exemption under the act or the rules.

If the consignment is not fully delivered or delivered in part by the Railway administration and the consignee produce evidence to show that the Railway administration have paid to him the value of the goods not delivered and have refunded the freight if changed thereon.

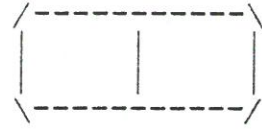
Provided that application for refund in the above cases mentioned in sub clause (d) is received in the octroi officer's office within 30 days from the date of the import of the goods.

Refunds of the amount paid as deposit in case of goods in transit shall be admissible provided all the following conditions mentioned in clause (a) to (c) of the sub rule 3 of Rule 11 are fulfilled.

- a. That the export of the said goods have taken place within 24 hours of its import, or within such period not exceeding 5 days as may be permitted by the Commissioner without break or bulk or quantity and in the same position.
- b. That the said goods since their import have not changed hence or their original form or conditions, state or appearance by any process of manufacture or otherwise.
- c. That the application for refund in the prescribed form together with the original deposit receipt and the export certificate is received in the octroi's office within 15 day from the date of exportation of the said goods.

Refund may be granted in the following cases.

- a. The application for refund is received in the octroi officers office within 30 days from the date of payment of octroi.
- b. A certificate in schedule J duly signed in produced at any time within one month after importation
- c. The contract for which goods were imported was made prior to the date of import and
- d. The Municipal Commissioner is satisfied that the goods imported were specifically imported for the purpose of fulfilling the said contract and the exemption certificate of the written declaration was not produce at the time of import due to the circumstances beyond the control of the importer or for any other reason which may be accepted as satisfactory by the municipal commissioner.



STUDY OF
IMPACT OF ABOLITION OF OCTROI
ON STATE ECONOMY,
MUNICIPAL FINANCES AND TRANSPORT EFFICIENCY

I. Information to be obtained from State Headquarter

NATIONAL INSTITUTE OF URBAN AFFAIRS
11, NYAYA MARG, CHANAKYAPURI
NEW DELHI - 110 021.

1993-94

A. Department of Urban Development and Directorate of Local Bodies.

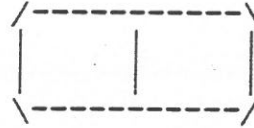
1. Proceeds from Octroi - 5 years data in a time series upto 91-92 or upto the year of Octroi abolition (consolidated figures for the whole state as well as it's distribution as per size-class or grade of towns).
2. Amount of compensation paid in lieu of Octroi in a time series upto 1991-92.
3. No. of Octroi check-posts in the state for 1991-92 or upto the year of Octroi abolition.
4. Octroi schedule (Rates) (if uniformly applied at state level) for 1991-92 or the year before the octroi abolition. In case of non-octroi state, latest schedule for substitute of Octroi.
5. Total non-plan municipal income and expenditure of all the cities/towns in the state as a whole as well as it's distribution as per major components according to the size-class or grade of towns for a period of 5 years before and after abolition of Octroi (upto 1991-92).

Department of Finance, Sales Tax or Secondary Sources.

1. Annual Proceeds of state non-plan income for 1986-87 to 1991-92 (Time Series) by source.
2. Proceeds from the substitute of octroi (since abolition - Time series for the last five years).
3. Prescribed growth rate of compensation.

Department of Road Transport

1. Number of checkposts on National Highways, State Highways and other roads for two years before and after Octroi abolition (if applicable).
2. Distribution of check posts according to their nature i.e. Octroi, Toll, Sales Tax and so on for two years before and after Octroi abolition (if applicable).
3. No. of Goods Carriers according to their mode in 1991-92.
4. Average time taken by goods carriers at different checkposts such as octroi, sales tax, forest, toll etc. ;
 - a) Before Abolition of Octroi minute/vehicle.
 - b) After Abolition of octroiminute/vehicle.



STUDY ON
IMPACT OF ABOLITION OF OCTROI
ON STATE/URBAN ECONOMY,
MUNICIPAL FINANCES AND TRANSPORT EFFICIENCY

II. Information from Wholesellers

NATIONAL INSTITUTE OF URBAN AFFAIRS
11, NYAYA MARG, CHANAKYAPURI
NEW DELHI - 110 021.

