

Discriminatory Tax Treatment of Domestic *vis-à-vis* Foreign Products

An Assessment

Pawan K. Aggarwal
V. Selvaraju



National Institute of Public Finance and Policy
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Preface

The relatively high customs duties in India, which have been breeding inefficiencies and imparting an anti-export bias, to policies have started coming down with the liberalisation programme. This has been followed by an increasing demand from domestic producers for “a level playing field”. The analysis of competitiveness of domestic *versus* international products purely in terms of customs duty is valid only when the other duties paid by the two sets of producers are the same. India has a highly complex domestic trade tax structure with a multiplicity and cascading of taxes, and widespread exemptions and concessions to various items as well as specific or group of producers. The multiple taxes include general sales tax, central sales tax, union excise duty, surcharge, turnover tax, entry tax and octroi, among others. The issue of competitive equality requires a close scrutiny of the plethora of domestic trade taxes applying asymmetrically on imports and domestic products. This study attempts such a scrutiny.

The study reveals that though the average rate of protection to domestic producers is still quite large, there are quite a few items with an inverted customs duty structure and with negative protection. The report recommends a rationalisation of the tax system through immediate removal of all exemptions and end-use concessions, and input taxation, and a phased reduction in high duty rates as well as the number of rates.

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Director, NIPFP

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I. Introduction

Background

The issue of “level playing-field” has been a topic of considerable attention in recent times. In the Union Budget Speech for 1998-99, the Finance Minister stated that, “I am persuaded about a clear disability that our commodity taxation inflicts on the indigenous goods *vis-à-vis* the imported goods. While the former are subjected to sales tax and other local taxes and levies, the import sector escapes them by their very nature. In order to provide a level playing-field to the domestic industry, I propose to impose an additional non-modvatable levy of 8 per cent which is approximately equal to the burden of local taxes on domestic producers.” The proposed duty, ultimately fixed at 4 per cent, led to considerable debate. Furthermore, in the Budget 1999-2000, the Finance Minister has said: “Mr. Speaker, Sir, conceptually, I am averse to *zero* customs duty, since our domestic industry generally merits some minimal protection. I have reviewed the entire list of such commodities and to begin with I am proposing the imposition of 5 per cent rate of duty for some of these commodities. In order to mitigate the impact of the incidence of 5 per cent rate of duty on such items which have previously enjoyed exemption, I propose to exempt this category from the existing 4 per cent special additional duty.”

Whether customs duty should be as low as *zero*, or whether domestic industry “merits some minimal protection” and how much that “minimal protection” should be are matters of debate. But, it is universally agreed that high customs duties have an anti-export bias, encourage inefficiencies and do not spur domestic industry to become world-class. Introduced in India originally for the purpose of protecting the nascent domestic industry, customs duties progressively came to be used as an important instrument of building an impregnable protective wall as well as raising revenue. The duties were supplemented by quantitative restrictions on imports. Starting with an average rate of only 7.5 per cent after World War I, customs tariffs continued to go up steadily, with the peak rate reaching as high as 300 per cent by the end of the 1980s. The rates were also widely dispersed among various commodities. Reduction of these

duties from very high levels and dismantling of quantitative restrictions to remove the distortions inherent in a highly protective regime has been an important component of the liberalisation programme launched since 1991-92. The peak rate of customs duty (CD) was brought down from 200 per cent in 1991 to 40 per cent in 1997-98, with a considerable narrowing of their spread. One of the crucial motivations behind the import liberalisation strategy has been the establishment of an appropriate degree of competitive equality between domestic and foreign producers so that protection to domestic producers does not go beyond a reasonable level.

The analysis of competitiveness of domestic versus international producers purely in terms of CD is valid only when the other duties paid by the two sets of producers are the same. In India, a highly complex domestic trade tax structure makes such an assumption highly dubious. Some of the imports escape certain domestic trade taxes while they apply to domestic purchases. Limitations suffered by domestic producers *vis-à-vis* their foreign counterparts, owing to asymmetric application of domestic trade taxes, may be more than neutralised by high customs tariffs.

The justification for positive discrimination in favour of domestic producers – often in terms of handicaps such as relatively high costs of power, transportation bottlenecks, higher interest rates and other financing costs – is controversial. But, there is no justification for reverse discrimination in favour of foreign producers, and when import tariffs are brought down to reasonable levels, the issue of competitive equality in the presence of distortionary domestic trade taxes requires a closer scrutiny. The aim of this study is to conduct such a scrutiny.

Scope of the study

To study the effect of domestic trade taxes, it is important to take account of the multiplicity of taxes levied at various levels of government and their rates on one hand, and specific exemptions and concessions, on the other. General exemptions and concessions are appropriately accounted for. End-use exemptions and concessions are accounted for, wherever feasible. Given the variation in the rates of general sales tax, surcharge, turnover tax and concessions across states, it was necessary to be selective in the coverage of states in the study. The study is focused on Maharashtra with

Mumbai, the most important port in India located in the state.¹ Also, only the major domestic trade taxes have been taken into account, with other taxes such as electricity duty, passengers and goods tax are not included in the scope of the study. The study is based on the tax structure relating to the year 1998-99. Some preliminary observations are made, wherever feasible, with reference to the changes introduced through the Union budget 1999-2000.

Basic approach

Two approaches have been followed to estimate the net tax advantage or disadvantage to the domestic producers from domestic trade taxes. The first basic approach is to estimate contribution of these taxes to the effective rates of protection (ERPs) of different commodities. The calculation of ERP for a commodity takes into account the tax on not only the output of the commodity, but also the inputs. The calculation requires information on the input-output matrix in the economy. The contribution of each domestic trade tax can thus, be estimated by estimating the ERPs for different commodities under selected tax regimes (R_i). For example, ERP under the regime, say R_1 , of CD only, gives the degree of protection provided to different commodities through CD. ERP under a different regime, say R_2 , of customs duties together with union excise duties (UED), can be taken as the degree of protection provided by these two taxes together. Therefore, the difference between the ERPs under R_2 and under R_1 can be taken as the effect of UED on protection to a particular industry. Estimation of ERP is attempted for 60 broad groups of commodities for which the input-output matrix is available.² In each commodity group, tax rates vary across commodities. Thus, an estimate for a commodity group gives the average ERP for the commodities included in the group.

¹ Among Maharashtra, Tamil Nadu and West Bengal – the three states with Mumbai, Chennai and Calcutta as gateways to imports -- Maharashtra is the only State where an octroi is levied.

² The actual burden of taxes depends on the exact procedure followed in procuring inputs and disposal of output. Thus, ERP may differ across firms within an industry. This firm-wise variation, however, can only be revealed through case studies, which is beyond the scope of the present study.

A broad group of commodities may have a positive ERP. Yet, within the group, some commodities may suffer a negative degree of protection with this negative protection being more than outweighed by the positive protection to others within the group. Furthermore, within a broad group, tax treatment of specific commodities can vary widely. To get a sharper picture of the net effect of domestic trade taxes, it is necessary to focus on specific commodities rather than broad groups. Lack of information on input-output coefficients at specific commodity level does not allow calculation of ERPs at such a level of disaggregation. Nevertheless, the calculation of composite duty rates for import of a particular commodity and the corresponding domestic product can give a first approximation to the extent of tax advantage or disadvantage that domestic producers of that commodity have relative to their foreign counterparts. Calculation of composite duty rates for all commodities is not only a tedious task, but also somewhat, unnecessary. If the CD rate is relatively high, in spite of domestic trade taxes, domestic producers are likely to have a tax advantage over their foreign counterparts. The commodities subject to low CD can be expected to have a relatively high probability of a tax disadvantage for domestic producers *vis-à-vis* their foreign counterparts. Therefore, in the second approach, the composite duty rates have been calculated for selected commodities and compared across domestic and foreign suppliers.

Plan of the study

Salient features of the structures of domestic trade taxes are discussed in chapter 2. The methodology for estimating effective rates of protection and composite duty rates is outlined in chapter 3. Results are presented and discussed in chapter 4. Main findings and recommendations are given in chapter 5. Some details are contained in the Annexures.

II Structure of Domestic Trade Taxes and Customs Duties

A brief overview

In India domestic trade taxes are levied by the central, state as well as local governments, and have a highly complex structure. The major domestic trade taxes include: union excise duties (UED) and central sales tax (CST) levied by the centre; general sales tax (GST), entry tax and electricity duty levied by the States; and octroi levied by the local governments. Octroi is currently levied in six states, namely, Gujarat, Haryana, Himachal Pradesh, Maharashtra, Punjab, and Rajasthan, while entry tax prevails in two of the non-octroi states, namely, Karnataka and Madhya Pradesh.

UED covers all domestic products manufactured by the medium and large producers. These duties fall on final goods as well as on raw materials and intermediate products. With effect from 1986-87, a set off for the UED paid on inputs is available in regard to most goods, under the MODVAT scheme.

Sales tax comprises GST levied as well as retained by the States and CST levied by the centre and collected and retained by the States. GST is levied at one or more stages in the process of production and distribution of goods. In most of the states, GST is levied mainly on the first sale or purchase in the state by an importer or a manufacturer or any other dealer. It is levied on the tax base inclusive of customs and UED, if any. Inputs are accorded concessional treatment in all states. Also, the States have resorted to additional levies in the form of surcharge (SC) or turnover tax (TT). Five states, namely, Andhra Pradesh, Bihar, Gujarat, Kerala and West Bengal charge SC as well as TT. In addition to these five states, another six states, namely, Goa, Haryana, Jammu and Kashmir, Orissa, Punjab, and Uttar Pradesh levy SC, and three states, namely, Karnataka, Tamil Nadu and Tripura levy TT. Further, inter-state sales are subject to CST. In general, each State has sought to develop its own tax structure to maximise its revenue without serious concern about its economic effects.

Octroi is charged at the point of entry of goods into a local area for consumption, use, or sale in that area. It is generally applicable to goods entering into urban areas, i.e., areas serviced by municipalities or corporations. It is a check-post-based levy collected by local tax administration and has a broad tax base covering all goods brought into a local jurisdiction for consumption, use, or sale. Entry tax is levied on the sale of goods brought into a municipal area from other jurisdictions. It is an account-based levy collected by sales tax administration for the local governments and is applicable to goods sold by sales tax dealers only. Octroi or entry tax, as the case may be, is applicable to foreign as well as domestic goods, with no set off provisions.

UED, CST, GST and octroi may apply more than once to a domestic product depending on the process of its production and distribution, whereas a foreign product may altogether escape or bear a lower burden of these taxes, depending on the process of its procurement by its user. For example, in order to neutralise the disadvantage to domestic industries stemming from UED, goods imported from abroad are subject additionally to countervailing duties (CVD) of customs. To achieve this objective fully, the CVD, in principle, should equal the excise duty levied on a given product.³ However, this is not always the case. Similarly, while goods imported and sold through registered dealers in India are subject to GST, CST and associated surcharges and turnover taxes, goods imported directly by the end-user (such as a registered manufacturer) are not.

It is clear that domestic trade taxes in India involve taxation of goods at multiple levels without adequate set off for the taxes paid on purchases/inputs. This results in substantial input taxation adding to production costs of domestic industry. This asymmetry can be a source of serious handicap for the domestic producers particularly as most imported products before leaving the country of origin, for example those from the European Union, are relieved of the burden of all taxes. While customs duties on imported products provide a counterbalance to these discriminatory taxes in the domestic market, the limitations imposed on Indian exports may be considerable. The MODVAT and duty drawback schemes seek to remove the burden of domestic taxation on Indian exports but do not fully relieve the

³ This assumes that import duty is just sufficient to match cost disadvantages other than tax disadvantages of domestic producers.

goods of the burden of customs duties, excise duty and sales tax, and no relief is available in respect of octroi.

Some details of the structure of customs duties and major domestic trade taxes (namely, UED, GST, CST, and octroi) in India, in respect of the year 1998-99, are briefly discussed below.

Customs duties

Customs duties, which are charged on all imported goods, comprised basic customs duty (BCD), special duty (SD),⁴ additional duty (popularly known as countervailing duty: CVD), and a special additional duty (SAD). BCD is charged with a view to protecting domestic industry from international competition, SD as a revenue measure, and CVD to neutralise the disadvantage to domestic industries stemming from excise duty chargeable on domestic production. Because of its motivation, the rate of CVD for a commodity generally equals the excise duty applicable to that commodity, but the two rates differ in a large number of cases owing to exemptions and concessions granted. SAD was imposed through the Union Budget of 1998-99 to provide a level playing field with respect to the burden of state and local taxes on domestic and imported goods.

BCD and SD are charged on c.i.f. value of imports (that is, imports valued at cost including freight), CVD is charged on value of imports inclusive of BCD and SD, and SAD is payable on value of imports inclusive of BCD, SD and CVD. The duty inclusive value of a commodity is given by

$$V (1+t_{bcd}+t_{sd})(1+t_{cvd})(1+t_{sad}), \quad (2.1)$$

where the c.i.f. value of import of the commodity is V , and t_{bcd} , t_{sd} , t_{cvd} and t_{sad} denote the rates of BCD, SD, CVD and SAD, respectively.

⁴ SD has been abolished through the Union Budget 1999-2000.

Rates

Rates of BCD specified in the *Customs Duty Act*, are basically ceiling rates, and are referred to as standard rates. Standard rates of BCD and CVD vary across commodities, while those of SD and SAD remain unchanged. As tax concessions are announced through notifications appearing from time to time, it becomes difficult to keep track of the rates of customs duty applicable at different points of time.

In the year 1998-99, there were 8 *ad valorem* rates of BCD: 3, 5, 10, 20, 25, 30, 35, and 40 per cent, with some exceptions. Some goods were subject to higher rates of duty (beyond 40 per cent). In addition, specific⁵ and *ad valorem* plus (less) specific duties⁶ applied to a few commodities. The rate of SD was 5 per cent for most commodities and 2 per cent or *nil* for some others.

There were 11 *ad valorem* rates of CVD: 5, 8, 10, 12, 13, 15, 18, 25, 30, 32 and 40 per cent. It may be noted that only a few commodities were subject to high rates of CVD at 30, 32, or 40 per cent. The rate of SAD has been 4 per cent for all products excepting some fully exempted goods.

Exemptions

Various exemptions and concessions have been available under the system of customs duties. These include: general, area specific (country of origin) and end-use exemptions and concessions. Generally, some of the products or their specific uses are exempted from a combination of BCD, SD, CVD, and SAD, or taxed at a concessional rate. For example, in 1998-99, tanks and other armoured fighting vehicles were exempt of BCD, SD, CVD as well as SAD. Specified goods required for setting up crude petroleum refinery were exempt of BCD, SD and SAD, and CVD was only 10 per cent as against UED of 13 to 18 per cent. Goods exempt from BCD and CVD included hospital equipment, specified goods required in connection with petroleum operations undertaken under specified

⁵ Specific duty rates are applicable to all sorts of almonds.

⁶ *Ad valorem* plus specific duty rates are applicable to all sorts of ball or roller bearings and bearing housings (incorporating ball or roller bearings), while preferential duty on tea and coffee is *ad valorem* less specific.

contracts, specified goods required for construction of national highways and video/audio cassettes of predominantly educational character.

Traders registered for the purposes of sales tax have been exempt of SAD to avoid levy of SAD on a commodity that is, in any case, subject to sales tax in the process of its distribution. The other items exempt of SAD during 1998-99 were:

- gold and silver;
- goods which are exempt from basic customs duty as well as CVD;
- newsprint, glazed newsprint and light weight coated paper up to 51 gms imported by actual users for magazines;
- crude petroleum;
- goods imported under advance licensing scheme;
- goods required for fertiliser projects;
- goods required for coal mining projects;
- goods required for power generation projects;
- specified goods imported for setting up of a crude petroleum refinery;
- specified telecom equipment; and
- goods subjected to additional excise duty (in lieu of sales tax);

Union excise duties

UED is levied on nearly all goods manufactured by medium and large manufacturers. These comprise basic excise duties and additional duties of excise in lieu of sales tax. Additional duties of excise in lieu of sales tax are levied on textiles, tobacco and sugar as a substitute for the sales tax foregone by states on these commodities. These duties are collected and transferred, in full, to the states. Moreover, there are additional duties and cesses on several commodities including textile, and textile articles.⁷ The base for charging additional duties and cesses is the basic UED. As these duties are collected and transferred, in full, to the

⁷ The Department of Revenue administers the cesses on fabrics, sugar, tea, biris, paper, jute manufactures, automobiles, indigenous crude oil, cotton, vegetable oils and television sets. Other departments administer those on coal and coke, rubber, salt, iron ore, limestone and dolomite, mica, cine workers, research and development, and water.

relevant ministries for development of the paying industries, in true sense of the term, these duties and cesses are not UED.

Rates

Standard rates of excise duty, like standard rates of customs duties, are basically ceiling rates. Several exemptions or concessions are given through numerous notifications issued by the revenue department. The duty rates vary by commodity, by type of manufacturer and by end use of a given commodity. The duty rates prescribed are generally *ad valorem*, but specific or *ad valorem* plus specific rates apply to a few commodities.⁸ Though the duty rates are not many, the system of granting concessional rates of duty through notifications throughout the year makes it difficult to keep track of the rates of UED applicable at any time. During 1998-99, there were 11 *ad valorem* rates of basic excise duty varying from 5 to 40 per cent though there were some exceptions. Besides 5 and 40 per cent, the other standard rates of basic excise duty were 8, 10, 12, 13, 15, 18, 25, 30 and 32 per cent. A few commodities were subject to higher or lower duty rates or specific duties or *ad valorem* cum specific duties.⁹

Exemptions

Exemptions and concessions from UED include: general, on goods produced without aid of power, on goods produced in the small scale industry (SSI) and on the basis of end-use of the product. Goods produced in SSI are exempt upto a certain limit and a concessional duty is levied on the value of goods in excess of the specified limit. During 1998-99, the manufacturers having value of goods not exceeding Rs.30 million were eligible for the benefits of SSI. There was *nil* UED on goods worth Rs.5 million and the balance value of goods was taxed at a concessional rate. Generally, raw agricultural products (such as cereals), and energy saving and pollution control devices are exempt and necessities (goods supposed

⁸ Specific duties are applicable to (i) tubes, tyres and some other rubber products, (ii) waste of filament and man-made fibres, (iii) marble slabs and tiles, and (iv) cement clinkers.

⁹ The Union Budget 1999-2000 reduced the 11 *ad valorem* rates of excise duty to 3 *ad valorem* rates, namely, 8, 16 and 24 per cent. However, a special additional duty has been imposed at the rates of 6, 8 and 16 per cent on the goods which were subject to high rates of excise duty, namely, 30, 32 and 40 per cent, respectively.

to be consumed mainly by the common man such as bicycles, and many agro-products, such as, pickles and jams) are either exempt or taxed at low rates.

MODVAT scheme

Inputs are relieved of the burden of UED through the modified value added tax (MODVAT) scheme that operates on the principle of value added tax (VAT). This scheme was introduced in 1985-86 and made applicable to some of the commodities. Over time, its scope has been enlarged. Some of the commodities are still not covered by this scheme denying benefit of tax relief to their users. Currently, the excise duty collected from the commodities covered by the MODVAT scheme account for about 90 per cent of the total excise duty. With effect from 1998-99, a provision was made to disallow MODVAT credit to the extent of 5 per cent. But, full MODVAT credit has been restored with the 1999-2000 budget.

The MODVAT scheme is applicable to all commodities except tobacco (other than cut tobacco used in manufacturing of cigarettes), matches, cinematographic films, petroleum products used largely for final consumption (including motor spirit and high speed diesel oil), textiles (excluding specified textiles and yarns other than specified spun yarns) and office equipment (excluding specified equipment such as that used for quality control, testing and pollution control).

SSI enterprises are given the option to pay normal UED in place of concessional duty if they wish to be covered under the MODVAT scheme. This provision benefits those SSI enterprises that hope to attract taxable manufacturers to buy their products and claim MODVAT credit in turn.

Sales tax

The state sales tax can be levied on the sale of all commodities except newspaper; and there are special taxes in the nature of sales tax on selective services, such as, transportation (road and inland water ways) and entertainment. As discussed earlier, sales tax comprises GST, CST and additional tax (AT). In some of the states, GST on certain commodities, such as sugarcane is levied in the form of a purchase tax

because of the convenience in collection of the tax from a few major purchasers rather than thousands of sellers (farmers).¹⁰ Additional tax is charged as surcharge (SC) on GST and/or as turnover tax (TT).

Goods on which additional excise duty is levied in lieu of sales tax, such as sugar, textiles and tobacco, are not subject to GST. In principle, a state can treat these goods as “declared goods” and tax them under GST, but a state opting for this choice has to forego its share in additional duties of excise in lieu of sales tax.¹¹ Goods covered under this category are listed at Annexure 1. The state of origin can not charge its GST on inter-state sales to registered dealers, and on consignment or branch transfers. Some specified goods are considered to be of importance in inter-state trade, commonly referred to as declared goods. A list of these goods is given in Annexure 2. On these goods, the rate of GST can not exceed 4 per cent. Further these goods can not be taxed more than once under the *GST Act* implying that multi-point taxation of these goods is ruled out.

In most of the states, GST is levied mainly at the first sale or purchase in the state by the importer or manufacturer or any other dealer. Only a few commodities are subject to a multi-point tax in the two Indian states of Karnataka and Kerala. Similarly, some commodities are subject to a double point tax in Gujarat and Kerala.