1993-94

01 IDENTIFICATION

- 1.1 Name of the City
- 1.2 Name of the Firm
- 1.3 Address
-
- 1.4 Name of the Respondent
- 1.5 Position of Respondent
- 1.6 Date of Investigation
- 1.7 Name of Investigator
- 1.8 Main items sold by the firm on which octroi or it's substitute has been paid

Items	Type and trade mark	Price(Rs.)/ unit	Taxes paid	
			Octroi	others (specify)
1. Foodgrain				
2. Salt				
3. Spices				
4. Cooking oil				
5. Desi ghee				
6. Coarse variety cloth				
7. Garments				
8. Electrical appliance				
9. Sanitary fittings				
10. Hard ware				

Note:As far as possible, please list out the common trade markes such as Rice Permal, Sundrop and Dalda Refind Cooking oil, Colgate Tooth paste, etc.

02 PRICE IMPLICATIONS

2.1 Price Break-up

Item	Unit	Price inclusive of all taxes (Max Retail Price)	Taxes and Fee Charged				
			Octroi or it's substi- tute	Excise	Sales tax CST	State sales taxes	Others (specify)

1. Foodgrain
2. Salt
3. Spices
4. Cooking oil
5. Desi ghee
6. Coarse variety cloth
7. Garments
8. Electrical appliance
9. Sanitary fittings
10. Hard ware

2.2 Do you think that Octroi is/has been causing inconvenience in you business?

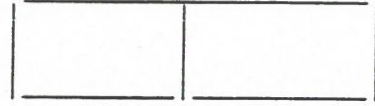
Yes/No

If yes - how ?

2.3

What should be the future of Octroi?

- a. It should continue/be restored.
- b. It's collection procedure should be modified
(If yes - specify proposed mode)?
- c. It should be abolished :
 1. Without any substitute
 2. With the provision of some substitute
(specify)



STUDY ON
IMPACT OF ABOLITION OF OCTROI
ON STATE ECONOMY,
MUNICIPAL FINANCES AND TRANSPORT EFFICIENCY

III. MUNICIPAL INFORMATION SHEET

NATIONAL INSTITUTE OF URBAN AFFAIRS
11, NYAYA MARG, CHANAKYAPURI
NEW DELHI - 110 021

1993-94

01 IDENTIFICATION

1.1 Name of the Town _____

1.2 Civic Status _____

1.3 Municipal Statistics

Area 1991 (Sq.kms) ----- Population 1991 -----

No. of Household (1991) -----

02 FISCAL RESOURCE MANAGEMENT

2.1 ⁺ Revenue Receipts (Recurring)

(Rs. in' 000)

Components	I* Five years prior to Octroi Abolition	II* Just before Octroi Abolition	III After Abolition of Octroi (Upto 1992-93)
A. Tax Revenue			
1. Property/General Holding/House taxes, (including service taxes)			
2. Octroi/Substitute			
3. Other taxes			
B. Non-Tax Revenues			
C. Fiscal Transfers			
1. In lieu of Octroi (specify the source e.g. Entry Tax/Surcharge on sales Tax etc.)			
2. Other Transfers (Grants)			
D. Other Sources of Income (specify)			
Total			

* Specify the year

2.2 Pattern of Revenue Expenditure (Recurring) X

(Rs. in' 000)

Components	I* Five years prior to Octroi Abolition	II* Just before Octroi Abolition	III After Abolition of Octroi (Upto 1992-93)
i. On General Establishment			
ii. On Octroi Administration**			
iii. On Operation and Maintenance of Services			
Total			

* Specify the year

** In case Octroi is abolished, please explain the utilisation of surplus staff.

03 MOBILISATION OF OCTROI

- 3.1 Rate structure of Octroi for the five latest years (upto 1992-93 for Octroi states and upto the year of octroi abolition for non-octroi states).
- 3.2 Rate structure of substitute of octroi (upto 1991-92).
- 3.3 Mode of Octroi collection i.e. the procedure adopted by the collection machinery at respective checkpoints.
- 3.4 Cost of Octroi collection in a time series for five latest years (upto 1991-92 or upto the year of Octroi abolition).
- 3.5 No. of employees deployed on Octroi Collection in a time series for five latest years i.e. upto 1991-92 or the year of abolition of Octroi.
- 3.6 No. of Check posts in the town.
- 3.7 Distribution of Checkposts according to their purpose i.e. Octroi Collection/Sales Tax and so on.
- 3.8 Survey/Office magnitude of vehicular traffic reporting at the Octroi checkpoints. (Annual or average daily reporting).
- 3.9. Survey time taken by these vehicles at Octroi checkpoints.

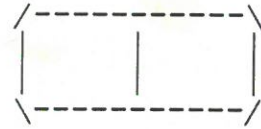
Note : Information on points 3.8 and 3.9 will be obtained on the basis of a one week survey of vehicles at octroi checkpoints.

04 STATUS OF COMPENSATION ON OCTROI ABOLITION
(For Non Octroi States)

- 4.1 Prescribed amount of compensation for the year just after abolition of Octroi.
- 4.2 Prescribed rate of annual growth in the amount of compensation.
- 4.3 Actual disbursement of compensation in a time series for the last five years (upto 91-92).
- 4.4 Timings of disbursement of compensation in a time series for each of the last five years (upto 1991-92).
- 4.5 Nature of compensation i.e. whether it is a general disbursement or adjusted towards specific items of municipal expenditure such as salaries of staff, DA increase, repayment of loan and so on.

05 OTHER INFORMATION

- 5.1 Municipal Budgets for the five latest years under alternate scenarios i.e. upto 1991-92 and for five years upto the abolition of Octroi.
- 5.2 Annual Administrative Report of Municipal body (If maintained) for 1991-92 and the year of Octroi abolition.
- 5.3 Any other report note on Octroi abolition.
- 5.4 No. of shops and establishments (for last five years time series) from licensing department of municipal body. If possible, annual income of their shops and establishments before and after abolition of Octroi (atleast for 5 years time series data in each case).



STUDY ON
IMPACT OF ABOLITION OF OCTROI ON
STATE/URBAN ECONOMY,
MUNICIPAL FINANCES AND TRANSPORT EFFICIENCY

IV. Transporters' opinion survey

NATIONAL INSTITUTE OF URBAN AFFAIRS
11, NYAYA MARG, CHANAKYAPURI
NEW DELHI - 110 021.

1993-94

01 IDENTIFICATION

Name of the Respondent
Address
.....
Name of Investigator
Date of Investigation

02 TRANSPORTERS VIEWS

2.1 Do you think that Octroi is/has been causing inefficiency in the movement of goods and traffic - If yes how?

- a. Time taken at an octroi check-post
- b. Fuel wastage on account of time spent at octroi check-post (monthly per truck)
- c. Extra payment made (on an average) at an octroi check-post.

2.2 What should be the future of Octroi:

- a) It should continue in the same manner or be restored
- b) It's collection procedure should be modified (If yes specify the proposed mode)

1.

2.

3.

c) It should be abolished:

1. Without providing for any substitute.

2. With the provision of some substitute
(specify)

2.3 How the abolition of Octroi will benefit/has benefited the transport sector and in what terms?

2.4 Will/has the abolition of Octroi make/made any reduction in the freight charges? If yes - how?

2.5 Will/has the abolition of octroi make/made and reduction in terms of time consumed by goods carries at different barriers and checkpoints. If yes, how much on average/vehicle?

TRANSPORT SURVEY
at
OCTROI CHECK POST

(2 hours each for peak & Lean hours)

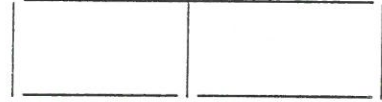
Date : _____

Time : _____

Type of Vehcile	Time of IN coming at the check-post (Arrival)	Time of OUT going from the check-pst (Departur e)	Estimated amount of fuel wastage during the halt at check-post (In Liters)	Harressment if any ... by Octroi staff and others at the check-post (please specify)	Any other demand by Octroi staff in terms of money

NATIONAL INSTITUTE OF URBAN AFFAIRS
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1993-94