In most states, when a commodity is used as input in the production of a taxable commodity, it is exempted or subjected to a concessional tax rate, or a refund given for the tax paid in excess of a specified ceiling. However, no such tax concession is allowed for inputs used in the distribution of goods.¹² Also, some states like Maharashtra do not give this concession in respect of machinery and equipment. In general, sales tax paid at an earlier stage becomes part of the tax base for the subsequent stages of tax. This results in substantial input taxation. At the rate structure of 1989-90, input taxation accounted for more than 30 per cent of the final incidence of sales tax on most commodities or certain categories of dealers. During 1998-99, the

¹⁰ For a detailed description of the system of sales tax in India, see NIPFP(1994) or Purohit (1995).

¹¹ The definition of “declared goods” is given ahead.

¹² See NIPFP (1994), p.16.

(Aggarwal, 1998a).¹³ Some states apply the principle of VAT on some principle of VAT was applicable in Maharashtra¹⁴ to all dealers with turnover exceeding Rs.25 lakh, and in Andhra Pradesh, Kerala and West Bengal on only re-sales of some commodities.

Rates

Rates of GST vary widely across states, and in a state, across commodities. In general, raw materials and necessities are taxed at lower rates while luxuries are taxed at higher rates. Most of the states exempt raw foods of GST. A brief description of the rate structures of GST for different states is given in Annexure 3.

In a given state, the rate of CST for a commodity is the same as the rate of GST subject to a ceiling rate of 4 per cent if the sale is made to a registered dealer and a floor rate of 10 per cent if the sale is made to an unregistered person. However, in the case of sale of a declared good to an unregistered person, the CST rate is twice the GST rate in the exporting state.

In some states such as Maharashtra, the tax rate on inputs is higher when the manufactured commodity is sent out of the state on a consignment transfer (a transaction not subjected to CST) than when it is sold locally or sent out on an inter-state sale (that is subjected to CST).

Exemptions

Goods exported out of the country are not subject to GST. In fact, no sales tax is charged (or the tax refunded subsequently) on the sale of a good one stage prior its export, provided the commodity in question is purchased against confirmed export orders. However, no such relief is available in respect of CST (i.e., for inter-state purchases). Consignment or branch transfers of goods are outside the domain of CST.

Various tax incentives are allowed under the system of sales tax for achieving certain social objectives such as industrial growth and

¹³ This result relates to the rate structure of sales tax for the year 1989-90. Since then, there has not been any major change in the pattern of input taxation under sales tax.

¹⁴ In Maharashtra, the principle of VAT has been withdrawn with effect from 1999-2000.

development of less developed areas. New firms are allowed a deferral of tax or retention of sales tax as interest free loan for a specified period provided these are located in less developed areas or engaged in production of specified commodities.¹⁵

Octroi

Octroi is a local tax that prevails in six states, namely, Gujarat, Haryana, Himachal Pradesh, Maharashtra, Punjab, and Rajasthan. Municipalities or municipal corporations levy it on entry of goods into an urban area for consumption, use, or sale. The goods just passing through a jurisdiction are not subject to octroi. However, it is applicable to foreign as well as domestic goods. Octroi is a check-post based levy. Each municipality determines its own rate structure depending on its revenue needs and administrative capacity, but the rates are subject to approval by the state in some way. In general, octroi rates vary across municipalities and across commodities within a municipality. Most of the commodities are taxed on the basis of value while some are taxed on the basis of weight or number of pieces/packets etc.

Rates

In Maharashtra, the state covered in the present study, octroi is at present levied in 22 municipalities. Data on the rate structures of octroi are compiled for 4 municipalities, namely, Greater Mumbai, Kolhapur, Malegaon, and Mira Bhandar, and reported in Annexure 4.¹⁶

Commodities are classified into the following nine broad categories :

- articles of food and drinks;
- animals;
- articles used for fuel, lighting, washing etc.;
- articles used in construction and those made of wood or cane ;
- perfumes, toilet requisites, colours and household goods;
- tobacco and tobacco requisites;

¹⁵ See NIPFP (1994), p. 28.

¹⁶ We are grateful to Professor O. P. Mathur for his generous help in obtaining the relevant data from the municipalities.

- piece goods, cotton, yarn, starching and sizing materials, leather and rubber products;
- metals and articles thereof; and
- miscellaneous.

For most commodities, the rates are *ad valorem* and these vary from 0.50 to 7.00 per cent in Greater Mumbai, from 0.20 to 7 per cent in Kolhapur, from 0.25 to 4.00 per cent in Malegaon and from 0.05 to 5.25 per cent in Mira Bhandar. Generally, agricultural raw materials and inputs, life saving drugs, sports goods, and animals are exempt; lower rates apply to necessities and raw materials; and higher rates to luxuries.

III. Methodology for Estimating Tax Discrimination

Three important steps

An analysis of tax discrimination of domestic, *vis-à-vis*, foreign products owing to domestic trade taxes requires three steps. First, an identification of the underlying factors contributing to such discrimination; second, choosing a set of commodities where the probability of such discrimination is high; and third, estimating the extent of the net tax disadvantage to either the domestic or the foreign industry.

The tax disadvantage (advantage) to the domestic producer in respect of a commodity, owing to domestic trade taxes, can be estimated in two ways. First, in terms of shortfall (excess) in tax burden on imports over that on the domestic produce. Second, in terms of the contribution of such domestic taxes to the ERP provided through protective customs duties. Under the second methodology, if ERP for a commodity comes down from 15 per cent without domestic trade taxes to 10 per cent with domestic trade taxes, the domestic trade taxes may be said to discriminate against domestic producers by 5 percentage points. However, discrimination against domestic producers *per se* does not lead to the conclusion that such producers are at a net disadvantage, *vis-à-vis*, foreign producers, as long as the ERP is positive.

Identification of factors leading to tax discrimination

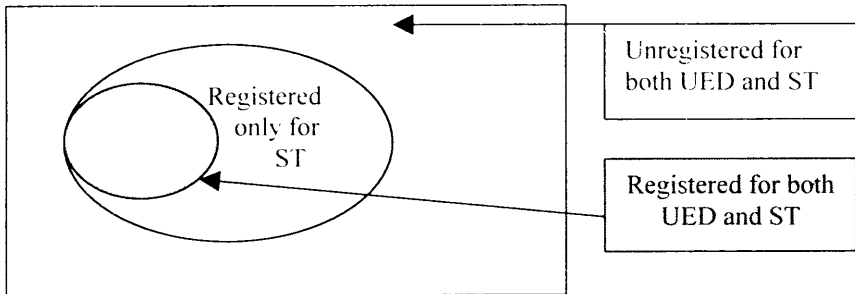
The factors resulting in tax discrimination of domestic products have to be found in the structure of taxes – customs duties and domestic trade taxes – falling on imports and/or domestic products. Some of the imports may escape domestic trade taxes or get taxed at lower rates than those applicable to domestic products. For example, direct imports of machinery and equipment by manufacturers are subject to a special additional duty (SAD) in lieu of sales tax at the rate not exceeding 4 per cent, while purchase of the same from a domestic manufacturer attracts a substantially higher rate of sales tax in some states, like Maharashtra.

Who pays what taxes on domestic products

The taxes applicable to domestic products by type of manufacturers are given in Table III.1. OCT is payable on all products, irrespective of whether it is produced domestically or imported from abroad. Applicability of UED and ST, however, depends on the nature of the producer and the seller.

Manufacturers can be divided into two types: (i) those registered for both UED and ST, and (ii) those not registered for UED or both UED and ST (Figure 1).¹⁷⁻¹⁸ Output of domestic manufacturers registered for UED and ST, when sold domestically, is subject to all taxes: UED, ST and Octroi (wherever applicable), irrespective of subsequent sales by registered or unregistered traders. Exports are not subject to UED and ST. However, these are not fully relieved of input taxation resulting from domestic trade taxes.

Figure 1
Types of Manufacturers and Domestic Trade Taxes



¹⁷ Medium and large manufacturers with annual turnover above Rs.50 lakh are subject to UED. All products, except tobacco, textiles, petroleum products, cinematographic films and matches, are covered under MODVAT. Small-scale manufacturers – defined as units with annual turnover not exceeding Rs. 3 crore – can go for compounded levy for their annual turnover up to Rs.1 crore, instead of availing MODVAT credit.

¹⁸ Manufacturers, wholesalers and retail traders with annual turnover in excess of a specified limit are required to register for ST in their respective states. The limit varies across states. Only manufacturers are subject to UED registration, ST registration requirement applies to both manufacturers and traders.

Table III.1
Major Domestic Trade Taxes Applicable to Domestic Products

Type of domestic producer	Domestic trade tax		
	UED	ST	OCT
Selling in the domestic market			
a. Registered manufacturers ¹	Yes	Yes	Yes
b. Manufacturers not registered			
i) For UED only	No	Yes	Yes
ii) For both UED and ST ² with sales to			
--- Registered traders ³	No	Yes	Yes
--- Unregistered traders ³	No	No	Yes
Selling outside			
Exporters	No	No	Yes

¹ Manufacturers registered for both UED and ST.

² A product sold to a person in another state is subject to CST while that sent on consignment or branch transfer is neither subject to GST nor CST.

³ Traders can be registered only for ST.

Products of manufacturers not registered for both UED and ST, attract ST and OCT (wherever applicable) when registered traders purchase them. While products exported to other states are not subject to GST of the exporting state, they attract CST in the exporting state. A product sent on a consignment or branch transfer is neither subject to GST nor CST, but is accompanied by a higher retention of GST on inputs, in Maharashtra. In general, domestic products suffer some input taxation because of less-

than-full set off for the taxes paid on inputs (domestic or imported).¹⁹

Who pays what taxes on imported products?

Taxes payable on imports by various types of importers are given in table III.2. OCT is payable on all products, irrespective of who produces it domestically or who imports from abroad. ST, on the other hand, applies to only goods imported by registered traders.

Table III.2
Taxes / Duties Applicable to Imported Products

Type of importer	Tax					
	BCD	SD	CVD	SAD	ST	OCT
a. Unregistered manufacturers	Yes	Yes	Yes	Yes	No	Yes
b. Registered manufacturers	Yes	Yes	Yes	Yes	No	Yes
c. Unregistered traders	Yes	Yes	Yes	Yes	No	Yes
d. Registered traders	Yes	Yes	Yes	No	Yes	Yes
e. Exporters	No	No	No	No	No	Yes

Note: Imports by final consumers (i. e., baggage imports) are subject to a composite duty rate of 50 per cent.

Manufacturers (both unregistered and registered) and unregistered traders are liable to pay BCD, SD, CVD, and SAD on their imports. The levy of SAD was motivated by the limitation imposed on domestic products because of ST that does not apply to imports by manufacturers and unregistered traders. Thus, while imports by registered traders attract

¹⁹ Only manufacturers registered for UED can get a set off of 95 per cent of the duty paid on inputs. This set off, however, is not available to the other users of the product. Similarly, when a product is sold to a manufacturer registered for sales tax, the burden of sales tax can be reduced by the set off available to the manufacturer, that is, the extent of sales tax in excess of retention rate of sales tax paid on inputs. This set off, however, is not available to other manufacturers and traders.

BCD, SD, and CVD, they are exempt of SAD. Imports by exporters do not attract BCD, SD, CVD, and SAD.

Choice of specific commodities

Products subject to high rates of customs duty may continue to enjoy a positive degree of protection in spite of discriminatory higher burden of domestic trade taxes on domestic products. However, products subject to low rates of customs duty may suffer negative protection because of such discriminatory domestic taxes. Thus, to select commodities where the probability of a net tax disadvantage to the domestic producers is high, we focus on the products subject to *nil* or low rate of customs duties. Some of these products are subject to a lower rate of CVD than the corresponding rate of UED and some are exempt of SAD.

Two alternative methods of estimating net tax disadvantage

Two alternative methods of estimating the net tax advantage or disadvantage for domestic producers, *vis-à-vis*, foreign producers have been followed: (i) calculation of ERP by taking account of taxes on output as well as inputs, and (ii) calculation of the composite duty rate (covering BCD, UED, CVD, GST and OCT) on domestic products and on imported products and a comparison of the two.

Calculation of ERP

The standard definition of ERP is the proportional change in value added owing to a particular tax regime. Following Corden (1971), for the *j*th activity, ERP (for brevity, referred to as E_j) can be expressed as:

$$E_j = \frac{v_j' - v_j}{v_j} \quad (3.1)$$

where v_j = value added in the process of production of a unit of *j*th commodity in the absence of taxes and trade restrictions; and v_j' = value added in the process of production of a unit of *j*th commodity in the presence of taxes.

In general, for v_j and $v_j' > 0$, $E_j > 0$ implies positive protection, and $E_j < 0$ implies a negative degree of protection. If v_j is negative and v_j' positive, it is clearly a case of positive degree of protection, and E_j takes a value less than -1. So, under such a scenario, a negative value of E_j should be taken to imply a positive degree of protection due to the tax under consideration.

A tax regime impacts value added not only through the tax on output but also taxes on inputs. Thus, the quantification of the effect of a tax regime on value added requires information on the input-output coefficients. Let a_{ij} represent value of the i th commodity used in the production of a rupee worth of the j th commodity. In the absence of any taxes, v_j can be expressed as:

$$v_j = 1 - \sum a_{ij} \quad i = 1, 2, \dots, n \quad (3.2)$$

Given the complexities of the Indian tax regime, under the most general case, value added with taxes, v_j' , can be written as:

$$v_j' = \frac{(1+t_j)(1+d_j^{mr})(1+d_j^m)}{(1+d_j^{dr})(1+d_j^d)} - \sum a_{ij}(1+t_i)[(1+d_i^{mr})(1+d_i^m)(1+d_i^{dm}) - \alpha d_i^{mr}] \quad (3.3)$$

where t_i = customs duty on the i -th commodity,

d_i^{mr} = partly rebatable CVD on the customs duty inclusive value of imports of the i -th commodity,

d_i^m = non-rebatable domestic trade tax, namely SAD, on the customs duty and CVD inclusive value of imports of the i -th commodity,

d_i^{dr} = partly rebatable domestic trade tax, namely UED, on domestic production of the i -th commodity,

d_i^d = non-rebatable domestic trade tax, namely ST, on the domestic production of the i -th commodity,

d_i^{dm} = non-rebatable domestic trade tax, namely OCT, on the customs duty inclusive value of imports as well as the other tax inclusive value of domestic production of the i -th commodity, and

α = fraction of d_i^{mr} that is rebatable when the i -th commodity is used as an input.

The expression (3.3) can be derived as follows. A rupee worth of import of the j -th good, after payment of taxes, costs Rs. $(1+t_j)(1+d_j^{mr})(1+d_i^m)(1+d_i^{dm})$. Assuming no quantitative restrictions on imports and the law of one price, for every one rupee worth of the j -th good, domestic producers will get Rs. $(1+t_j)(1+d_j^{mr})(1-d_i^m)(1+d_i^{dm})$ in gross tax-inclusive terms. With domestic trade taxes d_j^{dr} , d_j^d , and d_i^{dm} the receipt of the domestic producer – net of taxes – will equal the first term on the right-hand side of (3.3). On the other hand, the i -th input (a_{ij}) required to produce one rupee worth of the j -th good, will cost Rs. $[a_{ij}(1+t_i)\{(1+d_i^{mr})(1+d_i^m)(1+d_i^{dm}) - \alpha d_i^{mr}\}]$. The second term on the left-hand side of (3.3) is the sum of all the input costs in the production of the j -th good. The difference between the two terms on the left-hand side of (3.3) evidently is the value added in the production of the j -th good.

Now, the ERP for the j -th commodity is given by

$$E_{j^r} = \frac{\frac{(1+t_j)(1+d_j^{mr})(1+d_i^m)}{(1+d_j^{dr})(1+d_j^d)} - \sum a_{ij}(1+t_i)\{(1+d_i^{mr})(1+d_i^m)(1+d_i^{dm}) - \alpha d_i^{mr}\}}{(1 - \sum a_{ij})}}{1} \quad (3.4)$$

As is well known, the calculation of ERP (as in (3.4)) assumes unchanged technology and hence unchanged input-output coefficient a_{ij} in the two regimes with and without taxes. The ERPs for 60 broad commodity groups have been calculated with the help of the 60 by 60 input-output matrix. Furthermore, for expositional purposes, to quantify the contribution of different taxes to ERP, the following has been calculated in a sequential manner:

$E_j^1 = E_j$ for $d_i^{dr} = d_i^{mr} = d_i^d = d_i^m = d_i^{dm} = 0$ for all i , (i.e., with only CD)

$E_j^2 = E_j$ for $d_i^d = d_i^m = d_i^{dm} = 0$ for all i , (i.e., with only CD, UED and CVD)

$E_j^3 = E_j$ for $d_i^m = d_i^{dm} = 0$ for all i , (i.e., with only CD, UED, CVD and ST)

$E_j^4 = E_j$ for $d_i^{dm} = 0$ for all i , (i.e., with only CD, UED, CVD, ST and SAD)

We interpret E_j^1 as the contribution of customs duty to ERP. The contribution of UED and CVD to ERP is measured as $E_j^2 - E_j^1$. Similarly, $E_j^3 - E_j^2$, $E_j^4 - E_j^3$ and $E_j^4 - E_j^2$ measure the contribution of ST, SAD and jointly of ST and SAD, respectively. E gives the net ERP while $E_j - E_j^2$ gives the joint contribution of ST, SAD and OCT. $E_j - E_j^1$ gives the contribution of domestic trade taxes to ERP.

Calculation of composite duty rates on imports and domestic products

Composite duty rates neglect the burden of taxes on a commodity because of taxation of inputs. In the absence of information on input intensity of various commodities, the composite duty rate constitutes a short-cut approximation for computing the total indirect tax rate on a commodity. Such composite rates on imports and domestic products can be computed by taking into account customs duties and domestic trade taxes for imports, and domestic trade taxes for domestic products.

For imports, total indirect tax payment is given by

$$\begin{aligned} T^I = & WP(1+BCD+SD)(1+CVD)(1+SAD)(1+ST)(1+OCT) - WP \\ & - WP(1+BCD+SD)(\alpha CVD) \\ & - WP(1+BCD+SD)(1+CVD)(1+SAD)(ST-ST^*) \end{aligned} \quad (3.5)$$

where WP is the world price of the product and ST^* ($\leq ST$) is the retention

rate of sales tax when a commodity is used as an input. On the right hand side, the first term gives the price paid by the buyer, while the second, third and fourth terms give the world price paid to the international producer (WP), the rebate on CVD and the sales tax set off, respectively.²⁰ Note that, α , the rebate on CVD is zero for all except manufacturers registered for UED. This rebate, which was 95 per cent for registered manufacturers during 1998-99 has been restored to 100 per cent in the recent 1999-2000 budget. The expression can be simplified to

$$\begin{aligned}
 T^I = & \text{WP}(1+\text{BCD}+\text{SD})(1+\text{CVD})(1+\text{SAD})(1+\text{ST})\text{OCT} \\
 & + \text{WP}(1+\text{BCD}+\text{SD})(1+\text{CVD})(1+\text{SAD})\text{ST}^* \\
 & + \text{WP}(1+\text{BCD}+\text{SD})(1+\text{CVD})\text{SAD} \\
 & + \text{WP}(1+\text{BCD}+\text{SD})((1-\alpha)\text{CVD}) + \text{WP}(\text{BCD}+\text{SD}) \quad (3.6)
 \end{aligned}$$

The five terms on the right hand side of (3.6) capture the contributions of unrebated octroi, retained sales tax (ST*), SAD, CVD and customs duty, respectively.

Similarly, for domestic products, the total indirect tax payment is given by

$$\begin{aligned}
 T^D = & \text{DP}(1+\text{UED})(1+\text{ST})(1+\text{OCT}) - \text{DP} \\
 & - \text{DP}(\alpha\text{UED}) - \text{DP}(1+\text{UED})(\text{ST}-\text{ST}^*) \quad (3.7)
 \end{aligned}$$

which can be simplified to

$$\begin{aligned}
 T^D = & \text{DP}(1+\text{UED})(1+\text{ST})\text{OCT} + \text{DP}(1+\text{UED})\text{ST}^* \\
 & + \text{DP}((1-\alpha)\text{UED}) \quad (3.8)
 \end{aligned}$$

The three terms on the right hand side of (3.8) can be interpreted as the contributions of unrebated octroi, ST* and UED, respectively.

The composite duty rates on imports (C^I) and on domestic products (C^D) can be constructed as:

²⁰ With effect from 1998-99, a provision was made to disallow MODVAT credit to the extent of 5 per cent.

$$\begin{aligned}
 C^I &= T^I / WP \\
 &= (1+BCD+SD)(1+CVD)(1+SAD)(1+ST) OCT \\
 &\quad + (1+BCD+SD)(1+CVD) (1+SAD) ST^* \\
 &\quad + (1+BCD+SD)(1+CVD) SAD \\
 &\quad + (1 + BCD + SD)((1 - \alpha) CVD) + (BCD+SD) \tag{3.9}
 \end{aligned}$$

and,

$$\begin{aligned}
 C^D &= T^D / DP \\
 &= (1+UED)(1+ST) OCT + (1+UED) ST^* + ((1 - \alpha) UED) \tag{3.10}
 \end{aligned}$$

A comparison of C^I and C^D can reveal discriminatory tax treatment of foreign or domestic products, if any, due to all indirect taxes (including customs duty), as follows:

- $C^I = C^D \Rightarrow$ Neutrality of indirect taxes
- $C^I > C^D \Rightarrow$ Discrimination in favour of domestic products
- $C^I < C^D \Rightarrow$ Discrimination against domestic products

Now, because the applicability of SAD and ST differs across registered and unregistered traders and across registered and unregistered manufacturers, there are four different possibilities enumerated in table III.3 that need to be considered. For example, for imported products, registered traders do not come under the purview of SAD, while registered manufacturers and all others apart from registered traders do not have to pay ST.