STUDY ON
IMPACT OF ABOLITION OF OCTROI
ON STATE/URBAN ECONOMY,
MUNICIPAL FINANCES AND TRANSPORT EFFICIENCY

V MANUFACTURERS' SCHEDULE

NATIONAL INSTITUTE OF URBAN AFFAIRS
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01 IDENTIFICATION

- 1.1 Name of City _____
- 1.2 Name of the Firm _____
- 1.3 Address _____
- 1.4 Name of Respondent _____
- 1.5 Position of Respondent _____
- 1.6 Date of Investigation _____
- 1.6.1 Name of Investigator -----

02 CASE INFORMATION

- 2.1 Year of establishment _____
- 2.2 Type of production _____
- 2.3 Quantity produced (Annual) _____
- 2.4 Capital invested _____
- 2.5 No. of employees _____

2.6 Cost Statement, 1991-92

Type of Production	Total Raw Material Procured from outside local area during 1991-92	Value in terms of Rs. (excluding taxes)	Taxes Paid (in Rs.)	
			Octroi	Other taxes (specify)

1.

2.

3.

4.

5.

6.

7.

8.

All

2.7 Do you think that Octroi is/has been causing inconvenience in your business?

If yes - how?

2.8 What should be the future of Octroi?

a. It should continue/be restored.

b. It's collection procedure should be modified (If yes - specify proposed mode).

c. It should be abolished :

i. Without any substitute

ii. With the provision of some substitute (specify).

Appendix III

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Alternatives of Octroi : A Brief Note*

Entry Tax: Entry tax is a tax on entry of goods into a local area for consumption, use or sale. Viewed thus, it is similar to octroi. Entry tax, however, is different from octroi in the following respects. First, it is not collected at the checkpost. It is payable by sales tax dealers by furnishing returns as to how much of their purchases are from outside the local area. Thus, entry tax is less expensive to administer. Second, it has been conceived as an ad valorem tax as against octroi which is a combination of specific and ad valorem levies. Third, entry tax is a state-level levy whereas octroi is a local levy. The entry tax revenue, however, is treated as local revenue because it is passed on to local bodies as compensation for the loss of octroi revenue. Thus, entry tax is a revenue substitute of octroi only in the form of a compensatory grant. Finally, it is restrictive in application as only selected commodities transacted by registered dealers alone are subjected to entry tax. The commodities covered by entry tax are generally those that fall outside sales tax legislation, that is, goods covered under additional excise duties in lieu of sales tax, namely, textiles, tobacco and sugar, which are subject to tax rate limitation under the category of declared goods. Despite recent attempts to increase the number of goods taxable under entry tax legislation, the commodity coverage continues to be restricted. To make it comparable with octroi, entry tax falls mostly on intermediate products. Besides fewer commodities taxable under entry tax, the exemption limits for the registration of sales tax dealers also exclude a portion of the transactions of even taxable goods. Thus the entry tax is a form of tax supplement to sales tax that is levied only on imports into a locality. Entry tax, however, has its own shortcomings. Given the fact that there is a tendency in taxes to stick where they are collected, any state-level tax cannot be a perfect revenue substitute even if it is revenue neutral, as it adversely affects the liquidity position of local bodies. Studies have shown that revenue neutrality of entry taxes in Madhya Pradesh and Karnataka is less than complete (See Nath and Purohit, 1989, pp. 56-79).

* Excerpts from the Shyam Nath's paper on 'Basic Issues in Municipal Finances in India', Urban India, Vol. XI (No. 1), January-June, 1991.

Surcharge on sales tax: The reason for entry tax being not revenue neutral is that state governments have constrained its coverage. Thus, entry tax may become revenue neutral if its coverage is expanded. One may argue here that why not use sales tax in the form of a surcharge or additional levy when entry tax is also a supplement to sales tax. More appropriately, a municipal sales tax may be added to the state sales tax. Indeed, on efficiency grounds, a surcharge on sales tax would be better than an entry tax, which discriminates against non-local goods, more particularly mass consumption goods and intermediate products. One of the advantages of municipal surcharge under the sales tax system may be that it would not fall on goods subject to rate limitation, namely, declared goods and additional excise duty items. Further, unlike entry tax which is levied mainly on these goods, municipal surcharge on sales tax would not interfere with the objective of uniformity of tax rates in respect of certain category of goods. But like entry tax, sales tax, too, is a non-local levy, and, therefore, cannot be taken for granted as a revenue device capable of alleviating local fiscal distress in the absence of octroi. With this surcharge being earmarked as a municipal revenue source and local shares being transferred on a quarterly basis, the problem of day-to-day liquidity may be partially resolved.