Table III.3
Four Duty Regimes for Imports

Type of manufacturer	Means of acquiring imported input	
	Importing directly	Purchase from an importer (registered trader)
Registered	ST = ST* = 0, $\alpha = 0.95$	SAD = 0, $\alpha = 0.95$
Unregistered	ST = ST* = 0, $\alpha = 0$	SAD = 0, $\alpha = 0$

Note: All taxes other than those indicated as *zeros* apply.

Furthermore, given that OCT is limited to a few areas in only six states – for example, even in Maharashtra, it is limited to twenty-two municipalities – it is useful to consider two alternative cases, namely with no OCT and with OCT. Combining the four cases of Table III.3 with the two alternatives of $OCT = 0$, and $OCT \neq 0$, we get eight possibilities. Of these eight, we concentrate on four:

Case 1	$ST = ST^* = 0, \alpha = 0.95$	registered manufacturers importing directly in an area with octroi;
Case 2	$SAD = 0, \alpha = 0.95$	registered manufacturers importing through a registered trader in an area with octroi;
Case 3	$ST = ST^* = 0, \alpha = 0.95,$ $OCT = 0$	registered manufacturers importing directly in an area without octroi; and
Case 4	$SAD = 0, \alpha = 0.95,$ $OCT = 0$	registered manufacturers importing through a registered trader in an area without octroi.

The composite duty rates on imports for cases 1-4 are as follows:

$$C^{11} = \frac{(1+BCD+SD)(1+CVD)(1+SAD) OCT + (1+BCD+SD)(1+CVD) SAD}{(1 + BCD + SD)(0.05 CVD) + (BCD+SD)} \quad (3.11)$$

$$C^{12} = \frac{(1+BCD+SD)(1+CVD)(1+ST) OCT + (1+BCD+SD)(1+CVD) ST^*}{(1 + BCD + SD)(0.05 CVD) + (BCD+SD)} \quad (3.12)$$

$$C^{13} = \frac{(1+BCD+SD)(1+CVD) SAD}{(1 + BCD + SD)(0.05 CVD) + (BCD+SD)}, \text{ and} \quad (3.13)$$

$$C^{14} = (1+BCD+SD)(1+CVD) ST^* + (1 + BCD + SD)(0.05 CVD) + (BCD+SD) \quad (3.14)$$

Comparable composite rates of indirect taxes on a domestic supplier of the good are given by

$$C^{D1\&2} = (1+UED)(1+ST) OCT + (1+UED)ST^* + 0.05 UED, \text{ and} \quad (3.15)$$

$$C^{D3\&4} = (1+UED) ST^* + 0.05 UED \quad (3.16)$$

A comparison of C^{11} and C^{12} with $C^{D1\&2}$, and C^{13} and C^{14} with $C^{D3\&4}$ can indicate discrimination due to indirect taxes – including customs – with and without octroi, respectively. The excess of composite duty rates on imports over that of domestic products in the four alternative cases are given by:

$$\begin{aligned} e^1 &= C^{11} - C^{D1\&2} \\ &= [(1+BCD+SD)(1+CVD)(1+SAD) - (1+UED)(1+ST)] OCT \\ &\quad + [(1+BCD+SD)(1+CVD) SAD - (1+UED) ST^*] \\ &\quad + 0.05 [(1+BCD+SD)(CVD) - UED] + (BCD+SD) \end{aligned} \quad (3.17)$$

$$\begin{aligned} e^2 &= C^{12} - C^{D1\&2} \\ &= [(1+BCD+SD)(1+CVD)(1+ST) - (1+UED)(1+ST)] OCT \\ &\quad + [(1+BCD+SD)(1+CVD) - (1+UED)] ST^* \\ &\quad + 0.05 [(1+BCD+SD)(CVD) - UED] + (BCD+SD) \end{aligned} \quad (3.18)$$

$$\begin{aligned} e^3 &= C^{13} - C^{D3\&4} \\ &= [(1+BCD+SD)(1+CVD) SAD - (1+UED) ST^*] \\ &\quad + 0.05 [(1+BCD+SD)(CVD) - UED] + (BCD+SD), \text{ and} \end{aligned} \quad (3.19)$$

$$\begin{aligned} e^4 &= C^{14} - C^{D3\&4} \\ &= [(1+BCD+SD)(1+CVD) - (1+UED)] ST^* \\ &\quad + 0.05 [(1+BCD+SD)(CVD) - UED] + (BCD+SD) \end{aligned} \quad (3.20)$$

IV. Empirical Findings

As the study was conducted during 1998-99, the empirical findings are based on the information then available. Accordingly these relate to the rate structure prevalent in the year 1998-99. Presentation of empirical findings is preceded by a brief discussion of the data utilised in the study. The limitations of the study, owing to the data set utilised, are indicated in the relevant sections in this chapter.

The data

Effective rates of BCD, SD, UED, ST and OCT were compiled for different commodities at the 6-digit harmonised system of commodities, for the year 1998-99. This took into account general exemptions and other concessions allowed under different taxes. Effective rates of CD and UED were compiled for more than 3000 commodities from *Customs Tariff with Manual* (1998-99), and *Central Excise Tariff with Manual* (1998-99), published by Business Database Publishing Company. ST rates for the same set of commodities for Maharashtra have been compiled from *Bombay Sales Tax Act, 1959: As amended upto May 1, 1998*, edited by M.L. Anand and published by MTJ Publications. OCT rates varied across the 22 municipalities/corporations in Maharashtra that levy OCT, but the OCT rates were compiled only for four Municipal Corporations, namely, Greater Mumbai Corporation, Kolhapur Corporation, Malegaon Municipality, and Mira Bhayandar Municipality.

The calculation of ERP was possible only at an aggregated level of 60 broad commodity groups. The latest year for which matrices of input-output coefficients were available, was 1989-90. These matrices were obtained from the Planning Commission. These were based on 60 broad groups of commodities/industries. The commodity x commodity matrix (A) of input-output coefficients was not readily available. The available matrices were the basic matrices relating to the commodity flows. These were 'absorption' (B) and 'make' (D) matrices of dimensions commodity x industry and industry x commodity, respectively. Corresponding to a matrix of commodity flows, the matrix of input-output coefficients was obtained by dividing the elements in the jth column of a flow matrix, i.e., inputs used for production of jth commodity, by the value of gross output of the jth commodity. The commodity x commodity matrix of input-output

coefficients was obtained by multiplying the absorption matrix of input-output coefficients by the make matrix of input-output coefficients as follows:

$$A = B.D \quad (4.1)$$

The coefficients a_{ij}' were given at producer prices and were inclusive of customs duties. These were adjusted to obtain the required coefficients a_{ij} at world prices (c.i.f. prices) by the following formula:

$$a_{ij} = a_{ij}' \frac{(1 + t_j)}{(1 + t_i)} \quad (4.2)$$

For using (4.2), the required rates of customs duties for the year 1989-90 were taken from Aggarwal (1998b). The ERP for the year 1998-99 were obtained by using these input-output coefficients at world prices along with effective rates of duties/taxes for the year 1998-99.

In order to match the six-digit level commodities with the 60 broad groups for which input-output matrices are available, we obtained information on the composition of each broad group, from the *Input-Output Transactions Table 1983-84*; a publication of the Central Statistical Organisation (CSO). There was some variation in the commodity classification utilised for customs and excise tariffs. Therefore, customs and excise commodity codes were separately matched with the 60 commodity groups.

Calculation of the customs and excise duty rates for a broad group required data on value of imports and production on each of the items in the group. The value of imports and some proxy for output were used as weights to construct the weighted average customs and excise duty rates for the group. Import values were taken from foreign trade statistics for 1996-97, the latest available. Value of Clearances (VoC) was taken as a proxy for output, and the latest data on VoC relating to 1994-95 were obtained from the Directorate of Statistics and Intelligence, Central Excise and Customs, Government of India. The commodity classification followed international convention of "Harmonised Commodity

Description” and “Coding System” (HSN) with certain contractions and modifications at the six-digit level of disaggregation.

Effective Rate of Protection (ERP)

The effective rates of different duties/taxes for the sixty groups of commodities were obtained in two steps. First, duty rates were identified for each of the commodities at six-digit level classification (more than 3000 commodities), as each of the sixty broad groups of commodities comprised many of the six-digit level commodities. Second, duty rate for a broad group of commodities was obtained by taking a weighted²¹ average of the rates applicable to the commodities within the group. For customs duties (comprising BCD and SD), CVD and SAD, weighted average rates were obtained by using import values for the year 1996-97 as weights. For UED, weighted average rates were obtained by using VoCs as weights. For this purpose, the VoCs of the goods cleared for purposes other than for export, for the year 1994-95, was utilised.²²

The duty rates used in the exercise take into account general exemptions and duty reductions effected through notifications. However, it had not been feasible to take the end-use exemptions or concessions into account. Thus, the estimated ERPs based on these rates may provide to some extent, over- or under-estimates of the tax advantage or disadvantage suffered by domestic producers.

The input-output coefficients utilised in the computation of ERP relate to the year 1989-90, implying that these computations are based on the prices and technology built into these coefficients. This fails to take into account subsequent changes, if any, in technology and relative prices.

²¹ Wherever weights were not available, a simple average of the rates was taken. This was done particularly due to absence of weights for some of the six-digit level commodities.

²² It is important to note that the rates of customs duties for a broad group of commodities were obtained by using shares of imports of different commodities within the group. With imports varying inversely with duty rates, higher rates of CD get assigned lower weights, and *vice-versa*. Calculation of weighted UED and other domestic tax rates would have suffered from similar limitations. However, the weighted average with all its limitations, is preferred to the simple average that altogether ignores composition of commodities within a group.

Unfortunately, it is not feasible to infer the impact of these changes on the ERP. This study needs to be repeated as and when input-output matrices for a later date become available.

The effective rates of duties and ERP for sixty groups of commodities, with different tax regimes, are given in Table IV.1 (columns 3 to 15). For ease of exposition, in the discussion below, the sixty broad groups have been classified under three categories: (i) 14 unmanufactured products; (ii) 39 manufactured products; and (iii) 7 (generally non-tradable) services. For some manufactured products, value of inputs exceeded unity implying negative value addition at world prices. For such products, interpretation of ERP differs from that for products with positive value addition at world prices. Therefore, manufactured products are further divided into two categories: (a) 34 with positive value addition at world prices; and (b) 5 (accounting for 26.3 per cent of the total value of imports) with negative value addition at world prices. Within each of these categories, the products are arranged in an ascending order of overall ERP, excepting the manufactured products with negative value addition at world prices that are arranged in a descending order of ERP.

From Table IV.1 (column 10), it may be noted that, in terms of total value of imports, unmanufactured products accounted for only 3.4 per cent, with manufactured products accounting for the other 96.6 per cent. Therefore, in the discussion below, we make a few vital observations relating to unmanufactured products, and then focus mainly on manufactured products. Towards the end, a few remarks on services are also given.

Unmanufactured products

Unmanufactured products consist of agricultural goods. As many as seven out of the fourteen broad categories of unmanufactured products attracted a zero rate of customs duty. Even SAD was *nil* on such products. But, the inputs used in the production of such commodities did not necessarily enjoy the benefits of a low duty regime. Even while quantitative restrictions (QR) on such products have shielded domestic producers from foreign competition, the scrutiny of the ERP on such products seems extremely important because with the phasing out of QRs, domestic producers will become increasingly open to foreign competition.

Among the fourteen unmanufactured products (items 1-14, Table IV.1), six, namely, raw cotton, paddy, wheat, cereals other than paddy and wheat, and tea and coffee plantations, were facing an inverted structure of customs duties. For these products, ERP with reference to customs duties was negative (items 1-6, column 11), implying that the rate of customs duty on such a product was lower as compared to the rates applicable to at least some of its inputs. ERP became even more adverse when domestic trade taxes were taken into account. When all taxes, including domestic trade taxes, were taken into account, ERP worked out to be negative also for forestry and logging (item 7, columns 13 to 15). The systems of UED and CVD, and ST and SAD were found to make negative contribution to the ERP of some of the unmanufactured products (items 1-8, columns 16 and 19). The situation worsened in the presence of octroi (columns 19 and 20).

The tax disadvantage to the producers of raw cotton and cereals, because of the inverted structure of customs duty, was significant with ERP at -13.57 per cent and -4.33 per cent, respectively. This suggests that withdrawal of QRs may have a serious impact on domestic producers of these products unless the inverted customs duty structure is corrected. Some rough calculations suggest that *ceteris paribus*, the inverted duty structure could be rectified by increasing the customs duty on raw cotton by 8.14 percentage points and on cereals by about 3.31 percentage points. When domestic trade taxes were also taken into account, the ERP for raw cotton and cereals worked out to -23.72 per cent and -5.57 per cent, respectively. This negative protection could be nullified by increasing the customs duty on raw cotton by about 14.23 percentage points and on cereals by about 4.26 percentage points. Alternatively, it could be nullified by correcting for the inverted structure of customs duty along with rationalisation of domestic trade taxes to achieve level playing field between imports and domestic produce.

The producers of pulses, rubber, sugarcane, and jute appeared to be well protected. For none of these products, ERP was less than 12 per cent and for sugarcane, jute, and some other crops, it exceeded 50 per cent (items 9-14, column 15).

Manufactured Products

The puzzle of negative value added products

From Table IV.1 (items 49-53, column 9), it may be noted that there were five products – chemicals and cinematographic films, lubricating preparations, and other petroleum products, other food items not specified elsewhere, coal tar products, and articles of silk or synthetic fibre – with value of inputs more than Re. 1 for producing Re. 1 of output at world prices. Value addition for these products was negative at world prices.

With negative value added at world prices, the value of ERP needs careful interpretation. It may be recalled thus

$$E_j = \frac{v_j' - v_j}{v_j}$$

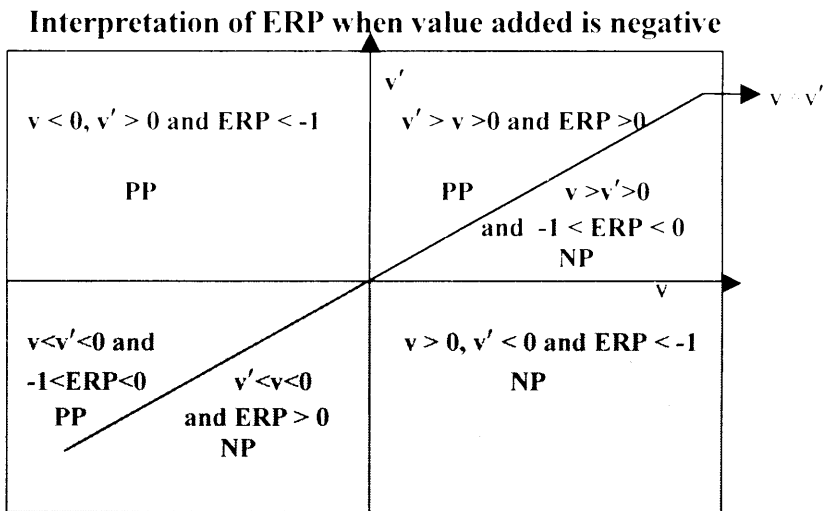
where v_j = value added in the process of production of a unit of j th commodity in the absence of taxes and trade restrictions, and v_j' = value added in the process of production of a unit of j th commodity in the presence of taxes.

As shown in Figure IV.1, $v' > v$ depicts the positive degree of protection and $v' < v$ the negative degree of protection irrespective of positive or negative value of v . From Figure IV.1, it may be noted that for $v < 0$, a negative value of ERP indicates positive protection while a positive value indicates negative protection. In fact, it is easy to note that, $ERP < -1$ (i.e., less than -100 per cent, say -125 per cent in percentage terms) indicates that the value addition changes from negative to positive because of the tax regime. Further, $-1 \leq ERP \leq 0$ suggests that, though value added under the tax regime is negative, it is greater than the value added without taxes, i.e., $v' > v$. For $v > 0$, clearly a positive value of ERP suggests a positive degree of protection and a negative value indicates a negative degree of protection.

With a regime of customs duties alone, the ERP for all the above mentioned five broad groups (items 49-53, column 11) was negative, but for four groups – chemicals and cinematographic films, lubricating preparations and other petroleum products, coal tar products, and articles of silk or

synthetic fibre – it was more than minus100 per cent. Thus, while customs duty provided positive protection for all the five groups and value added was higher with than without such duties, only in the case of “other food items not specified elsewhere” the value added was positive, with customs duties. However, it is important to note that “lubricating preparations and other petroleum products” had been under the administered pricing mechanism, there had been restrictions on their imports as well as marketing, and a routine calculation or interpretation of ERP may not be appropriate. Nevertheless, with the announced move from an administered to a market-determined pricing mechanism, the issue of ERP requires a careful scrutiny.

Figure IV.1



Notes: PP = Positive protection, NP = Negative protection

It may be noted that for three of these products – chemicals and cinematographic films, lubricating preparations and other petroleum products, and other food items not specified elsewhere – the negative values of ERP with a regime of customs duties alone changed to positive values when domestic trade taxes were also taken into account, implying a net negative degree of protection because of a discriminatory higher burden of domestic trade taxes on domestic products, *vis-à-vis*, foreign products, dominating the protection provided through customs duties (items 49-51, column 15). Thus, the domestic producers of these commodities suffered a

net tax disadvantage due to discriminatory domestic trade taxes. The systems of UED and CVD, and ST and SAD appeared to make a substantial contribution to the tax disadvantages of the domestic producers (items 49-51, columns 15 and 19). The tax disadvantage was found to be higher in the presence of octroi (items 49-51, column 20). The tax disadvantage in the case of food items and chemicals was found to be substantial, which is a source of concern, particularly because the import of these products accounted for more than 12 per cent of the total value of imports.

Negative value added either without or with taxes is a strong result. It is difficult – though not impossible – to reconcile with their continuing production in the country. While the negative value added in these sectors may be explained in terms of a long legacy of QRs on imports and inefficiencies in domestic production structure, the puzzle may also reflect the high degree of aggregation of products in each of these groups and the consequent imprecision in quantification of the average rates of duties and input-output coefficients. The results, accordingly, should be interpreted with caution.

Positive value added products

Value added was positive for the other 34 broad groups of manufactured products. Among these 34 products, customs duties provide a positive degree of protection to all products excepting khandsari (items 15-48, column 11, Table IV.1). With customs duties alone, the ERP varied from almost 10 per cent to 170 per cent for most of these products, while it was as high as 263 per cent for synthetic fibres, 311 per cent for non-ferrous basic metals, and 973 per cent for cement. However, when domestic trade taxes were also taken into account, ERP was reduced for all but one of the 34 items and, in fact, turned negative for as many as 9 products (items 15-23, column 15). The net negative protection varied from 1 per cent for electronic equipment to as high as 58 per cent for wood, and wood products. There was, however, wide variation in the net positive protection for rest of the 25 manufactured products. It was between 8 per cent and 15 per cent for 6 products (items 24-29, column 15), between 15 per cent and 130 per cent for 18 products (items 30-47, column 15) and was an astronomical 869 per cent for cement that could be attributed to many factors including high duties on imports of cement, very little protection for inputs, and very low value addition at world prices (3 per cent). Whether an ERP of 15-130 per cent is

too high or too low, it can be a matter of debate. But, the negativity of ERP for as many as 9 products suggested that, in spite of customs duties, *vis-à-vis*, foreign producers, domestic producers of these nine products suffered from net discrimination because of domestic trade taxes. The high share of these nine products – wood and wood products, paper and paper products, non-electric machinery, communication equipment, tractors and other agricultural machinery, leather and leather products, electronic equipment, *khandsari* and other manufacturing – in total value of imports, at about 28 per cent, reinforced the suspicion of adverse discrimination.

The import of 6 manufactured products with positive but less than 15 per cent ERP – machine tools, rail equipment, iron ore, other metallic minerals, and coal and lignite – accounted for a little more than 20 per cent of the total value of imports. On the other hand, the import of 18 products with ERP exceeding 15 per cent accounted for about 38 per cent of the total value of imports. Imports of cement with ERP of 869 per cent, and of jute and sugar with ERP of 111 per cent were negligible. There appeared to be a strong negative correlation between ERP and imports.²³

Relative contribution of different domestic taxes to ERP

The systems of CVD and UED, and ST and SAD were found to make a significant contribution to the tax disadvantage of the domestic producers of manufactured products (columns 15 to 17, Table IV.1). The system of CVD and UED was supposed to be neutral in terms of degree of protection by counterbalancing each other. But, in fact, it was not, and resulted in a negative degree of protection for as many as 26 products (column 16). Its contribution to the ERP was found to be as high as minus 106 percentage points for non-ferrous basic metals (item 46), and between minus 30 and minus 52 percentage points for five products – wood and wood products, paper and paper products, tractors and other agricultural machinery, leather and leather products, and motor vehicles (items 15 to 18 and 13). The other products suffering negative protection because of CVD being less than UED, included communication equipment, rail equipment, pesticides, hydrogenated oils, some transport equipment, non-metallic

²³ The shares of non-ferrous basic metals, and synthetic fibres (polymers, and yarns, etc.) – two groups with ERP of 120-130 per cent – in total value of imports, at 6.0 per cent and 2.4 per cent, could be explained in terms of the non-availability of many non-ferrous metals and of production facility of synthetic fibres, a relatively recent product.

mineral products, rubber products, cotton textiles and sugar. Only in the case of 9 products – *khandsari*, other metallic minerals, machine tools, iron ore, coal and lignite, crude petroleum and natural gas, pesticides, non-metallic and minor minerals, and fertilisers – was the contribution of CVD and UED marginal (less than 1 percentage point).²⁴

The negative contribution of the system of ST and SAD to ERP was also found to be substantial for many products (column 19). It resulted in a negative degree of protection for as many as 30 products. Its contribution to ERP was as high as minus 562 percentage points for cement, minus 109 percentage points for synthetic fiber and minus 112 percentage points for non-electrical machinery (items 48, 47 and 20). It was between minus 50 and minus 100 percentage points for 5 products (items 21, 31, 42, 43 and 46), and between minus 30 and minus 50 percentage points for another set of 4 products (items 15, 16, 28 and 29). The negative contribution of this system could be attributed mainly to taxation of inputs without full rebate.²⁵ The presence of octroi added to the tax disadvantage or lowered the tax advantage of the domestic producers (columns 19 and 20). SAD was found to provide a counter balance to ST for most of the manufactured products but was found to follow an inverted duty structure for lubricating preparations and other petroleum products, and some unmanufactured products, suffering net negative protection and thereby added to the misery of domestic producers of these products (items 1-6 and 50, columns 13 and 18).