Search for a local tax: In the light of limitations of the taxes likely to be employed as a substitute for octroi, i.e., surcharge/additional sales tax and entry tax, the significance of a local levy emerges very clearly. In an attempt to identify local bases that can be tapped, it may be highly instructive to discuss local taxes in selected foreign countries that, in the absence of octroi, can constitute an alternative package to strengthen urban local finances. The important ones are local sales tax, local business tax and business property tax. The local sales tax is a tax on sales in a local jurisdiction. It is basically a local counterpart of state-level sales tax. In the U.S., this tax is levied by many municipalities, and in 1983 it constituted about 20 per cent of local government revenues (Hyman, 1987, pp. 21).

The local business tax is a tax on the business turnover in a local area. There are two important models of local business tax - the West German and the Philippine. The West German model is more varied and complex. It consists of the local profits tax and the local capital tax. For the local profits tax, assessment of taxable income is roughly identical to that for the federal corporation tax. The local profit tax is deductible from the federal corporation tax base. The local capital tax is based on the same definition as the federal wealth tax, including the value of long term debt, but excluding taxable buildings. Hence, the tax base is solely plant and machinery. This tax is also deductible both from the local profits tax base and the federal corporation tax base. Both the components of the local business tax in West Germany yield fairly large sums, contributing 12.6 per cent in 1984 (Bennett and Krebs, 1987, pp. 28).

In the Philippine model, the local business licence tax is an amalgam of three types of business tax or licence fee. The major form of business tax is a gross receipts tax with the tax rate varying according to the type of business and total sales. The second form is an annual fixed amount levied without regard to the volume of sales, resembling a licence fee paid for the privilege of doing business in the local area. The third is an amusement tax imposed as a flat percentage rate on admissions to places of entertainment. The first component, that is, gross receipts tax, is the largest revenue raiser for the city and municipal governments. The three components together, in many jurisdictions, have surpassed even the local property tax (Bahl and Schroeder, 1983, pp. 82-89).

The business property tax, the third important form of local tax on business, is of the British type in the form of rates on non-domestic property. It has two components: tax on land and buildings and tax on plant and machinery fixed to the buildings deemed to be part of the structure. The tax base is the net annual value in rental or lease income that a property can command. Actual rent evidence is used for valuation of a large proportion of the non-domestic sector. In the case of hotels, restaurants, etc. however, net annual value is derived on a "profit basis" and in the case of plant and machinery, town halls, fire stations, public institutions, railways and the like, net annual value is calculated on a "contractor's basis". The non-domestic rates contributed around 17 per cent to the UK local authority finances in 1984-85 (Bennett and Krebs, 1987, pp. 26).

With the introduction of poll tax in Great Britain this year, local business poundage (local non-domestic rate) will be replaced by a nationally uniform rate poundage called Uniform Business Tax (UBT). Since a national system will not be possible until a revaluation of all non-domestic properties has taken place in England, Scotland, and Wales, initially the rate poundage in Scotland will be nationalised and indexed to the rate of inflation for details, see Martlew and Bailey, 1986, pp. 75-91, and Bennett, 1988, pp. 150-171). It is also proposed that the proceeds of the non-domestic rates be distributed between local authorities according to their adult resident population. In addition, local authorities will be left with the discretion to levy an additional local tax at 5 per cent of the national UBT rate.