Discriminatory tax treatment of domestic products under the system of CVD and UED was not considered as serious a problem as the tax disadvantages of the system of ST and SAD, because the manufacturers could avail of credit under the MODVAT scheme for CVD/UED paid on their inputs. Nevertheless, domestic producers suffered a tax disadvantage because the producers not covered by MODVAT scheme found imports less expensive as compared to domestic products. Even the producers covered under the MODVAT scheme had to finance

²⁴ The average CVD and average UED rates, obtained by using import values and VoC as weights, with UED differing across products, could differ for a group, even when the CVD and UED rates were the same for every product in the group. This differential weighting scheme may have introduced a bias in our results.

²⁵ In Maharashtra, the state under consideration, the retention rate on raw materials was to the extent of 3 per cent.

the additional tax burden for their domestic purchases until duties paid were credited back.

Services

As indicated earlier, services are non-tradable. By taking customs duty on services as nil, ERP worked out to be negative for all services (item numbers 54-60, Table IV.1). This could be attributed to taxes/duties falling on inputs. This suggests that when the trading of services (such as of electricity) takes place, the domestic producers of these services, *vis-à-vis* imports, would suffer a substantial tax disadvantage unless customs duty and domestic trade taxes are rationalised. This would require removal of input taxation and maintaining level playing field between domestic produce and imports, in respect of domestic trade taxes.

General observations

From Table IV.1 (columns 3 and 15), it may be noted that ERP was negative or low for some products with even moderately high customs duty. For example, ERP for paper and paper products, some non-electric machinery, communication equipment, tractors and other agricultural machinery, leather and leather products, electronic equipment, khandsari, electrical machinery and some other manufacturing was negative though for none of these products the rate of customs duty was below 22 per cent. Thus, the problem of tax disadvantage to domestic producers was not only a problem of nil or low customs duty, but also of a complicated and irrational system of domestic trade taxes.

Composite duty rates for selected low duty products

The calculation of ERP required information on input-output coefficients, which was available only at a relatively aggregative level. Calculation of rates of protection, however, can be most illuminating at the specific commodity level. At the specific commodity level, even though lack of ready data on input-output coefficients prevents taking into account the protection given to inputs, avoidance of any aggregation bias provides a strong trade-off. In this section, we focus on the choice of specific commodities and calculation of commodity-specific composite rates of duty.

It should be noted that the computation of composite rates of duty do not account for indirect incidence of taxes through input taxation though input taxation can add significantly to the relative tax burden of domestic producers. The latest available estimates of input taxation relate to the year 1989-90 (see Aggarwal, 1998b). In 1989-90, for most commodities, input taxation under UED was found to vary between 0.75 and 3.00 percentage points. In the reform process of 1990s, expansion of the scheme of MODVAT resulted in a substantial reduction in the incidence of input taxation under the system of UED. Similarly, sales tax (to the extent not rebated) and octroi falling on inputs result in an increase in the relative tax burden of domestic producers of many commodities. Input taxation arises from taxation of inputs, inputs into inputs, and so on. The neglect of input taxation in the calculation is a serious limitation of the composite rates of duty reported below.²⁶

Products with low customs duty

Prima facie, the probability of the tax regime discriminating against domestic producers, *vis-à-vis*, foreign producers being high for products with a low rate of customs duty, we focused on such products with customs duty not exceeding 10 per cent. On some products, standard rates of basic customs duty were nil or low, and on some other products, through notifications, the rates were lowered in general or for specific uses of the products. These items alongwith relevant rates of customs duties, excise duties, sales tax and octroi are given in Table IV.2.

There were as many as 223 commodities or specific uses of commodities with effective customs duty not exceeding 10 per cent. Some of these items related to specific uses of any item, broadening the scope of the rate of customs duty not exceeding 10 per cent. On 110 items, the duty was nil, and it did not exceed 5 per cent for another set of 33 items. Further, on some of these items, the rate of SD was also *nil* or lower than the rate applicable to most commodities, i.e., 5 per cent.²⁷

Within the group of low duty products, CVD lower than UED could put the domestic producers to competitive disadvantage, as CVD and UED

²⁶ Even calculation of ERP accounts for only first round effects of taxes on inputs.

²⁷ The SD of 5 per cent has been withdrawn in the proposed 1999-2000 budget.

were not fully rebatable during 1998-99. While, in general, the rates of CVD on imports were matched with those of UED on domestic produce, on some products or specific uses of the products, the rate of CVD was lower than that of UED. Some of the products of the latter category are listed in box IV.1.

Calculation of composite duty rates

For products with effective customs duty rate not exceeding 10 per cent, the excess of composite duty rate on the import of a product over that on its domestic production was computed by using equations 3.17 to 3.20. The excess of composite duty rate was computed for 205 items for which full requisite information was available, and is given in Table IV.2 (columns 14-17). The products are arranged in an ascending order of excess of composite duty rate e^1 (column 14).

The number of products with negative, *nil* and positive values of excess of composite duty rate on imports subject to different combinations of tax provisions are given in Table IV.3. The number of products with values of excess of composite duty rate on imports falling into different ranges, viz., less than minus 10, minus 10 to minus 5, minus 5 to 0, 0, 0 to 5, 5 to 10, 10 to 20 and above 20 percentage points are also given in table IV.3.

Tax discrimination because of customs duties and domestic trade taxes

From table IV.2 (columns 14 to 17), it may be noted that a domestic producer had a substantial tax advantage in directly importing his inputs, *vis-à-vis*, purchase of local inputs irrespective of application of octroi (columns 14 and 16), thereby, putting the domestic producers of such inputs to substantial tax disadvantage. The domestic producers suffered tax disadvantage in respect of 25 products (items 1 to 25). The tax disadvantage varied from 2.64 percentage points for typewriters imported by accredited journalists to as high as 8.10 percentage points for personal computers imported by accredited journalists with application of octroi (column 14), and from 2.31 percentage point to 5.12 percentage points without application

Box IV.1**Some of the products subject to lower rates of CVD than
the corresponding rates of UED**

1. All goods required for setting up crude petroleum refinery (such as conductors for steam or other vapour power units, refrigeration systems, filtering/purifying machinery, boilers, compressors, heat exchangers, pumps, distilling plants, pipes used for oil or gas pipelines, all types of valves, and gaskets and seals)
2. All goods for manufacturing fertilisers;
3. Video cassettes and video tapes of a predominantly educational character;
4. Personal computers or fax machines imported by accredited journalists;
5. Specified life saving drugs or medicines;
6. Silicon resin and silicon rubber;
7. Copper wire;
8. Grape guard;
9. Specified goods for the manufacture of laser and laser based instrumentation (such as polishing materials, vacuum pumps, flash pumps, and arc lamps);
10. CD-ROMs containing books of educational nature;
11. Medical and surgical instruments and appliances;
12. Specified medical equipment (such as ophthalmic instruments and appliances, sterilisers, instruments using optical radiations, surgical operating microscopes, endoscopic surgery instruments and stroboscopes);
13. Specified goods for tubal occlusion (such as trocar and cannula, laproscopes and scissors);
14. Requisite for games and sports;
15. Fogging machines imported by municipal committees;
16. Raw material for manufacture of specified components of wind operated electricity generators;
17. Specified goods for construction of national highways;

Box IV.1 (Contd.)

**Some of the products subject to lower rates of CVD than
the corresponding rates of UED**

18. Specified goods required in connection with petroleum operations undertaken under specified contracts (such as drilling, threading or tapping tools; helicopters, vessels for transport, pipelines, cranes and transmission apparatus);
19. Recorded magnetic tapes etc. imported by University Grants Commission for use in computers;
20. Specified fire fighting equipment imported by the Central or State Governments;
21. Polypropylene; and
22. Stainless steel capillary tubes.

of octroi²⁸ (column 16). The tax disadvantage to the domestic producers exceeded 5 percentage points in respect of specified goods required for setting up crude petroleum refinery, such as conductors, refrigeration systems, filtering/purifying machinery, boilers, compressors, heat exchangers, pumps, distilling plants, pipes used for construction of oil and gas pipelines, valves, catalysts, and filters. The tax disadvantage with or without application of octroi ranged from 5 to 10 percentage points for 10 products and it existed but was less than 5 percentage points for another set of 15 products (columns 2 and 4, Table IV.3). The tax disadvantage was found to exist inspite of application of SAD to most of these products, 19 of the 25 products suffering tax disadvantage were subject to 4 per cent SAD (items 1-25, column 9, Table IV.2). On the other hand, the tax advantage to manufacturers in buying inputs from importers, *vis-à-vis* from domestic producers was found to be negligible (columns 15 and 17, Table IV.2). It occurred in respect of only three products with application of octroi (items 10, 13 and 14, column 15), and for only one product without application of octroi (item 10, column 17). It was so, because in

²⁸ It is important to note that octroi wherever applicable does not distinguish between an imported and a domestic product. Discrimination with and without application of octroi arises because of discriminatory application of other taxes since octroi is charged on tax inclusive basis.

this process of acquiring inputs, discrimination arising out of existing sales tax disappears – sales of imported products get taxed at par with domestic products and tax set off was also available at par with domestic products. Therefore, there was no net tax disadvantage to domestic producers *vis-à-vis* imports by traders. By implication, the domestic producers would not suffer any tax disadvantage under the tax regime under consideration provided an imported product and the domestic product suffer the same burden of sales tax. The same will also be true if input taxation under sales tax is eliminated, such as in Delhi, Haryana, and Punjab.²⁹ Thus, a reform of sales tax system that eliminates input taxation³⁰ can go a long way in mitigating tax disadvantages of domestic producers.

Implications of imposing a minimum customs duty

With a view to explore implications of imposing a minimum customs duty on all products, the composite duty rates are simulated with alternative rates of minimum customs duty, *viz.*, 5 and 10 per cent of combined (basic plus special) customs duty. The number of products with negative, *nil* and positive values of excess of composite duty rate on imports with 5 and 10 per cent minimum customs duty are given in tables IV.4 and IV.5 respectively, for different combinations of tax provisions.

From a comparison of tables IV.3, IV.4 and IV.5, it would be noted that the number of products suffering tax disadvantage declines from 25 to 20 with minimum customs duty of 5 per cent (column 3, Table IV.4) and to 8 with minimum customs duty of 10 per cent (column 3, Table IV.5). Further, it can be inferred that there is a decline also in the extent of tax disadvantage, with the policy of subjecting all goods to a minimum customs duty. The higher the rate of minimum customs duty, the lower is the tax disadvantage to the producers of such products.

²⁹ Even in these states some input taxation takes place as long as some inputs are purchased from outside the state, because of central sales tax.

³⁰ The same principle should be applied to UED and additional duties of excise in lieu of sales tax levied under the *Additional Duties of Excise (Goods of Special Importance) Act, 1957*, (58 of 1957). Discriminatory application results in tax advantages/disadvantages to the extent rebate for the taxes paid on inputs is denied.

Concluding remarks

From the above discussion it follows that producers of many low duty products suffered substantial tax disadvantage, *vis-à-vis*, imports. They suffered competitive disadvantage even in the international market to the extent taxes on their inputs were not rebated/refunded.

It is important to note that, besides the tax disadvantages, domestic producers suffer also from poor infrastructure and high cost of basic inputs such as electricity, water, and transport. The disadvantage due to such non-tax factors is partly on account of inefficiency in production and partly due to intended policies followed by the government such as distributional considerations leading to dual price policies. If such non-tax disadvantages were also taken into account, the net disadvantage to domestic producers would have been substantially higher for the products suffering net tax disadvantage, and some of the products with low tax advantage might also have fallen in the category of products suffering net tax disadvantage.

Tax discrimination across the products was found to be substantial. While the producers of some products suffered substantial tax disadvantages, the producers of many products benefited from the tax advantages, *vis-à-vis*, imports (direct or indirect). The tax advantage was not less than 10 percentage points in respect of at least 94 products among the 205 products considered, irrespective of application of octroi or SAD or ST (Table IV.3). The tax advantages to the domestic producers of the products subject to higher customs duty (not considered here) can be expected to be higher. This³¹ indicates the need for rationalisation of the rate structure of customs duties.

³¹ Some rough calculations show that the post-budget (1999-2000) scenario is not significantly different from the pre-budget scenario, in respect of tax advantages/disadvantages for different products. This is so, in spite of imposition of a minimum customs duty of 5 per cent on all project imports with a few exceptions, hitherto the subject to *nil* duty. This is not surprising, as the special customs duty has been withdrawn and the sales tax scenario has remained unchanged.

Table IV.1
Duty Rates and their Contribution to Effective Rates of Protection for Sixty Broad Groups of Commodities (arranged by E)
 Effect of different taxes on ERP (percentage points)

S. No.	Industry sector	Effective rates of duty on imports (per cent)			Effective rate of basic excise duty weighted by VoC less a (ST) exp. 98-99 (UED) (Per cent)	Effective rate of sales tax in Maharashtra (OCT)	Rate of Value added tax in G. Mumbai corporation (OCT)	Share of imports (per cent)	Effective rate of protection (ERP) with different tax regimes (Per cent)														
		Customs duty exclusive of CVD & SAD	Counter valing duty (CVD)	Special additional duty (SAD)					Customs (E ¹)	Customs & CVD (E ²)	Customs UED & CVD (E ³)	Customs UED & CVD (E ⁴)	Customs UED & CVD (E ⁵)	Customs UED & CVD (E ⁶)	Customs UED & CVD (E ⁷)	Customs UED & CVD (E ⁸)	UED & CVD (E ⁹)	ST (E ¹⁰)	SAD (E ¹¹)	ST & SAD (E ¹²)	ST & SAD (E ¹³)	ST & SAD (E ¹⁴)	ST & SAD (E ¹⁵)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21			
Unmanufactured products																							
1	Raw cotton	0.00	0.00	0.00	0.00	4.00	2.00	0.40	0.02	-13.57	-13.66	-20.1	-22.39	-23.72	-0.09	-6.43	-2.30	-8.74	-10.06	-10.1			
2	Coffee plantation	0.00	0.00	0.00	0.00	0.00	0.00	0.31	0.00	-5.63	-5.67	-5.7	-6.68	-7.29	-0.03	0.00	-1.01	-1.01	-1.62	-1.7			
3	Paddy	0.00	0.00	0.00	0.00	0.00	0.50	0.28	0.00	-4.51	-4.53	-4.5	-5.30	-5.80	-0.02	0.00	-0.77	-0.78	-1.28	-1.3			
4	Wheat	0.00	0.00	0.00	0.00	0.00	0.50	0.29	0.29	-4.33	-4.35	-4.4	-5.09	-5.57	-0.02	0.00	-0.74	-0.74	-1.22	-1.2			
5	Cereals other than paddy and wheat	0.00	0.00	0.00	0.00	0.00	0.50	0.20	0.00	-4.14	-4.15	-4.2	-4.89	-5.33	-0.01	0.00	-0.74	-0.74	-1.18	-1.2			
6	Tea plantation	0.00	0.00	0.00	0.00	0.00	0.00	0.09	0.00	-1.83	-1.83	-1.8	-2.15	-2.33	0.00	0.00	-0.32	-0.32	-0.50	-0.5			
7	Forestry & logging	6.33	0.00	0.82	0.00	7.80	0.25	0.08	0.75	6.42	6.41	-2.0	-1.18	-1.25	-0.01	-8.39	0.80	-7.59	-7.66	-7.7			
8	Animal husbandry and milk products	21.41	0.00	3.30	0.00	2.91	2.11	0.52	0.78	12.12	12.09	5.0	8.47	7.06	-0.03	-7.09	3.47	-3.62	-5.03	-5.1			
9	Pulses	10.00	0.00	4.00	0.00	0.00	0.50	0.32	0.65	8.61	8.59	8.6	13.45	12.93	-0.02	0.00	4.86	4.85	4.34	4.3			
10	Rubber	25.09	0.00	4.00	0.00	0.00	0.00	0.19	0.03	24.85	24.80	24.8	30.00	29.47	-0.04	0.00	5.20	5.20	4.67	4.6			
11	Fish & pearls etc.	44.66	0.00	4.00	0.00	2.00	0.00	0.04	0.00	45.12	45.09	42.2	47.85	47.75	-0.03	-2.94	5.70	2.75	2.66	2.6			
12	Sugarcane	45.00	0.00	4.00	0.00	0.00	0.00	0.19	0.00	50.25	50.24	50.2	56.61	56.33	-0.01	0.00	6.37	6.37	6.09	6.1			
13	Vegetable plaiting and other crops n.e.s.	41.43	0.23	4.00	2.49	2.00	0.87	0.51	0.87	64.88	58.51	53.0	60.84	59.25	-6.37	-5.50	7.83	2.33	0.74	-5.6			
14	Jute, hemp & mesta	35.00	15.00	4.00	0.00	4.00	2.00	0.16	0.00	38.10	62.24	55.1	61.60	61.20	24.14	-7.12	6.48	-0.64	-1.03	23.1			

Table IV.1 (Contd.)
Duty Rates and their Contribution to Effective Rates of Protection for Sixty Broad Groups of Commodities (arranged by E)

S. No.	Industry sector	Effective rates of duty on imports (per cent)				Effective rate of basic excise duty weighted by value of output (VED)	Effective rate of sales tax in Maharashtra (ST)	Rate of octroi in G. Mumbai corporation (OCT)	Value of input per rupee of output	Share of imports (per cent)	Effective rate of protection (ERP) with different tax regimes (per cent)									
		Customs duty exclusive of CVD & SAD	Counter duty	Special additional duty (SAD)	Special additional duty (SAD)						Customs (E ¹)	Customs & CVD (E ²)	Customs & ST (E ³)	Customs & CVD & ST (E ⁴)	Customs & CVD & ST & SAD (E ⁵)	Customs & CVD & ST & SAD & OCT (E ⁶)	Customs & CVD & ST & SAD & OCT & (E)	UED & CVD (E ⁷ -E ⁸)	ST (E ⁹ -E ¹⁰)	SAD (E ¹¹ -E ¹²)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Manufactured products																				
15	Wood & wood products	6.93	3.23	0.99	15.01	13.00	4.88	0.67	0.77	9.67	-24.03	-57.9	-57.05	-58.25	-33.70	-33.90	0.88	-33.02	-34.22	-67.9
16	Paper & paper products	22.23	5.24	2.06	15.97	8.57	3.00	0.73	1.72	39.38	-3.18	-35.6	-33.83	-40.75	-42.56	-32.39	1.74	-30.65	-37.57	-80.1
17	Tractors & other agricultural machinery	26.31	0.79	4.00	12.78	2.00	2.00	0.73	0.06	39.53	-12.18	-20.5	-14.92	-21.95	-51.71	-8.32	5.58	-2.74	-9.76	-61.5
18	Leather & leather products	28.74	4.07	3.95	16.74	9.20	2.00	0.65	0.27	48.28	8.21	-19.2	-13.36	-16.97	-40.07	-27.42	5.85	-21.57	-25.18	-65.2
19	Manufacturing n.e.s.	23.74	10.77	4.00	15.00	7.47	3.48	0.72	6.36	33.90	16.16	-13.7	-7.24	-14.09	-17.74	-29.82	6.42	-23.41	-30.25	-48.0
20	Non-electrical machinery n.e.s.	24.29	20.25	4.00	14.10	12.67	3.33	0.88	12.97	67.67	119.63	-4.5	7.75	-12.19	51.96	-124.11	12.23	-111.87	-131.82	-79.9
21	Communication equipment	33.73	15.94	4.00	17.46	11.33	4.00	0.84	0.34	99.86	85.67	2.4	10.96	-6.56	-14.19	-83.25	8.54	-74.71	-92.23	-106.4
22	Khandsari, <i>hoora</i>	15.00	8.00	4.00	8.00	0.00	0.75	0.69	0.00	-9.45	-9.78	-9.8	-3.45	-4.56	-0.33	0.00	6.33	6.34	5.22	4.9
23	Electronic equipment etc.	27.82	16.96	4.00	17.35	16.50	4.00	0.44	2.21	31.10	29.75	-2.3	1.92	-1.10	-1.35	-32.04	4.21	-27.82	-30.84	-32.2
24	Other metallic minerals	10.00	0.00	4.00	0.00	4.83	1.17	0.35	0.28	11.63	11.48	3.7	9.35	8.70	-0.15	-7.74	5.61	-2.12	-2.77	-2.9
25	Machine tools	25.00	13.00	4.00	13.00	13.00	2.00	0.35	1.14	28.23	27.94	5.9	10.79	9.44	-0.29	-22.02	4.87	-17.15	-18.50	-18.8
26	Iron ore	10.00	0.00	4.00	0.00	4.00	2.00	0.24	0.08	10.48	10.36	4.8	9.79	9.47	-0.12	-5.57	5.00	-0.56	-0.88	-1.0
27	Coal & lignite	15.00	0.00	4.00	0.00	5.33	0.50	0.44	2.26	18.13	17.81	7.4	13.35	11.81	-0.32	-10.39	5.93	-4.46	-6.00	-6.3
28	Electrical machinery	30.56	16.62	4.00	15.76	10.13	2.71	0.69	1.93	48.80	50.58	12.1	18.45	12.04	1.78	-38.50	6.37	-32.13	-38.55	-36.8

Table IV.1 (Contd.)
Duty Rates and their Contribution to Effective Rates of Protection for Sixty Broad Groups of Commodities (arranged by E)

S. No.	Industry sector	Effective rates of duty on imports (per cent)			Effective rate of basic excise duty weight by VoC less exp. (UED) (per cent)	Effective rate of import duty in G. Mumbai corporation tax in Maharashtra (OCT) (per cent)	Value of input per rupee of output	Share of imports (per cent)	Effective rate of protection (ERP) with different tax regimes (per cent)						Effect of different taxes on ERP (percentage points)								
		Customs duty exclusive of CVD & SAD	Counter-vailing duty (CVD)	Special additional duty (SAD)					Customs (E ¹)	Customs & CVD (E ²)	Customs UED (E ³)	Customs UED & CVD (E ⁴)	Customs UED & CVD (E ⁵)	Customs UED & CVD (E ⁶)	Customs UED & CVD (E ⁷)	Customs UED & CVD (E ⁸)	Customs UED & CVD (E ⁹)	Customs UED & CVD (E ¹⁰)	Customs UED & CVD (E ¹¹)	Customs UED & CVD (E ¹²)	Customs UED & CVD (E ¹³)	Customs UED & CVD (E ¹⁴)	Customs UED & CVD (E ¹⁵)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21			
Manufactured products																							
29	Rail equipment	39.02	16.11	4.00	17.02	13.00	2.50	0.62	0.35	60.71	56.61	14.5	19.92	14.85	-4.11	-42.10	5.41	-36.69	-41.75	-15.9			
30	Crude petroleum, natural gas etc.	22.00	0.00	4.00	0.00	8.50	1.00	0.22	13.49	26.03	25.94	13.7	19.05	18.76	-0.09	-12.21	5.32	-6.89	-7.18	-7.3			
31	Motor vehicles	44.96	16.56	4.00	21.93	10.00	3.67	0.84	1.26	153.96	111.31	34.0	43.77	28.00	-42.65	-77.30	9.76	-67.54	-83.31	-126.0			
32	Transport equipments n.e.s.	43.18	2.71	4.00	8.75	4.00	2.00	0.45	0.77	58.31	43.43	33.9	40.20	38.21	-14.88	-9.51	6.28	-3.24	-5.22	-20.1			
33	Pesticides	35.00	9.38	4.00	9.38	8.00	2.00	0.66	0.11	66.83	65.91	36.6	44.58	39.30	-0.93	-29.29	7.96	-21.33	-26.60	-27.5			
34	Non-metallic mineral products n.e.s.	40.12	16.05	4.00	17.24	8.56	3.38	0.55	0.33	66.77	63.25	39.2	46.76	44.26	-3.52	-24.08	7.59	-16.48	-18.99	-22.5			
35	Coated fabrics & other textiles	40.78	13.39	4.00	12.42	7.89	2.00	0.53	0.28	60.38	62.41	40.1	47.06	44.76	2.03	-22.30	6.95	-15.35	-17.65	-15.6			
36	Hydrogenated oils	35.00	0.05	4.00	0.37	1.50	2.00	0.58	0.01	50.01	48.59	43.9	50.88	45.05	-1.42	-4.71	7.00	2.29	-3.54	-5.0			
37	Non-metallic & minor minerals	42.27	0.01	3.88	4.00	4.25	4.00	0.13	8.15	46.44	46.38	39.7	45.37	45.06	-0.06	-6.65	5.64	-1.01	-1.32	-1.4			
38	Woolen textiles	34.26	7.76	4.00	4.42	5.67	2.00	0.63	0.08	62.35	73.40	53.4	62.24	59.28	11.05	-20.05	8.89	-11.15	-14.11	-3.1			
39	Cotton textiles	42.26	9.98	4.00	16.78	3.33	1.67	0.61	0.07	88.16	66.73	55.8	65.88	63.29	-21.43	-10.97	10.12	-0.85	-3.45	-24.9			
40	Fertilisers	34.25	0.00	4.00	0.00	0.00	2.00	0.67	1.45	65.02	64.33	64.3	73.88	69.53	-0.69	0.00	9.55	9.55	5.20	4.5			
41	Iron & steel	34.61	15.00	4.00	15.00	4.00	2.50	0.80	4.59	96.54	94.68	68.1	80.30	70.84	-1.85	-25.59	11.21	-14.38	-23.85	-25.7			
42	Rubber products, thread, cord etc. covered with textiles	44.53	18.58	4.00	19.80	10.33	2.25	0.84	0.24	168.59	156.25	70.3	82.58	70.87	-12.35	-85.97	12.30	-73.66	-85.38	-97.7			

Table IV.1 (Contd.)
Duty Rates and their Contribution to Effective Rates of Protection for Sixty Broad Groups of Commodities (arranged by E)

S. No.	Industry sector	Effective rates of duty on imports (per cent)			Effective rate of basic excise duty weighted by VoC less exp. (UED)	Effective rate of sales tax in Maharashtra (ST)	Rate of octroi in G. Mumbai 97-98 (OCT)	Value of input per rupee of output	Share of imports (per cent)	Effective rate of protection (ERP) with different tax regimes (per cent)					Effect of different taxes on ERP (percentage points)					
		Customs duty exclusive of (CVD & SAD)	Counter-vailing duty (CVD)	Special additional duty (SAD)						Customs duty (E ¹) & CVD (E ²)	Customs duty (E ³) & ST (E ⁴)	Customs duty (E ⁵) & CVD (E ⁶)	Customs duty (E ⁷) & CVD (E ⁸)	Customs duty (E ⁹) & CVD (E ¹⁰)	Customs duty (E ¹¹) & CVD (E ¹²)	Customs duty (E ¹³) & CVD (E ¹⁴)	Customs duty (E ¹⁵) & CVD (E ¹⁶)	ST (E ¹⁷)	SAD (E ¹⁸)	ST & SAD (E ¹⁹)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Manufactured products																				
43	Plastic products	35.12	25.00	4.00	20.00	10.20	2.00	0.82	0.32	121.21	149.77	77.3	92.18	83.70	28.56	-72.45	14.86	-57.59	-66.07	-37.5
44	Jute, hemp & mesta textiles	44.70	11.19	4.00	5.28	4.00	2.00	0.72	0.01	99.00	126.59	105.6	116.64	111.32	27.60	-21.02	11.07	-9.96	-15.27	12.3
45	Sugar	45.00	5.84	4.00	8.00	0.00	0.50	0.79	0.00	113.51	99.53	99.5	113.17	111.87	-13.98	0.00	13.64	13.64	12.34	-1.6
46	Non-ferrous basic metals	37.61	8.18	4.00	14.89	6.00	2.50	0.92	6.04	311.47	205.30	111.5	139.56	120.12	-106.18	-93.79	28.05	-65.73	-85.17	-191.4
47	Synthetic fibres; polymers, & yarn etc.	36.86	21.07	4.00	20.28	8.50	2.00	0.92	2.41	262.83	268.09	131.1	158.99	128.41	5.26	-137.00	27.90	-109.09	-139.68	-134.4
48	Cement	45.00	25.00	4.00	13.35	13.00	1.00	0.97	0.00	972.60	1501.99	840.3	939.80	869.22	529.39	-661.68	99.49	-562.19	-632.77	-103.4
49	Chemicals & cinematographic films etc.	29.88	15.96	3.84	17.19	10.14	3.42	1.13	9.63	-67.08	-52.46	40.8	35.67	60.97	14.62	93.29	-5.16	88.12	113.43	128.0
50	Lubricating preparations & other petroleum products	30.81	24.24	4.00	28.49	8.90	1.33	1.45	13.17	-9.07	1.14	24.1	26.84	30.92	10.21	22.92	2.78	25.70	29.78	40.0
51	Other food items & beverages n.e.s.	38.19	0.60	3.98	5.11	8.75	5.19	1.02	2.52	-887.10	-565.72	-0.1	-72.03	11.19	321.38	565.67	-71.98	493.69	576.91	898.3
52	Coal tar products	24.88	9.95	4.00	15.02	4.00	1.75	1.17	0.65	-79.37	-46.61	-19.8	-28.53	-24.12	32.76	26.80	-8.72	18.07	22.49	55.3
53	Articles of silk or synthetic fibre, etc.	36.91	18.45	4.00	21.75	2.00	2.00	1.16	0.31	-85.80	-58.59	-42.4	-50.09	-36.21	27.21	16.22	-7.72	8.50	22.38	49.6

Table IV.1 (Contd.)
Duty Rates and their Contribution to Effective Rates of Protection for Sixty Broad Groups of Commodities (arranged by E)
 Effect of different taxes on ERP (percentage points)

S. No.	Industry sector	Effective rates of duty on imports (per cent)		Effective rate of basic excise duty weighted by VoC less a (ST) exp. (UED)	Effective rate of sales tax in Maharashtra (OCT) 97-98	Rate of profit in G. Mumbai corporation of 97-98 (OCT)	Value of input per rupee of output	Share of imports (per cent)	Effective rate of protection (ERP) with different tax regimes (per cent)						Effect of different taxes on ERP (percentage points)					
		Customs duty exclusive of duty CVD & (CYD SAD)	Special additional duty (SAD)						Customs (E ¹)	Customs UED & CVD (E ²)	Customs UED CVD & ST (E ³)	Customs UED CVD & ST (E ⁴)	Customs UED CVD & ST (E ⁵)	Customs UED CVD & ST (E ⁶)	UED & CVD (E ³ -E ¹)	ST (E ³ -E ²)	SAD (E ⁴ -E ³)	ST & SAD (E ⁵ -E ²)	SAD and OCT (E-E ²)	Domes tic trade taxes (E-E ¹)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
	Services																			
54	Other services n.e.s.	0.00	0.00	0.00	0.00	0.00	0.00	0.69	0.00	-36.84	-37.54	-37.5	-43.76	-47.85	-0.70	0.00	-6.22	-6.21	-10.31	-11.0
55	Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.48	0.00	-18.47	-18.89	-18.9	-21.95	-24.31	-0.42	0.00	-3.06	-3.06	-5.42	-5.8
56	Rail transport services	0.00	0.00	0.00	0.00	0.00	0.00	0.36	0.00	-10.54	-10.85	-10.9	-12.73	-13.90	-0.31	0.00	-1.88	-1.88	-3.05	-3.4
57	Electricity etc.	0.00	0.00	0.00	0.00	0.00	0.00	0.56	0.00	-7.95	-8.08	-8.1	-10.11	-10.84	-0.13	0.00	-2.03	-2.03	-2.75	-2.9
58	Transport services other than railways	0.00	0.00	0.00	0.00	0.00	0.00	0.31	0.00	-6.24	-6.46	-6.5	-7.58	-8.25	-0.22	0.00	-1.12	-1.11	-1.78	-2.0
59	Trade	0.00	0.00	0.00	0.00	0.00	0.00	0.29	0.00	-3.02	-3.09	-3.1	-3.62	-4.00	-0.07	0.00	-0.53	-0.53	-0.92	-1.0
60	Communication services	0.00	0.00	0.00	0.00	0.00	0.00	0.09	0.00	-0.90	-0.93	-0.9	-1.07	-1.24	-0.02	0.00	-0.14	-0.15	-0.31	-0.3

Table IV.2
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e¹)

Sr. No.	Chapter/ heading No.	Description of goods	Effective rate of					Standard rate of customs duty	Rate of sales tax (ST)	Retention in rate of ST when used as input (ST*)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes				
			Basic customs duty	Special duty	CVD	Basic excise duty	SAD					BCD,SD	CVD, ST and octroi e ¹	BCD,SD	CVD, ST and octroi e ²	SAD e ³
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1	234	84,85 or 90	Personal computers including lap top personal computers imported by an accredited journalist (84.71)	0	5/2	0	13	4	20	13	13	2	-8.10	1.40	-7.70	1.62
2	234	84, 85 or 90	Fax machines imported by an accredited journalist (85.17)	0	5	0	18	4	30	13	13	2	-7.52	2.12	-7.04	2.41
3	190	85,90 or AOC	Television equipment, cameras and other equipment for taking films, imported by a foreign film unit or television team (8525.30)	0	5	0	13	4	40	13	13	4	-6.88	2.95	-6.14	3.31
4	222	88	Aeroplanes, helicopters, simulators of aeroplanes and gliders	0	5/0	0	0	4	40/3	13	13	2	-6.53	2.88	-6.40	2.83
5	134	84	Fogging machines imported by a Municipal Committee, District Board or other authority legally entitled to, or entrusted by the government with, the control or management of a municipal fund, for use in combating malaria and other mosquito borne diseases	0	5	0	13	4	20	13	13	2	-6.51	3.13	-6.14	3.31
6	166	84 or any other chapter	Goods specified in list 28 required for construction of national highways (8474.20/31)	0	5	0	13	4	20	13	13	2	-6.51	3.13	-6.14	3.31
7	221	Any chapter	The goods specified in List 19, imported by the fire services administered by the central government or the government of any state or the administration of any union territory or a local body for fire fighting operations such as : a. Portable pumps (8413.00) b. Phenomatic lifting bags (8428.20) c. Turntable ladders (8519.30)	0	5	0	13	4	20	13	13	2	-6.51	3.13	-6.14	3.31
				0	5	0	13	4	20	13	13	2	-6.51	3.13	-6.14	3.31
				0	5	0	18	4	40	13	13	2	-7.52	2.12	-7.04	2.41

Table IV.2 (Contd.)
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e)

S. No.	Item No. in notification	Chapter/heading No.	Description of goods	Effective rate of					Standard rate of customs duty	Rate of sales tax (ST)	Retention rate of ST when used as input (ST*)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes				
				Basic customs duty	Special duty	CVD	Basic excise duty	SAD					BCD,SD	CVD, SAD and octroi e ¹	BCD,SD and octroi e ²	CVD, SD and octroi e ³	BCD,SD and CVD e ⁴
8	235	90	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
					0	5	0	18/13.8/0	4	-40/25/20	13	13	4	-6.15	3.68	-5.56	3.90
				Medical and surgical instruments, apparatus and appliances including spare parts and accessories thereof													
9	237	90.20		Compressed air breathing apparatus if imported for fire fighting service	0	5	0	8	4	20	13	13	4	-5.75	4.07	-5.24	4.21
10	164	84 or AOC		Goods specified in List 27 required for setting up crude petroleum refinery, such as:													
				a. Conductors for steam or other vapour power units (8404.20)	0	0	10	13	0	20	13	4	2	-5.02	-0.34	-4.67	-0.27
				b. Refrigeration systems (8418.21)	0	0	10	18	0	40	13	4	2	-5.59	-0.90	-5.12	-0.72
				c. Filtering/purifying machinery (84.21)	0	0	10	13	0	20	13	4	2	-5.02	-0.34	-4.67	-0.27
				d. Boilers (8402.11)	0	0	10	13	0	20	13	4	2	-5.02	-0.34	-4.67	-0.27
				e. Compressors (8414.30)	0	0	10	30	0	20	13	4	2	-6.94	-2.25	-6.20	-1.80
				f. Heat exchangers (8418.61)	0	0	10	18	0	20	13	4	2	-5.59	-0.90	-5.12	-0.72
				g. Pumps (8413.00)	0	0	10	13	0	20	13	4	2	-5.02	-0.34	-4.67	-0.27
				h. Distilling plants (8419.40)	0	0	10	13	0	20	13	4	2	-5.02	-0.34	-4.67	-0.27
				i. Pipes used for oil or gas pipelines (7304.10)	0	0	10	15	0	30	13	4	2	-5.25	-0.56	-4.85	-0.45
				j. All types of valves (84.81)	0	0	10	30/13	0	20	13	4	2	-5.98	-1.29	-5.44	-1.04
				k. Gaskets, washers and other seals (4016.93)	0	0	10	18	0	40	13	4	2	-5.59	-0.90	-5.12	-0.72
				l. Fire fighting equipment (38.13)	0	0	10	18	0	30	13	4	2	-5.59	-0.90	-5.12	-0.72
				m. Catalysts (38.15)	0	0	10	18	0	25	13	4	2	-5.59	-0.90	-5.12	-0.72
				n. Filters (9002.20)	0	0	10	18	0	40	13	4	2	-5.59	-0.90	-5.12	-0.72

**Table IV.2 (Contd.):
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e')**

S. No.	Item No. in notification	Chapter/ heading No.	Description of goods	Effective rate of					Standard rate of customs duty	Rate of sales tax (ST)	Retention rate when used as input (ST ^a)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes				
				Basic customs duty	Special duty	CVD	Basic excise duty	SAD					BCD, SD, CVD, and ST and octroi e'	BCD, SD, CVD, and ST and octroi e'	BCD, SD, CVD, and ST and octroi e'	BCD, SD, CVD, and ST and octroi e'	BCD, SD, CVD, and ST and octroi e'
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
11	244	90 or AOC	Medical equipments (excluding Foley balloon catheters) specified in list 22 including accessories and spare parts (90.18) such as : a. Cardiac catheters (9018.39) b. Heart lung machine (9018.90) c. Programmer for pacemaker (9021.50) d. Iridium wire (7110.40)	0	5	8	8	4	20	13	13	4	-4.65	5.97	-4.48	5.72	
12	-	49.04	Music (printed or in manuscript)	0	0	0	0	0	0	13	4	4	-4.52	0.00	-4.00	0.00	
13	214	85	Video cassettes and video tapes, of a predominantly educational character (8523.11)	0	2	0	13	4	40	8	8	4	-4.25	-0.01	-3.61	0.47	
14	215	85	Audio cassettes, if recorded with material from books, newspaper or magazines, for the blind (8523.11)	0	2	0	13	4	40	8	8	4	-4.25	-0.01	-3.61	0.47	
15	-	87.10	Tanks and other armoured fighting vehicles	0	0	0	0	0	0	13	4	0	-4.00	0.00	-4.00	0.00	
16	93	49	Greeting cards, diaries and calendars, and corresponding number of envelopes for such greeting cards, diaries and calendars, imported by the United Nations International Children's Emergency Fund (UNICEF) (49.09)	0	5	0	0	4	20	13	13	3	-3.91	5.82	-3.80	5.65	
17	97	49.11	Plans, drawings and designs	0	5	0	0	4	20	13	13	2	-3.88	5.76	-3.80	5.65	

Table IV.2 (Contd.)
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e¹)

S. No.	Item No. in notification	Chapter/heading No.	Description of goods	Effective rate of				Standard rate of customs duty	Rate of sales tax (ST)	Retention rate of ST when used as input (ST*)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes		BCD, SAD and octroi e ¹	BCD, SAD and octroi e ¹	BCD, SAD and octroi e ¹
				Basic customs duty	Special duty	CVD	Basic excise duty					SAD	BCD, SAD and octroi e ¹			
18	226	3 89.01	4 Barges imported along with ships for the more speedy unloading of imported goods and loading of export goods	5	6	7	8	9	10	11	12	13	14	15	16	17
				0	5	0	0	4	40	13	13	2	-3.88	5.76	-3.80	5.65
19	228	89.01, 89.02, 89.04, 89.05, 10, 89.05, 90 or 89.06	All goods (excluding vessels and other floating structures as well as Type-writers imported by an accredited journalist (84.69))	0	5	0	0	4	40	13	13	2	-3.88	5.76	-3.80	5.65
20	-	28.14	Ammonia (anhydrous or in aqueous solution)	0	0	0	0	0	0	13	3	2	-3.26	0.00	-3.00	0.00
21	-	41.01-03	Raw hides & skins (fresh or preserved but not tanned)	0	0	0	0	0	0	4	3	2	-3.08	0.00	-3	0.00
22	-	4301-02	Fur-skin of lamb (raw, tanned or dressed)	0	0	0	0	0	0	4	3	1	-3.04	0.00	-3.00	0.00
23	243	Any chapter	Hospital equipment (90.18-90.22, 90.33)	0	5	0	13/8/0	4	20	13/8	13/8	4	-2.75	4.35	-2.39	4.44
24	234	84.85 or 90	Type-writers imported by an accredited journalist (84.69)	0	5/2	0	15	4	40	8	8	2	-2.64	1.58	-2.31	1.83

Table IV.2 (Contd.)
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e¹)

S. No.	Item No. in notification	Chapter/heading No. or other chapter	Description of goods	Effective rate of					Standard rate of customs duty	Rate of sales tax (ST)	Retention rate of ST when used as input (ST*)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes				
				Basic customs duty	Special duty	CVD	Basic excise duty	SAD					BCD,SD, SAD and octroi e ¹	BCD,SD, CVD, ST and octroi e ²	BCD,SD, CVD, ST and octroi e ³	BCD,SD, CVD, ST and octroi e ⁴	BCD,SD, CVD, ST and octroi e ⁵
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
25	180 or 181	84 or any other chapter	Goods specified in List 12 required in connection with petroleum operations undertaken under specified contracts, such as: a. Drilling, threading or tapping tools (8205.10) b. Drilling or morticing machines (8465.95) c. Helicopters (8802.11/12) d. Vessels for transport (8901.10/90) e. Pipelines (7304.10) f. Cranes etc (8426.00) g. Transmission apparatus (8525.20) h. Tin (80.01) I. Tools (44.17)	0	5	0	15	4	25	13	4	2	3.44	3.62	3.85	3.85	
				0	5	0	13	4	20	13	4	2	3.66	3.85	4.03	4.03	
				0	5	0	0	4	40	13	13	2	-3.88	5.76	-3.80	5.65	
				0	5	0	0	4	40	13	4	2	5.12	5.31	5.20	5.20	
				0	5	0	15	4	30	13	4	2	3.44	3.62	3.85	3.85	
				0	5	0	13	4	20	13	4	2	3.66	3.85	4.03	4.03	
				0	5	0	13	4	20	13	4	2	3.66	3.85	4.03	4.03	
				0	5	0	15	4	20	13	4	2	3.44	3.62	3.85	3.85	
26	-	27.16	Electrical energy	0	5	0	0	4	30	13	4	2	5.12	5.31	5.20	5.20	
27	-	3102.21	Fertilisers: Ammonium sulphate	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	
28	-	3102.50	Fertilisers: Sodium nitrate	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	