The various forms of local business taxes which may offer quite attractive alternatives to octroi thus are local sales tax, local profits tax, local capital tax, business licence tax and business property tax. Except the business property tax, all the taxes discussed here are not plausible alternatives in the Indian context for one simple reason that these entail overlapping tax powers across taxation jurisdictions. Adoption of other taxes would amount to allowing more than one taxation authority to tap the same tax base. The local profit tax would tax corporate profits, taxable under the Central corporation income tax; the local capital tax would tax wealth taxable

under the Central wealth tax; and the local sales tax would tax sales turnovers of dealers taxable under the state sales tax. The business licence fee is a combination of sales tax, profession tax and entertainment tax, already a part of the fiscal armoury of state governments. Besides the problem of overlapping tax authorities and resulting State-local tax competition, the municipal administration may not be equipped with the requisite capability to handle these tax bases independently. Eventually, a situation may arise when the local administration may have to depend on the Central/State Government administration to determine even the tax base. These bottlenecks may leave business property tax as the single tax item that can fulfil all the conditions postulated above.

Business Property tax: Business property tax (BPT) can be designed as an appendix to the general property tax. A few property tax systems to provide for separate and higher taxation of business properties. These take the form of either higher tax rates or higher rentals for business properties. The existing treatment, however, does not adequately tax the rapidly growing number and value of business properties and market places. Available estimates for Delhi Municipal Corporation would show that the ratable value of commercial properties constituted not more than 20-25 per cent of total ratable values during 1975-78 (See Nath and Schroeder, 1984, pp. 33-44). Due to lack of information on business properties for different towns and cities, the potential of BPT cannot be estimated. But estimates using data for private markets in Calcutta have shown that with a very low tax at the rate of Rs. 1.25 per sq. ft., tax collections may exceed Rs. 1 crore annually for the Calcutta Corporation (NIPFP, 1981, PP. 257-60). The result may hold for a bunch of well-defined private markets. The result of another sample survey covering both residential and commercial properties in the New Delhi Municipal Committee area indicated that tax base determination of commercial properties was not significantly different from that of residential properties, at least in one-half of the total number of properties surveyed (NIPFP, 1984, pp. 86-89). With the help of the assessment ratio (assessed value divided by estimated market value), the same survey further substantiated this result for the old Delhi Municipal Corporation area. The assessment ratios of commercial properties with assessment value of Rs. 1 lakh or more hardly exceeded 30 per cent, whereas it ranged between 50 per cent and 90 per cent for residential properties (NIPFP, 1984, pp. 83-85).

Business property in an urban area for tax purposes may be defined to include properties used for industry, trade and commerce, entertainment and professions. Premises used for these purposes may be classified into identifiable categories and BPT fixed per square foot of the covered area of such premises or as a percent of the taxable value of property. Differential taxes per unit of area may be adopted for business properties located in different parts of a municipal area in order to capture variations in business potential. To impart elasticity, business property taxes per unit of area, moderately fixed initially, may be positively linked to inflation. Tax per

square feet of area may be revised upwards every two or three years by a fraction of the wholesale or consumer price index number. Alternatively, taxable value of properties can be standardised per unit of area and later linked to inflation.

For the success of BPT, State rent control legislation, which do not exempt business premises, should exclude them while prescribing rent regulation rules. The constraining impact of rent laws, however, may not be relevant in BPT is determined per unit of area, instead of rent. One of the great advantages of BPT with different rates for businesses located in different parts of a locality is that it can generate resource reallocation resulting in rational use of urban land and built-up space. The efficiency of such a tax measure would be maximum in very large cities facing acute land and build-up space scarcity.

The final question is whether BPT would be able to meet such a huge revenue demand if it replaces octroi, the most buoyant and single largest revenue head? According to calculations made by the Kasbekar Committee (1987) for the city of Bombay, a rate of Rs. 5 per square foot for industrial and commercial properties would be able to wipe out the loss of octroi worth Rs. 230 crore. With more accurate data, rates can be designed more precisely. If this can be true for Bombay where loss of octroi revenue should be maximum for an urban area, BPT may constitute such a revenue strategy for other municipal jurisdictions as well. Further, a proper evaluation of BPT may prove it to be superior to entry tax and other sales tax supplements in terms of resource allocation and equity effects. Intervention of this tax over a large canvass of municipal jurisdictions with minimum inter-jurisdictional rate differentiation may make it less distorted too.

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