Table IV.2 (Contd.)
 Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e¹)

S. No.	Item No. in notification	Chapter/heading No.	Description of goods	Effective rate of					Standard rate of customs duty	Rate of sales tax (ST)	Retention rate of ST when used as input (ST*)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes				
				Basic customs duty	Special duty	CVD	Basic excise duty	SAD					e ¹	e ²	e ³	e ⁴	e ⁵
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
29	-	44.01-03	Fuel wood, wood charcoal, rough wood	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	
30	-	49.02	Newspapers, journals etc.	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	
31	-	49.05	Maps, charts, atlases etc.	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	
32	-	99.01	The blood group sera	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	
33	-	99.02-03	Artificial plasma or kidney	0	0	0	0	0	0	0	0	2	0.00	0.00	0.00	0.00	
34	-	99.04	All types of contraceptives	0	0	0	0	0	0	0	0	2	0.00	0.00	0.00	0.00	
35	-	99.14	Common salt	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	
36	-	49.06	Plans & drawings for architectural, engineering or similar purposes	0	0	0	0	0	0	0	0	2	0.00	0.00	0.00	0.00	
37	89	48.01	Newsprint, having an ash content by weight not exceeding 8%	0	0	0	0	0	20	0	0	3	0.00	0.00	0.00	0.00	
38	144	84 or 85	Spare, supplied with outboard motors for maintenance of such outboard motors	5	5	13	13	4	20	13	13	2	0.38	11.79	0.35	11.53	
39	54	3105.40	Ammonium phosphate or ammonium nitrophosphate, for use as manure or for the production of complex fertilisers	0	0	0	0	4	5	13	3	2	0.82	0.00	1.00	0.00	
40	55	3105.30	Diammonium phosphate, for use as manure or for the production of complex fertilisers	0	0	0	0	4	5	13	3	2	0.82	0.00	1.00	0.00	

Table IV.2 (Contd.)
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e)

S. No.	Item No. in notification	Chapter/ heading No.	Description of goods	Effective rate of						Standard rate of customs duty	Rate of sales tax (ST)	Retention rate when used as input (ST*)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes			
				Basic customs duty	Special duty	CVD	Basic excise duty	SAD						e ¹	e ²		
41	199	85 or A0	4	Photographic, filming, sound recording and radio equipment, raw films, video tapes and sound recording tapes of foreign origin, if imported into India after having been exported therefrom (85.21, 85.23)	5	6	7	8	9	10	11	12	13	14	15	16	17
					0	5/2	0	18/13	4	40	8	3	4	2.72	1.85	3.40	2.37
42	26	27.10		Naphtha	0	2	15	15	4	30	13	3	2	3.10	2.14	3.26	2.08
43	25	27.10		Kerosene	0	2	15/0c	15/0c	4	30	8	3	0	3.17	2.07	3.17	2.07
44	255	95		Requisite for games and sports (95.06)	0	5	0	13	4	25	4	4	3	3.78	3.78	4.03	4.03
45	233	84,85 or 90		Photographic cameras, cinematographic cameras, lenses, filters, flash light apparatus and exposure meters required for use with the aforesaid cameras, imported by an accredited press cameraman : (90.06-07)	0	5	0	18	4	40/25	13	3	4	3.79	3.12	4.76	3.71
46	223	Any chapter		Parts of aeroplanes, gliders, helicopters or simulators of aircrafts (excluding rubber tyres and tubes for aeroplanes or gliders)	3	0	0	0	4	3	13	3	2	4.00	3.16	4.12	3.09
47	57	31.05		Composite fertilisers	0	0	0	0	4	5/0	0	0	2	4.08	0.00	4.00	0.00
48	-	88.02-03		Parts of helicopters & spacecraft	3	0	0	0	4	3	13	3	0	4.12	3.09	4.12	3.09
49	90	4802.60		Paper (excluding chrome paper, marble paper, flint paper, poster paper, stereo paper and art paper) containing mechanical wood pulp amounting to not less than 70 per cent by weight of the total fibre content	0	5	0	18	4	30	8	3	3	4.21	3.29	4.76	3.71

Table IV.2 (Contd.)
 Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e¹)

S. No.	Item No./notification	Chapter/heading No.	Description of goods	Effective rate of						Standard rate of customs duty	Rate of sales tax (ST)	Retention rate when used as input (ST*)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes			
				Basic customs duty	Special duty	CVD	Basic excise duty	SAD	BCD,SD, SAD and octroi e ¹					BCD,SD, SAD and octroi e ¹	BCD,SD, SAD and octroi e ¹	BCD,SD, SAD and octroi e ¹	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
50	59	39.10	Silicone resin and silicone rubber	0	5	0	18	4	30	13	3	2	4.28	3.42	4.76	3.71	
51	87	4811.90	Grape guard, namely, paper of a type generally used for packaging of grapes	0	5	0	18	4	30	13	3	2	4.28	3.42	4.76	3.71	
52	137	Any chapter	Parts of wind operated electricity generators, for manufacture of wind operated electricity generators, namely: special bearings, gear box, yaw components, sensors, and parts	0	5	0	18	4	40	13	3	2	4.28	3.42	4.76	3.71	
53	137	Any chapter	Parts and raw material for manufacture of blades for rotor of wind operated electricity generators (8511.90)	0	5	0	18	4	40	13	3	2	4.28	3.42	4.76	3.71	
54	216	85.24	Recorded magnetic tapes, compact disc read only memory (CD-ROMS) and floppy diskettes, imported by the University Grants Commission for use in computers	0	5	0	18	4	40	13	3	2	4.28	3.42	4.76	3.71	
55	193	28,29,84, 85 or 90	The goods specified in List 16, for the manufacture of laser and laser based instrumentation (9013.20) such as : a. Quartz (2506.10) b. Polishing materials (3204.20) c. Vacuum pumps (8414.10) d. Flash pumps (8513.10) e. Arc lamps (8539.40)	0	5	0	0	4	25	13	3	2	6.12	5.26	6.20	5.15	
				0	5	0	18	4	30	13	3	2	4.28	3.42	4.76	3.71	
				0	5	0	30	4	20	13	3	2	3.05	2.19	3.80	2.75	
				0	5	0	18	4	40	13	3	2	4.28	3.42	4.76	3.71	
				0	5	0	13	4	40	13	3	2	4.79	3.93	5.16	4.11	

Table IV.2 (Contd.)
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e¹)

S. No.	Item No. in notification	Chapter/ heading No. or any other chapter	Description of goods	Effective rate of						Standard rate of customs duty	Rate of sales tax (ST)	Retention rate when used as input (ST*)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes		
				Basic customs duty	Special duty	CVD	Basic excise duty	SAD	e ¹					e ²	e ³	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
56	247	90 or any other chapter	Medical equipment specified in List 23 including accessories and spare parts (90.18) such as : a. Ophthalmic instruments and appliances (9018.50) b. Sterilisers (8419.20) c. Instruments using optical radiations (9027.50) d. Surgical operating microscopes (9012.10)	0	5	0	8	4	20	13	3	4	5.05	4.37	5.56	4.51
			Medical equipment specified in List 24 including accessories and spare parts (90.18) such as : a. Surgical operating microscopes (9012.10) b. Endoscopic surgery instruments (9018.90) c. Stroboscopes (9029.20)	0	5	0	13	4	20	13	3	4	4.42	3.75	5.16	4.11
57	248	90 or AOC	Mineral or chemical fertilisers	5.0	0	0	0	4.0	5.0	0	0	0	4.55	2.50	4.55	2.50
58	-	3105,20-90	CD-ROMs containing books of an educational nature	0	5	0	18/13	4	40	8	3	2	4.65	3.68	4.96	3.91
59	203	85.24	Copper wire	0	5	0	15	4	35	4	3	2.5	4.74	3.69	5.00	3.95
60	79	7408.11	Computer peripheral devices and power supply units supplying power under the control of computer system to which they belong, for the manufacture of computer systems to be supplied to a research institution only	0	5	0	13	4	20	13	3	2	4.79	3.93	5.16	4.11

Table IV.2 (Contd.)
 Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e¹)

S. No.	Chapter/heading No.	Description of goods	Effective rate of					Standard rate of customs duty	Rate of sales tax (ST)	Retention rate of ST when used as input (ST ⁺)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes				
			Basic customs duty	Special duty	CVD	Basic excise duty	SAD					BCD,SD, SAD and octroi e ¹	BCD,SD, SAD and octroi e ²	BCD,SD, SAD and octroi e ³	BCD,SD, SAD and octroi e ⁴	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
62	200	85	One set of pre-recorded cassettes accompanying books for learning languages and essential complement to such books (85.20)	0	5/2	18	18	4	40	8	3	4	4.86	3.83	4.88	3.66
63	245	90 or AOC	Life saving medical equipment including accessories and spare parts (90.19/20)	0	5	0	8	4	20	13	3	4	5.05	4.37	5.56	4.51
64	249	90 or AOC	Goods for Tubal occlusion specified in list 25 (90.18) such as a. Trocal & conuila (9018.39) b. Laproscopes (9018.90) c. Scissors (8213.00)	0	5	0	8	4	20	13	3	4	5.05	4.37	5.56	4.51
65	185	29,30,34,37,38, 39, 69, 84, 85, 90 or 94	Medical equipment specified in list 14 & parts, such as : a. Catheters (9018.30) b. Dental equipment (9018.40) c. Ophthalmic instruments (9018.50) d. Ultrasonic dental cleaning system (9018.90) e. X-Ray machinery (9022.10) f. Operating tables (9402.90) g. Dental X-ray machines (9022.13/21) h. Dental cement and fillings (3006.40)	10	5	0	8	4	20	13	13	2	5.11	15.67	5.16	15.51
66	132	Any chapter	Machinery and tools specified in List 5 (8462.91, 8441.40)	10	5	0	13	4	20	13	13	2	4.10	14.66	4.26	14.61
67	34	3803.30	Gibberellic acid	10	5	0	8	4	20	13	13	2	3.09	13.64	3.36	13.71
68	27	27.10 or 2714.90	All goods for manufacturing fertilisers	10	5	0	15	4	30	13	13	2	3.69	14.25	3.90	14.25
				0	5	13	13	4	20	13	4	2	5.17	5.39	5.26	5.26
				0	5	0	8	4	30	13	3	2	5.30	4.44	5.56	4.51
				0	2	0	15	4	30	0	0	0	5.33	1.25	5.33	1.25

Table IV.2 (Contd.)
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e')

S. No.	Item No. in notification	Chapter/heading No.	Description of goods	Effective rate of						Standard rate of customs duty	Rate of sales tax (ST)	Retention rate of ST when used as input (ST+)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes				
				Basic customs duty	Special duty	CVD	Basic excise duty	SAD						BCD,SD, CVD, SAD and octroi e'	BCD,SD, CVD, SAD and octroi e'	BCD,SD, CVD, SAD and octroi e'	BCD,SD, CVD, SAD and octroi e'	BCD,SD, CVD, SAD and octroi e'
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17		
69	261	98.01	Fertiliser goods required for project	0	2	0	0	4	20	0	0	0	6.08	2.00	6.08	2.00		
70	19	25.03	Crude or unrefined sulphur	0	5	0	0	4	25	13	3	2	6.12	5.26	6.20	5.15		
71	56	3104.30	Potassium sulphate containing not more than 52% by weight of K ₂ O	0	5	0	0	4	5	13	3	2	6.12	5.26	6.20	5.15		
72	53	31	Muriate of potash, for use as manure or for the production of complex fertilisers	0	5	0	0	4	30	13	3	2	6.12	5.26	6.20	5.15		
73	58	3104.90	Potassium Nitrate, in a form indicative of its use for manurial purpose	0	5	0	0	4	30	13	3	2	6.12	5.26	6.20	5.15		
74	230	Any chapter	Paris, for repair of dredgers (8905.10)	0	5	0	0	4	40	13	3	2	6.12	5.26	6.20	5.15		
75	42	29	Specified goods, for the manufacture of Enzyme Linked Immunoabsorbent Assay Kits (ELISA Kits)	0	5	18	18	4		13	3	7	6.15	5.69	6.46	5.22		
76	242	90.22	Linear accelerator with beam energy 15 MeV and above	0	5	13/8	13/8	4	40/20	13	3	4	6.18	5.44	6.35	5.19		
77	17	2309.90	Prawn feed	0	5	0	0	4	40	4	3	0	6.20	5.15	6.20	5.15		
78	83	41	Wet blue chrome tanned leather, crust leather, finished leather of all kinds, including splits and sides of the aforesaid leather of all kinds, including splits and sides of the aforesaid Wood pulp (excluding rayon grade wood pulp) derived by mechanical or chemical means from any fibrous vegetable material	0	5	0	0	4	20	8	3	2	6.22	5.26	6.20	5.15		
79	84	47.01-06	Raw jute	0	5	0	0	4	5	8	3	3	6.24	5.31	6.20	5.15		
80	100	5303.10	Raw jute	0	5	0	0	4	30	4	3	2	6.30	5.25	6.20	5.15		
81	112	7101.10	Raw pearls, other than cultured pearls	0	5	0	0	4	40	4	3	2	6.30	5.25	6.20	5.15		
82	112	7103.91	Rubies, emeralds and sapphires, unset and imported uncut	0	5	0	0	4	40	4	3	2	6.30	5.25	6.20	5.15		

Table IV.2 (Contd.)
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e¹)

S. No.	Item No. in notification	Chapter/heading No.	Description of goods	Effective rate of				Standard rate of customs duty	Rate of sales tax (ST)	Retention rate when used as input (ST*)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes				
				Basic customs duty	Special duty	CVD	Basic excise duty					SAD	BCD, SD, CVD, D, CV, ST and octroi e ¹	BCD, SD, CVD, D, CV, ST and octroi e ¹	BCD, SD, CVD, D, CV, ST and octroi e ¹	BCD, SD, CVD, D, CV, ST and octroi e ¹
94	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
35	2905.14		DL-2 aminobutanol, diethyl malonate, triethyl orthoformate, aceto butyrolactone, thymidine	0	5	18	18	4	30	4	3	2	6.58	5.34	6.46	5.22
95	251	90 or AOC	Goods specified in List 26 imported by handicapped or disabled person for his personal use, such as : a. Braille typewriters (8469.20) b. Drawing aids (9017.20) c. Micro meters, gauges (9017.30) d. Orthopaedic appliances (9021.00) e. Special clocks and watches (9105.99)	0	5	0	15	4	40	2	2	2.5	5.95	3.80	6.15	4.05
46	28,29,30 or 38		Bulk drugs used in the manufacture of life saving drugs or medicines at Sr. No.23	0	5	0	0	4	40	2	2	2.5	6.62	4.46	6.64	4.54
8	15		Edible oils or any material from which edible oil can be extracted	0	5	0	0	4	30	1.5	1.5	2	7.85	5.18	7.70	5.08
31	2809.20		Phosphoric acid for fertilisers	0	5	0	18	4	30	0	0	0	8.30	4.10	8.30	4.10
206	4911.99		Computer software and other printed matter	0	5	18/13	18/13	4	40	1	1	2	8.92	5.21	8.73	5.10
8524.99																
135	84 or 90		Goods specified in List 6, designed for use in the leather industry, such as: a. Drying machines (8451.21) b. Leather perforating and punching machines (8203.40) c. Milling machines (84.59) d. Hydraulic press (8462.91) e. Molding machines (8441.40)	5	5	0	13	4	20	13	4	2	8.96	9.16	9.23	9.23
				5	5	0	15	4	25	13	4	2	8.74	8.94	9.05	9.05
				5	5	0	13	4	20	13	4	2	8.96	9.16	9.23	9.23
				5	5	0	13	4	20	13	4	2	8.96	9.16	9.23	9.23
				5	5	0	13	4	20	13	4	2	8.96	9.16	9.23	9.23

Table IV.2 (Contd.)
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e)

S. No.	Item No. in notification	Chapter/heading No.	Description of goods	Effective rate of				Standard rate of customs duty	Rate of sales tax (ST)	Retention rate of ST when input used as (ST ^a)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes				
				Basic customs duty	Special duty	CVD	Basic excise duty					SAD	BCD,SD	BCD,SD	BCD,SD	DCV
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
			f. Band saw (8461.50)	5	5	0	13	4	20	13	4	2	8.96	9.16	9.23	9.23
			g. Sewing machines (8452.21/29)	5	5	0	8	4	40	13	4	2	9.53	9.73	9.68	9.68
			h. Conveyor system (8428.20)	5	5	0	13	4	20	13	4	2	8.96	9.16	9.23	9.23
			i. Dyeing machine (8451.40)	5	5	0	13	4	20	13	4	2	8.96	9.16	9.23	9.23
			j. Heat transfer press (8419.50)	5	5	0	13	4	20	13	4	2	8.96	9.16	9.23	9.23
			k. Injection moulding press (8477.10)	5	5	0	13	4	20	13	4	2	8.96	9.16	9.23	9.23
			l. Ironing and conditioning machine (8451.30)	5	5	0	13	4	20	13	4	2	8.96	9.16	9.23	9.23
101	46	28.29.30 or 38	The life saving drugs or medicines (including diagnostic test kits) specified in list 2	0	5	0	8.0	4	30	0	0	0	9.00	4.80	9.00	4.80
102	46	28.29.30 or 38	Other life saving drugs or medicines	0	5	0	0	4	0	0	0	0	9.20	5.00	9.20	5.00
103	260	98.04	Life saving drugs or medicines	0	5	0	0	4	30	0	0	0	9.20	5.00	9.20	5.00
104	23	27.01	Cooking coal of ash content below 12%	3	5	0	0	4	10	4	3	0.5	9.36	8.28	9.32	8.24
105	252	9804.90	Braille watches and braille one-day clocks by post or air	0	5	0	0	4	40	0	0	2	9.38	5.10	9.20	5.00
106	51	3102.10	Urea, for use as manure	0	5	0	0	4	30	0	0	2	9.38	5.10	9.20	5.00
107	94	4901.10	Printed books (including covers for printed books) and printed manuals (including those in loose-leaf form with binder)	0	5	0	0	4	20	0	0	3	9.48	5.15	9.20	5.00
108	91	48.10	Light weight coated paper weighing upto 51 g/m ² , imported by actual users for printing of magazines	5	5	0	18	4	30	8	3	3	9.57	8.60	9.96	8.86

Table IV.2 (Contd.)
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e.)

S. No.	Item No. in notification	Chapter/heading, No.	Description of goods	Effective rate of					Standard rate of customs duty	Rate of sales tax (ST)	Retention rate of ST when used as input (ST*)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes				
				Basic customs duty	Special duty	CVD	Basic excise duty	SAD					BCD,SD, CVD, ST and octroi e.)	BCD,SD, CVD, ST and octroi e.)	BCD,SD, CVD, ST and octroi e.)	BCD,SD, CVD, ST and octroi e.)	BCD,SD, CVD, ST and octroi e.)
109	82	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
		4012.10	Retreated tyres, of a kind used on aircrafts	3	5	30/13	30/13	4	40	10	3	4	9.80	8.81	9.69	8.38	
110	252	91	Braille watches and braille one-day clocks	0	5	18/8	18/8	4	40/30	0	0	2	9.99	5.15	9.78	5.03	
111	253	91	Parts and cases, of braille watches, for the manufacture of braille watches	0	5	18/8	18/8	4	40/30	0	0	2	9.99	5.15	9.78	5.03	
112	52	2808.50	Kyanite salts, in a form indicative of their use for manual purpose	0	5	18	18	4	25	0	0	0	10.00	5.05	10.00	5.05	
113	88	48.01	Newsprint, having an ash content by weight not exceeding 8%	10	0	0	0	0	20	0	0	3	10.30	10.30	10.00	10.00	
114	155	84.21	Catalytic converters	5	5	13	13	4	20	13	4	2	10.55	10.77	10.52	10.52	
115	28	2711.1 for 2714.90	All goods for purposes of power generation	10	2	0	15/10	4	10	13	4	2	11.14	11.34	11.36	11.36	
116	157	Any chapter	The following goods for manufacture of catalytic converters and their parts, namely, a) palladium; b) rhodium; c) raw substrate (ceramic); d) raw substrate (metal) e) noble metal solution (7110.20/30)	5	5	0	0	4	40	13	3	2	11.43	10.53	11.40	10.30	
117	231	28, 29, 32, 39, 70 or 90	Goods specified in List 20 (B), for manufacture of telecommunication grade FRP (13.01)	5	5	0	0	4	40	13	3	2	11.43	10.53	11.40	10.30	
118	-	47.02-04	Wood pulp (other than dissolving grade)	5	5	0	0	4	5	13	3	2	11.43	10.53	11.40	10.30	
119	-	47.06-07	Waste paper & pulp of fibres derived therefrom	5	5	0	0	4	5	13	3	2	11.43	10.53	11.40	10.30	
120	191	28.38.85 or 98	Silicon in all forms, that is, polycrystalline silicon or ingots, for the manufacture of undiffused silicon wafers (2804.61)	5	5	8	8	4	30	13	3	2	11.58	10.61	11.55	10.36	

**Table IV.2 (Contd.):
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e¹)**

S. No.	Item No. in notification	Chapter/heading No.	Description of goods	Effective rate of				Standard rate of customs duty	Rate of sales tax (ST)	Retention rate of ST when input used as (ST ²)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes				
				Basic customs duty	Special duty	CVD	Basic excise duty					SAD	BCD, SD, CVD, ST and octroi e ¹	BCD, SD, CVD, ST and octroi e ²	BCD, SD, CVD, D and ST e ³	BCD, SD, CVD, D and ST e ⁴
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
121	85	47.02	Chemical wood pulp (dissolving grade)	5	5	0	0	4	10	8	3	3	11.59	10.62	11.40	10.30
122	86	47.07	Recovered paper or paperboard	5	5	0	0	4	5	8	3	3	11.59	10.62	11.40	10.30
123	156	Any chapter	Parts of catalytic converters, for manufacture of catalytic converters	5	5	13	13	4	20	13	3	2	11.68	10.66	11.65	10.40
124	187	8471.70	Hard disk drive, floppy disk drive, compact disk read only memory (CD-ROM) drive	5	5	13	13	4	10	13	3	2	11.68	10.66	11.65	10.40
125	205	85.42	Integrated circuits of CIF value exceeding Rs.1000 per piece	5	5	18	18	4	10	13	3	2	11.78	10.71	11.74	10.44
126	217	85	Deflection components for use in colour monitors for computers (8538.10)	5	5	18	18	4	30	13	3	2	11.78	10.71	11.74	10.44
127	-	85.40.40	Data/graphic display tubes	10	0	18	18	4	10	13	3	4	11.81	10.98	11.74	10.44
128	-	26.01-17	Ores & concentrates	5	5	8	8	4	5	4	3	2.5	11.83	10.64	11.55	10.36
129	-	26.18-19	Slag, dross and other waste from manufacturing of iron and steel	5	5	8	8	4	5	4	3	2.5	11.83	10.64	11.55	10.36
130	-	26.30-21	Ash & residues containing metals other than zinc or copper	5	5	8	8	4	5	4	3	2.5	11.83	10.64	11.55	10.36
131	123	72.04	Melting scrap of iron or steel (other than stainless steel or heat resisting steel), for use in electric arc furnace or induction furnace or melting in a hot blast cupola or for supply to a unit for use in electric arc furnace etc.	5	5	15	15	4	30	4	3	2	11.92	10.66	11.69	10.42

Table IV.2 (Contd.)
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e)

S. No.	Item No./in notification	Chapter/heading No.	Description of goods	Effective rate of					Standard rate of customs duty	Rate of sales tax (ST)	Retention rate of ST when used as input (ST ¹)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes				
				Basic customs duty	Special duty	CVD	Basic excise duty	SAD					BCD,SD, S&AD and octroi e ¹	BCD,SD, CVD, S&AD and octroi e ²	BCD,SD, CVD, S&AD and octroi e ³	BCD,SD, CVD, S&AD and octroi e ⁴	BCD,SD, CVD, S&AD and octroi e ⁵
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
132	126	7204.21	Scrap of stainless steel, for the purpose of melting	5	5	15	15	4	30	4	3	2.5	11.98	10.72	11.69	10.42	
133	63	35.05	Hydroxyethyl starch, imported for use in the manufacture of plasma volume expanders	5	5	18	18	4	30	4	3	2	11.99	10.69	11.74	10.44	
134	66	37	Film of a predominantly educational character (3706.90/90)	10	5	0	0	4	25	8	8	4	12.06	16.85	11.60	16.20	
135	67	37	Microfilms, of printed books (including newspapers), music manuscripts, maps, charts, plan, drawings and designs (3505.20)	10	5	0	0	4	25	8	8	4	12.06	16.85	11.60	16.20	
136	11	1806.90	Food preparations meant for infant use	10	5	18	18	4	40	8	8	7	12.08	17.89	11.12	16.55	
137	188	8473.30	Parts (excluding populated printed circuit boards) of the machines of heading No.84.71	10	2	13	13	4	20	13	3	2	13.83	12.79	13.75	12.48	
138	-	27.14	Bitumen and asphalt	10	2	15	15	4	10	13	3	3	13.91	12.97	13.79	12.50	
139	208	85	Compact disc read only memory (CD-ROM) (8523.20)	10	2	18	18	4	40	13	3	2	13.94	12.85	13.85	12.53	
140	10	17.01	Refined sugar including white crystal sugar and raw sugar	5	5	8/0	8/0	4	40	0	0	0.5	14.67	10.07	14.60	10.02	
141	33	2825.60	Zirconium oxide or yttrium oxide, for the manufacture of raw cubic zirconia	10	5	0	18	4	30	13	3	2	14.89	13.94	15.16	14.01	
142	137	Any chapter	Blades for rotor of wind operated electricity generators, for manufacturing wind operated electricity generators (8511.90)	10	5	0	18	4	40	13	3	2	14.89	13.94	15.16	14.01	
143	250	3506.99	Adhesive epoxy	10	5	0	18	4	30	13	3	2	14.89	13.94	15.16	14.01	

Table IV.2 (Contd.)
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e¹)

S. No.	Chapter/Heading No.	Description of goods	Effective rate of					Standard rate of customs duty	Rate of sales tax (ST)	Retention rate when used as input (ST ^a)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes				
			Basic customs duty	Special duty	CVD	Basic excise duty	SAD					BCD,SD, CVD, SAD and octroi e ¹	BCD,SD, CVD, SAD and octroi e ²	BCD,SD, CVD, SAD and octroi e ³	BCD,SD, CVD, SAD and octroi e ⁴	BCD,SD, CVD, SAD and octroi e ⁵
144	240	90 or OAC	5	6	7	8	9	10	11	12	13	14	15	16	17	
		4	10	5	0	13	4	20	13	3	4	15.24	14.50	15.56	14.41	
			Parts (other than primary cells and primary batteries), for the manufacture of hearing aids including deaf aids (90.33)													
145	250	7306.90	10	5	0	15	4	30	4	3	2.5	15.40	14.25	15.40	14.25	
			Stainless steel capillary tube													
146	250	3901.10	10	5	0	25/0	4	30	13	3	2	15.45	14.51	15.60	14.45	
			Low density polyethylene													
147	250	3902.10	10	5	0	25/0	4	30	13	3	2	15.45	14.51	15.60	14.45	
			Polypropylene													
148	176	84.85 or 90	10	5	0	13	4	20	13	4	2	15.92	16.16	15.78	15.78	
			The machinery or equipment specified in list 10, required for textile industry such as:													
			a. Washing, bleaching or dyeing machines (8451.40)													
			b. Flat paper press (8462.91)													
			c. Circular knitting machines (8447.11/12)													
			d. Industrial sewing machines (8452.21/29)													
			e. Conveyors for garments (8428.20)													
			f. Roving machine for flax (8445.13)													
149	72	37.06, 8524.52/53	10	5	13	13	4	20	13	4	2	15.92	16.16	15.78	15.78	
			Films and video cassettes													
150	71	3701.20/20	10	5	0	18/0	4	40/25	8	3	4	15.96	14.99	15.88	14.73	
			Instant print film													
151	-	27.02-04	10	5	0	0	4	10	4	3	0.5	16.06	15.01	15.99	14.75	
			Lignite, peat and coke													
			10	5	0	0	4	10	4	3	0.5	16.68	15.53	16.60	15.45	

Table IV.2 (Contd.)
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e)

S. No.	Item No.in notification	Chapter/heading No.	Description of goods	Effective rate of					Standard rate of customs duty	Rate of sales tax (ST)	Retention rate of ST when used as input (ST*)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes				
				Basic customs duty	Special duty	CVD	Basic excise duty	SAD					BCD,SD, CVD, ST and octroi e'	BCD,SD, CVD, ST and octroi e'	BCD,SD, CVD, ST and octroi e'	BCD,SD, CVD, ST and octroi e'	BCD,SD, CVD, ST and octroi e'
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
152	-	28,45,10	Heavy water (deuterium oxide)	10	5	0	0	4	10	13	3	2	16.73	15.79	16.60	15.45	
153	-	47,02-04	Wood pulp (dissolving grade)	10	5	0	0	4	10	13	3	2	16.73	15.79	16.60	15.45	
154	7	1301.90	Oleopine resin	10	5	0	0	4	40	13	3	2	16.73	15.79	16.60	15.45	
155	20	25	Crude or unrefined sulphur boron ore	10	5	0	0	4	25	13	3	2	16.73	15.79	16.60	15.45	
156	-	4301-02	Fur skin of animals other than lamb (raw, tanned or dressed)	10	5	0	0	4	10	4	3	1	16.76	15.61	16.60	15.45	
157	99	51.01	Raw wool of average fibre diameter 32 microns and above	10	5	0	0	4	30	4	3	2	16.91	15.76	16.60	15.45	
158	220	87	Tricycles designed for use by crippled and disabled persons (87.13)	10	5	0	0	4	40	4	3	2	16.91	15.76	16.60	15.45	
159	-	22,07,20	Ethyl alcohol & other spirit, denatured	10	5	8	8	4	10	13	3	2	16.93	15.91	16.79	15.55	
160	21	2620,19	Ash & residues containing mainly zinc (excluding zinc dross)	10	5	8	8	4	30	13	3	2	16.93	15.91	16.79	15.55	
161	22	2620,30	Ash & residues containing mainly copper (excluding copper mill scale)	10	5	8	8	4	30	13	3	2	16.93	15.91	16.79	15.55	
162	177	Any chapter in list 10	Parts, for manufacture of the machinery/equipment specified	10	5	13.8	13.8	4	40/20	13	3	2	16.99	15.95	16.85	15.58	
163	117	71.04	Rough synthetic stones	10	5	0	0	4	40	4	3	2.5	16.99	15.84	16.60	15.45	

Table IV.2 (Contd.)
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e¹)

S. No.	Item No. in notification	Chapter/heading No.	Description of goods	Effective rate of				Standard rate of customs duty	Rate of sales tax (ST)	Retention rate of ST when used as input (ST*)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes				
				Basic customs duty	Special duty	CVD	Basic excise duty					SAD	BCD, SD, CVD, ST and octroi e ¹	BCD, SD, CVD, ST and octroi e ¹	BCD, SD, CVD, D and D and ST e ¹	BCD, SD, CVD, D and D and ST e ¹
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
164	81	4407.92	Willow clefts, ashwood or beech wood falling under chapter 44	10	5	0	0	4	25	13	3	6	17.00	16.47	16.60	15.45
165	64	3502.20	Isolated soya protein	10	5	18	18	4	30	8	3	0	17.02	15.67	17.02	15.67
166	184	84.85 or 90	The goods specified in List 13, for the manufacture of goods falling under heading Nos.85.41 or 85.42, such as diodes, transistor and electronic integrated circuits (9013.20, 9022.19/29)	10	5	13	13	4	20	13	3	2	17.05	15.99	16.91	15.61
167	141	84.85	Goods, for manufacture of ground power units and air jet starters, namely, diesel engines of 2-400 rpm; alternators of 400 Hz, 115/200V and 2-400 rpm; oil free dry screw compressor (8408.90)	10	5	13	13	4	20	13	3	2	17.05	15.99	16.91	15.61
168	65	37	Film strips and film slides for educational purposes (3705.90)	10	5	0	0	4	25	8	3	4	17.06	16.10	16.60	15.45
169	68	37	Exposed and developed film sheets for printing or reproduction of printed books (including covers for printed books), periodicals (including news papers), music manuscripts, maps, charts, plans, drawings and designs (3705.10)	10	5	0	0	4	25	8	3	4	17.06	16.10	16.60	15.45
170	69	37.06	Exposed cinematographic films	10	5	0	0	4	25	8	3	4	17.06	16.10	16.60	15.45
171	81	95 4504.90	Cork bottoms falling under chapter 45 or 95	10	5	18	18	4	30	13	3	1.5	17.14	15.97	17.02	15.67
172	74	3824.90	Dipping oil, pacloutrazol (culliar)	10	5	18	18	4	30	13	3	2	17.18	16.07	17.02	15.67
173	115	71.05	Ash and residues containing precious metal or precious metal compounds, of a kind used principally for the recovery of precious metal	10	5	18	18	4	40	13	3	2	17.18	16.07	17.02	15.67
174	148	85.06	Button cells	10	5	18	18	4	40	13	3	2	17.18	16.07	17.02	15.67

Table IV.2 (Contd.)
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e')

S. No.	Item No. in notification	Chapter/heading No.	Description of goods	Effective rate of				Standard rate of customs duty	Rate of sales tax (ST)	Retention rate when used as input (ST*)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes								
				Basic customs duty	Special duty	CVD	Basic excise duty					SAD	BCD,SD	BCD,S	BCD,S	D and D	ST	e'	e'	
175	191	28, 38, 85 or 98	4	Undiffused silicon wafers, for the manufacture of solar cells (6815.99)	10	5	18	18	4	10	11	12	13	14	15	16	17	17.02	17.02	15.67
176	213	85 or AOC		Mono or bi polar membrane electrolyser and parts thereof (8543.30)	10	5	18	18	4	20	13	3	2	17.18	16.07	17.02	15.67			
177	30	28		Radium and its salts, radioactive isotopes of iodine, phosphorus, cobalt, caesium and all chemical compounds containing such radioactive isotopes molybdenum 99 and technetium 99m isotopes, enriched uranium or uranium oxide	10	5	18	18	4	30	13	3	2	17.18	16.07	17.02	15.67			
178	-	2903.15		Ethylene dichloride	10	5	18	18	4	10	13	3	2	17.18	16.07	17.02	15.67			
179	-	2903.21		Chloroethylene	10	5	18	18	4	10	13	3	2	17.18	16.07	17.02	15.67			
180	-	2926.10		Acrylonitrile	10	5	18	18	4	10	13	3	2	17.18	16.07	17.02	15.67			
181	231	28,29,32,39,70 or 90		Goods specified in list 20 (A), for the manufacture of telecommunication grade optical fibres or optical fibre cables such as: a. Chlorine (2801.10) b. Helium (2804.29) c. Polyester tape (3907.00) d. Nylon theard/tape (5607.50) e. Polyethylene cord (5903.90) f. Silica tube/rod (7228.20)	10	5	18	18	4	30	13	3	2	17.18	16.07	17.02	15.67			
182	238	90		Spare parts of hearing aids (90.33)	10	5	15	15	4	30	13	3	2	17.10	16.02	16.95	15.63			
183	246	90 or AOC		Parts required for the manufacture, and spare parts required for the maintenance, of medical equipment No.90.18 to 90.21 and sub-heading Nos. 9022.12, 9022.13, 9022.14 or 9022.21 (90.33)	10	5	13	13	4	20	13	3	4	17.20	16.37	16.91	15.61			
184	75	3808.90		Bio pesticides, namely, <i>Bacillus thuringiensis</i> var. <i>kurstaki</i> , <i>Bacillus thuringiensis</i> var. <i>israelensis</i> and <i>Bacillus sphaericus</i>	10	5	18	18	4	30	8	3	2	17.30	16.05	17.02	15.67			

Table IV.2 (Contd.): Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e¹)

S. No.	Item No. in notification	Chapter/ heading No.	Description of goods	Effective rate of					Standard rate of customs duty	Rate of sales tax (ST)	Retention rate when used as input (ST*)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes			
				Basic customs duty	Special duty	CVD	Basic excise duty	SAD					BCD, SD, CVD, and ST and octroi e ¹	BCD, SD, CVD, and ST and octroi e ²	BCD, SD, CVD, and ST and octroi e ³	BCD, SD, CVD, and ST and octroi e ⁴
185	-	28.01.20	Iodine	5	6	7	8	9	10	11	12	13	14	15	16	17
186	-	8541.90	Parts diodes, transistors etc.	10	5	18	18	4	10	8	3	2	17.30	16.05	17.02	15.67
187	-	85.42	Electronic integrated circuits & microassemblies	10	5	18	18	4	10	13	3	4	17.33	16.47	17.02	15.67
188	37	29.22	L. lysine, L. lysine mono hydrochloride, DL. methionine or methionine hydroxy. Analog	10	5	18	18	4	30	4	3	2	17.39	16.03	17.02	15.67
189	-	29.01	A Cyclic hydrocarbons (ethylene, butane, etc.)	10	5	18	18	4	10	4	3	2	17.39	16.03	17.02	15.67
190	-	29.02	Cyclic hydrocarbons (cyclohexene, benzene, xylenes etc.)	10	5	18	18	4	10	4	3	2	17.39	16.03	17.02	15.67
191	120	72.01	Pig iron	10	5	15	15	4	30	4	3	2.5	17.40	16.08	16.95	15.63
192	121	7202.60	Ferro-nickel	10	5	15	15	4	20	4	3	2.5	17.40	16.08	16.95	15.63
193	131	Any chapter	The horological raw materials specified in List 4 (Metallic strips and sheets) such as of: a. Stainless steel (72.18-72.29) b. Copper (74.07-74.10) c. Nickel (75.05/06) d. Aluminium (76.04-76.07) e. Lead (78.03/04) f. Zinc (79.04/05) g. Tin (83.03-80.05)	10	5	15	15	4	30	4	3	2.5	17.40	16.08	16.95	15.63
194	151	8543.89	Complete ozone generators	10	5	18	18.13c	4	30	13	3	2	17.44	16.32	17.22	15.87
195	70	3702.31	Colour positive and colour negative unexposed cinematographic film in jumbo rolls	10	5	18	18	4	25	8	3	4	17.57	16.43	17.02	15.67
196	-	75	Nickel & articles thereof	10	5	15	15	4	10	4	3	4	17.67	16.35	16.95	15.63
197	44	2941.50 or 3004.20	Formulations or bulk drugs, namely: nilutamide, sodium fusidate, low molecular weight heparin or erythropoietin	10	5	18/15	18/15	4	30	2	2	0	18.15	15.47	18.15	15.47

Table IV.2 (Contd.)
Tax Rates for Items subject to Effective Rate of Basic Customs Duty not Exceeding 10 Per cent and Composite Duty Rates on Imports and Domestic Products (arranged in ascending order of e¹)

S. No.	Item No. in notification	Chapter/heading No.	Description of goods	Effective rate of					Standard rate of customs duty	Rate of sales tax (ST)	Retention rate of ST when used as input (ST*)	Octroi rate	Excess of composite duty rate on imports due to customs duties and domestic trade taxes			
				Basic customs duty	Special duty	CVD	Basic excise duty	SAD					BCD, SD, CVD, SAD and octroi e ¹	BCD, SD, CVD, SAD and octroi e ²	BCD, SD, CVD, SAD and octroi e ³	BCD, SD, CVD, SAD and octroi e ⁴
198	18	23,28,29,30 or 38	4 Veterinary drugs and other goods specified in list 1	5	6	7	8	9	10	11	12	13	14	15	16	17
199	143	84 or any other chapter	Vacuum tube solar collectors, concentrating solar collectors or stirling engines, for manufacture of solar energy equipment; and linear actuators for tracking systems, fresnel lenses or sun sensors, for manufacture of concentrating solar collector	10	5	0	13	4	20	0	0	2	19.08	14.39	18.95	14.35
200	95	49.07	Cheque forms (including blank travellers cheques)	10	5	0	0	4	20	0	0	0	19.60	15.00	19.60	15.00
201	-	19.01.10	Food preparation for infant use	10	5	8	8	4	10	0	0	0	20.03	15.06	20.03	15.06
202	-	3201	Tanning extracts of vegetable origin	10	5	8	8	4	10	0	0	0	20.03	15.06	20.03	15.06
203	-	17.03	Molasses from sugar refining	10	5	8	8	4	10	0	0	0.5	20.13	15.14	20.03	15.06
204	239	90 or 9804.90	Hearing aid appliances (9021.40)	10	5	8/0	8/0	4	40/20	0	0	4	20.63	15.65	19.81	15.03
205	81	39,54,56	Nylon gut falling under chapter 39,54 or 56 (5402.51)	10	5	25	25	4	30	13	4	2	20.94	15.19	20.94	15.19

Source: Prepared on the basis of information contained in Customs Tariff with New Import Policy (1998-99), and Central Excise Tariff with Manual (1998-99), Business Database Publicity Company.

Notes: 1. Conditions and lists excluded. Interested readers may refer to exemption notification No.23.

2. AOC: Any other chapter. SAD: Special additional duty. CVD: Countervailing duty. UED: Union excise duty.

Table IV.3

Range of excess of composite duty rate on imports (percentage points)		Number of Commodities with Negative, Nil and Positive Values of Excess of Composite Duty Rate on Imports									
		Based on excess of composite duty rate on imports due to customs duties and domestic trade taxes									
		e ¹		e ²		e ³		e ⁴			
		BCD, SD, CVD, SAD and octroi		BCD, SD, CVD, ST and octroi		BCD, SD, CVD and SAD		BCD, SD, CVD and ST			
		No. of items	Serial No. of items in table IV.2	No. of items	Serial No. of items in table IV.2	No. of items	Serial No. of items in table IV.2	No. of items	Serial No. of items in table IV.2	No. of items	Serial No. of items in table IV.2
		2	3	4	5	6	7	8	9		
Less than 0		25		3		25		1			
Less than -10		0		0		0		0			
-10 to less than -5		10		0		10		0			
-5 to less than 0		15		3	10, 13, 14	15	11-25	1			
Equal to 0		12		20	12, 15, 20-22, 26-37, 39, 40, 47	12	26-37	20	12, 15, 20-22, 26-37, 39, 40, 47		
Greater than 0		168		182		166		184			
Greater than 0 to less than 5		25		42	1-9, 23-25, 41-46, 48-64, 67-69, 93, 95, 98, 101	21	38-55, 58, 59, 62	44	1-9, 13, 14, 23-25, 41-46, 48, 64, 67-69, 93, 95, 98, 101		
5 to less than 10		49		45	11, 16-19, 66, 70-92, 94, 96, 97, 99, 100, 102-112	53	56, 57, 60, 61, 63-111	45	11, 16-19, 66, 70-92, 94, 96, 97, 99, 100, 102-112		
10 to less than 20		89		95	38, 65, 113-205	90	112-200, 204	95	38, 65, 113-205		
20 and above		5		0		4	201-203, 205	0			
All.		205		205		205		205			

Table IV.4									
Number of Commodities with Negative, Nil and Positive Values of Excess of Composite Duty Rate on Imports									
Range of excess of composite duty rate on imports (percentage points)	Based on excess of composite duty rate on imports due to customs duties and domestic trade taxes (with BCD plus SD as 5%)								
	e ¹		e ²		e ³		e ⁴		Serial No. of items in table IV.2
	No. of items	Serial No. of items in table IV.2	No. of items	Serial No. of items in table IV.2	No. of items	Serial No. of items in table IV.2	No. of items	Serial No. of items in table IV.2	
	2	3	4	5	6	7	8	9	
Less than 0	20			0	20			0	
Less than -10	0			0	0			0	
-10 to less than -5	8		1-3, 5-9	0	8	1-3, 5-9		0	
-5 to less than 0	12	4, 10, 11, 13, 14, 16-19, 23-25		0	12	4, 10, 11, 13, 14, 16-19, 23-25		0	
Equal to 0	0			0	0			0	
Greater than 0	185			205	185			205	
Greater than 0 to less than 5	25	12, 15, 20-22, 38, 41, 44-46, 48-57, 59-61, 104, 109		43	21	12, 15, 20-22, 38, 41, 44-46, 48-55, 59, 104, 109		41	1-3, 5-10, 13, 14, 23-25, 41, 44-46, 48-57, 59-61, 63, 64, 67, 68, 93, 95, 98, 101, 104, 109
5 to less than 10	66	26-37, 39, 40, 42, 43, 47, 58, 62-103, 105-108, 110, 111		67	70	4, 11, 16-22, 26-37, 39, 40, 42, 43, 47, 58, 62, 66, 69-92, 94, 96, 97, 99, 100, 102, 103, 105-108, 110-112		69	4, 11, 12, 15-22, 26-37, 39, 40, 42, 43, 47, 58, 62, 66, 69-92, 94, 96, 97, 99, 100, 102, 103, 105-108, 110-112
10 to less than 20	89	112-200		95	90	112-200, 204		95	38, 65, 113-205
20 and above	5	201-205		0	4	201-203, 205		0	
All.	205			205	205			205	

Table IV.5									
Number of Commodities with Negative, Nil and Positive Values of Excess of Composite Duty Rate on Imports									
Based on excess of composite duty rate on imports due to customs duties and domestic trade taxes (with BCD plus SD as 10%)									
Range of excess of composite duty rate on imports (percentage points)	BCD, SD, CVD, SAD and octroi e ¹		BCD, SD, CVD, ST and octroi e ²		BCD, SD, CVD and SAD e ³		BCD, SD, CVD and ST e ⁴		Serial No. of items in table IV.2
	No. of items	Serial No. of items in table IV.2	No. of items	Serial No. of items in table IV.2	No. of items	Serial No. of items in table IV.2	No. of items	Serial No. of items in table IV.2	
1	2	3	4	5	6	7	8	9	
Less than 0	8		0	9			0		
Less than -10	0		0	0			0		
-10 to less than -5	0		0	0			0		
-5 to less than 0	8	1-3, 5-9	0	9	1-3, 5-9, 11		0		
Equal to 0	0		0	0			0		
Greater than 0	197		205	196			205		
Greater than 0 to less than 5	12	4, 10, 11, 13, 14, 16-19, 23, 24, 38	0	11	4, 10, 13, 14, 16-19, 23, 24, 38		0		
5 to less than 10	22	12, 15, 20-22, 25, 41, 44, 45, 49-57, 59, 65, 100, 108	38	18	12, 15, 20-22, 25, 44, 45, 49-55, 65, 100, 108		39	1-3, 5-10, 13, 14, 23-25, 41, 44, 45, 49-57, 59-61, 63, 64, 67, 68, 93, 95, 98, 100, 101, 108	
10 to less than 20	158	26-37, 39, 40, 42, 43, 46-48, 58, 60-64, 66-99, 101-107, 109-200	167	163	26-37, 39-43, 46-48, 56-64, 66-99, 101-107, 109-200, 204		166	4, 11, 12, 15-22, 26-40, 42, 43, 46-48, 58, 62, 65, 66, 69-92, 94, 96, 97, 99, 102-107, 109-205	
20 and above	5	201-205	0	4	201-203, 205		0		
All.	205		205	205			205		

V. Summary of Findings and Recommendations

The study identified certain domestic products suffering a tax disadvantage because of discriminatory higher tax burden of domestic trade taxes on domestic products, *vis-à-vis*, foreign products. In general, discriminatory treatment under domestic taxes may not result in a net tax disadvantage for domestic producers because of prevailing customs duties. In order to recognise the net tax advantage or disadvantage to domestic producers, two approaches were followed. First, computation of effective rates of protection (ERP) for different tax regimes to identify contribution of different taxes to the ERP, and second, computation of composite duty rates on imports and domestic produce, for different tax regimes, to identify contribution of different taxes to the composite duty rates. ERP was computed for sixty broad groups of commodities for which information on input-output matrices was available. Composite duty rates were computed for 205 products subject to basic customs duty not exceeding 10 per cent as such products were considered more prone to suffer a tax disadvantage. The composite duty rates on imports were computed with reference to direct imports as well as purchase of imports from registered traders by the manufactures registered for both union excise duty (UED) and sales tax (ST), as the application of different taxes varies with the mode of acquiring the products. These composite duty rates were compared with those on purchases of domestic inputs by registered manufacturers.

Tax discrimination is computed for the rate structure of 1998-99. In the computation of ERP, the input-output matrices relating to the year 1989-90 have been deployed as that was the latest year for which such matrices were then available. Effect of the change in technology and relative prices on the ERP, if any, is not known. Therefore, the results based on ERP need to be used with caution. Similarly, the results based on composite duty rates need to be deployed with a pinch of salt as they are based on gross protection that ignores protection provided to inputs utilised in the production of a commodity. The main findings, are given below along with policy perspectives that follow.

General findings

Domestic producers of most of the products were found to enjoy high net protection in spite of discriminatory higher burden of domestic trade taxes on domestic products, because of high customs duties. However, domestic producers of some products suffered competitive disadvantage in domestic as well as international markets. The tax disadvantage occurred mainly on account of inherent limitations in the tax structure, such as, inverted duty structure and input taxation without full set off. Customs duties were found to follow an inverted duty structure in respect of *khandsari* and six unmanufactured products (raw cotton, coffee plantation, paddy, wheat, cereals other than paddy and wheat, and tea plantation). In general, full set off for the tax paid on inputs was not allowed under any tax, including UED and countervailing duty (CVD). In fact, no set off was available in respect of special additional duty (SAD) and octroi (OCT). In any of the states excepting Delhi, Haryana, and Punjab, inputs were not fully relieved of the burden of ST.

Important specific findings and remarks

- Most of the manufactured products are subject to protection through customs duties with ERP of 15 to 130 per-cent.
- The discriminatory application of domestic trade taxes to domestic and foreign products has resulted in a substantial tax disadvantage to the domestic producers of many manufactured products. The contribution of each of the systems of CVD and UED, and ST and SAD is significant, and is higher with OCT than without OCT.
- In spite of discriminatory tax treatment of domestic products, most manufactured products enjoy net tax advantage owing to protective customs duties. Some of the products, however, are found to suffer net tax disadvantage.
- Net tax disadvantage on account of discriminatory domestic taxes is not confined to only *nil* or low duty products, it has occurred even for some products subject to moderate customs duty. Such products include paper and paper products, tractor and other agricultural machinery, leather and leather products, some non-electrical machinery, communication equipment, and electronic equipment.

- SAD, introduced through the Union Budget 1998-99 followed an inverted duty structure for lubricating preparations and other petroleum products, raw cotton, coffee plantations, paddy, wheat, cereals other than paddy and wheat, and tea plantations, and contributed to the net negative protection of these products.
- Services (non-tradable) are also subject to negative degree of protection.
- One of the factors contributing to the tax disadvantage to domestic producers is input taxation. In this context, the policy of the Union government to disallow MODVAT credit to the extent of 5 per cent was not appropriate and it was inconsistent with the advice rendered to the states to substitute their sales taxes by value added taxes. In this respect, restoration of full credit in the Union Budget 1999-2000 was a step in the right direction.
- Analysis of composite duty rates in respect of products subject to *nil* or low customs duty (not exceeding 10 per cent) reveals that producers of some such products suffered substantial tax disadvantage, *vis-à-vis*, direct imports of these products by the manufacturers using these as inputs. Some of these products were subject to also *nil* or low special duty (SD) and special additional duty (SAD).
- Tax discrimination across the products was found to be substantial indicating the need for rationalisation of the tax structure. While the producers of some products suffered substantial tax disadvantage, the producers of many products benefitted from the tax advantage, *vis-à-vis*, imports. The tax advantage was not less than 10 percentage points in respect of at least 91 products among the 205 low duty products considered in the study.

Recommendations

Customs duty

Customs duty should be rationalised as follows:

- Inverted structure of customs duties in respect of the identified six products (raw cotton, coffee plantation, paddy, wheat, cereals other than paddy and wheat and tea) should be rectified. This can be achieved, if in

general, the principle of taxing inputs and related outputs at the same rate is followed.

- All end-use exemptions and concessions should be removed. This has partially been achieved through the Union Budget 1999-2000. All project imports, hitherto subject to *nil* or low customs duty, excepting mega power projects have been subject to a duty of 5 per cent, and the number of major customs duty rates have been reduced from 7 to 5. In fact, a minimum customs duty³³ should apply to all imports including imports of products which, at present, are not produced in the country. This will give the right signal to domestic producers to venture into production of these commodities. Absence of the floor rate of duty will discourage them from undertaking production of these products. The floor level can be lowered in line with rationalisation of domestic trade taxes.
- Reduction in the customs duty rates on identified products (chemicals and cinematographic films, lubricating preparations and other petroleum products, certain food items, coal tax products and articles of silk or synthetic fibre) with negative value addition at the world prices should be gradual to facilitate restructuring of these industries if they are to survive.

Domestic trade taxes

- Domestic trade taxes should be rationalised by eliminating input taxation. In this respect all efforts should be made to facilitate proposed conversion of sales tax into a value added tax within a year or two. When this is achieved, there will be no need for a duty like SAD, excepting its application to imports by persons not registered for sales tax. As long as SAD exists, it should be made applicable to imports without any exemptions and end use concessions.

³³ What should be the level of minimum customs duty is debatable. Determination of such a floor level should take into account also the disadvantages suffered by domestic producers because of poor infrastructure and high cost of basic inputs such as electricity, water, and transport. This, however, has not been the focus of the current study. In the absence of authentic estimates of such disadvantages, it may be worth considering a floor level of 10 per cent.

- CVD should always be at par with UED with no exceptions. Existing anomalies should be rectified by discontinuing the current practice of lowering rates of CVD below the level of UED for a product or its specific uses. This also has been partially achieved through the Union Budget 1999-2000. CVD has been imposed on a number of products that were hitherto exempted.

Non-tax factors

- With adequate rationalisation of the tax system, it will be necessary to ensure a level playing field to address infrastructure bottlenecks and dual pricing policies which result in high costs for domestic producers. Infrastructure bottlenecks and dual pricing policies should be phased out along with rationalisation of the tax system within the next 3 to 5 years.

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Annexure 1

**Goods subject to Additional Excise Duty
in Lieu of Sales Tax under CST Act**

The *Additional Duties of Excise (Goods of Special Importance) Act, 1957* (Act No.58 of 1957) came into force on December 14, 1957. The Parliament passed this *Act* to levy additional duties of excise on the following goods in lieu of sales tax by different states as recommended by the Second Finance Commission.

- (a) Cotton fabrics, rayon and artificial silk fabrics and woollen fabrics
- (b) Sugar; and
- (c) Tobacco.

The net proceeds collected on the above commodities by way of additional excise duty would be distributed among the state in pursuance of the principles of distribution formulated and the recommendations made by the Finance Commissions from time to time. By section 7, such goods were also declared as goods of special importance in inter-state trade or commerce and it was specially provided that every sales tax law of a state shall, in so far as it imposes or authorises the imposition of a tax on the sales or purchases of declared goods, be subject as from the 1st day of April, 1958, to the restrictions and conditions specified in section 15 of the *Central Sales Tax Act, 1956*.

List of Goods by Headings in the *Central Excise Tariff Act, 1985*

Heading No.	Sub heading No.	Description of goods	Rate of additional duty
(1)	(2)	(3)	(4)
17.01	1701.31	Sugar, other than <i>khandsari</i> sugar required by the central government to be sold under clause (f) of sub-section (2) of section 3 of the <i>Essential Commodities Act, 1955</i> (10 of 1955)	Rs.25 per quintal
	1701.39	Other sugar, other than <i>khandsari</i> sugar	Rs.45 per quintal
17.02	1702.11	Palmyra sugar	<i>Nil</i>
24.01	2401.00	Unmanufactured tobacco; tobacco refuse	10%
24.02	2402.10	Cigars and cheroots of tobacco or of tobacco substitutes	<i>Nil</i>
	2403.21	Cigarillos of tobacco	Rs.350 per thousand
24.04	2404.11	' <i>Gudaku</i> ' bearing a brand name	5%
	2404.12	' <i>Gudaku</i> ' not bearing a brand name	<i>Nil</i>
	2404.13	Cut tobacco	<i>Nil</i>
	2404.19	Others	75%
	2404.21	<i>Hookah</i> tobacco bearing brand name	5%
	2404.29	Other	<i>Nil</i>
	2404.31	<i>Biris</i> of tobacco in the manufacture of which any process has been conducted with the aid of machines operated with or without the aid of power	Rs.2.50 per thousand

List of Goods by Headings in the *Central Excise Tariff Act, 1985*

Heading No.	Sub heading No.	Description of goods	Rate of additional duty
(1)	(2)	(3)	(4)
	2404.39	Other <i>biris</i> Chewing tobacco including preparations Commonly known as ' <i>Khara Masala</i> '; ' <i>Kimam</i> ', ' <i>Dokta</i> ', ' <i>Zarda</i> ', ' <i>Sukha</i> ' and ' <i>Surti</i> '	Rs.2.50 per thousand
	2404.41	Chewing tobacco bearing a brand name	10%
	2404.49	Other chewing tobacco	10%
	2404.50	Snuff of tobacco	10%
	2404.60	Preparations containing snuff of tobacco in any proportion	10%
50.05		Woven fabrics of silk or of silk waste	
	5005.10	Fabrics of noil silk	<i>Nil</i>
	5005.20	Other fabrics, containing 35% or more by weight of silk or of silk waste other than noil silk	<i>Nil</i>
	5005.90	Other fabrics	<i>Nil</i>
51.10		Woven fabrics of wool excluding hair belting	
	5110.10	Not subjected to any process Subjected to the process of milling, raising, blowing, tentering, dyeing or any other process or any one or more of these processes	5%
	5110.21	Bleached woven fabrics	5%
	5110.22	Dyed woven fabrics	5%
	5110.23	Printed woven fabrics	5%
	5110.29	Other woven fabrics	5%

List of Goods by Headings in the *Central Excise Tariff Act, 1985*

Heading No.	Sub heading No.	Description of goods	Rate of additional duty
(1)	(2)	(3)	(4)
51.11		Woven fabrics of wool excluding hair belting	
	5111.10	Not subjected to any process Subjected to the process of milling, raising, blowing, tentering, dyeing or any other process or any one or more of these processes.	5%
	5111.21	Bleached woven fabrics	5%
	5111.22	Dyed woven fabrics	5%
	5111.23	Printed woven fabrics	5%
	5111.29	Other woven fabrics	5%
52.07		Woven fabrics of cotton containing 85% or more by weight of cotton	
	5207.10	Not subjected to any process Subjected to the process of bleaching mercerising, dyeing, printing, water-proofing, shrink-proofing, organdie processing or any other process or any one or more of these processes;	<i>Nil</i>
	5207.21	Bleached woven fabrics	20%
	5207.22	Dyed woven fabrics	20%
	5207.23	Printed woven fabrics	20%
	5207.29	Other woven fabrics	20%
52.08		Woven fabrics of cotton containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres	
	5208.10	Not subjected to any process	<i>Nil</i>

List of Goods by Headings in the *Central Excise Tariff Act, 1985*

Heading No.	Sub Heading No.	Description of goods	Rate of additional duty
(1)	(2)	(3)	(4)
		Subjected to the process of bleaching mercerising, dyeing, printing, water-proofing, shrink-proofing, organdie processing or any other process of any one or more of these processes;	
	5208.21	Bleached woven fabrics	20%
	5208.22	Dyed woven fabrics	20%
	5208.23	Printed woven fabrics	20%
	5208.29	Other woven fabrics	20%
52.09		Other woven fabrics of cotton	
	5209.10	Not subjected to any process	<i>Nil</i>
		Subjected to the process of bleaching mercerising, dyeing, printing, water-proofing, shrink-proofing, organdie processing or any other process of any one or more of these processes;	
	5209.21	Bleached woven fabrics	20%
	5209.22	Dyed woven fabrics	20%
	5209.23	Printed woven fabrics	20%
	5209.29	Other woven fabrics	20%
54.06		Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading No. 54.04	
	5406.10	Not subjected to any process	<i>Nil</i>
		Subjected mercerising, to the process of bleaching dyeing, shrink-proofing, tentering, heat setting, crease-resistant processing, or any other process or any one or more of these processes;	

List of Goods by Headings in the *Central Excise Tariff Act, 1985*

Heading No.	Sub heading No.	Description of goods	Rate of additional duty
(1)	(2)	(3)	(4)
	5406.21	Bleached woven fabrics	20%
	5406.22	Dyed woven fabrics	20%
	5406.23	Printed woven fabrics	20%
	5406.29	Other woven fabrics	20%
54.07		Woven fabrics of artificial filament yarn, including woven fabrics obtained from materials of heading No.54.05	
	5407.10	Not subjected to any process Subjected to the process of bleaching dyeing, printing, shrink-proofing, tentering heat setting crease-resistant processing or any other process or any one or more of these processes;	<i>Nil</i>
	5407.21	Bleached woven fabrics	20%
	5407.22	Dyed woven fabrics	20%
	5407.23	Printed woven fabrics	20%
	5407.29	Other woven fabrics	20%
55.11		Woven fabrics of synthetic staple fibres, containing 85% or more by weight of synthetic staple fibres	
	5511.10	Not subjected to any process Subjected to the process of bleaching dyeing, printing, shrink-proofing, tentering heat setting crease-resistant processing or any other process or any one or more of these processes;	<i>Nil</i>
	5511.21	Bleached woven fabrics	20%
	5511.22	Dyed woven fabrics	20%
	5511.23	Printed woven fabrics	20%
	5511.29	Other woven fabrics	20%

List of Goods by Headings in the *Central Excise Tariff Act, 1985*

Heading No.	Sub Heading No.	Description of goods	Rate of additional duty
(1)	(2)	(3)	(4)
55.12		Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton	
	5512.10	Not subjected to any process subjected to the process of bleaching dyeing, printing, shrink-proofing, tentering heat setting crease-resistant processing or any other process or any one or more of these processes;	<i>Nil</i>
	5512.21	Bleached woven fabrics	20%
	5512.22	Dyed woven fabrics	20%
	5512.23	Printed woven fabrics	20%
	5512.29	Other woven fabrics	20%
55.13		Other woven fabrics of synthetic staple fibres	
	5513.10	Not subjected to any process Subjected to the process of bleaching dyeing, printing, shrink-proofing, tentering heat setting crease-resistant processing or any other process or any one or more of these processes;	<i>Nil</i>
	5513.21	Bleached woven fabrics	20%
	5513.22	Dyed woven fabrics	20%
	5513.23	Printed woven fabrics	20%
	5513.29	Other woven fabrics	20%

List of Goods by Headings in the *Central Excise Tariff Act, 1985*

Heading No.	Sub heading No.	Description of goods	Rate of additional duty
(1)	(2)	(3)	(4)
55.14		Woven fabrics of artificial staple fibres	
	5514.10	Not subjected to any process Subjected to the process of bleaching dyeing, printing, shrink-proofing, tentering heat setting crease-resistant processing or any other process or any one or more of these processes;	<i>Nil</i>
	5514.21	Bleached woven fabrics	20%
	5514.22	Dyed woven fabrics	20%
	5514.23	Printed woven fabrics	20%
	5514.29	Other woven fabrics	20%
58.01		Woven pile fabrics and chenille fabrics, other than fabrics of heading No.58.02 or 58.06	
	5801.11	Not subjected to any process	5%
	5801.12	Subjected to the process of milling, raising, blowing, tentering, dyeing or any other process or any one or more of these processes of cotton	5%
	5801.21	Not subjected to any process	<i>Nil</i>
	5801.22	Subjected to the process of bleaching, mercerising, dyeing, printing, water- proofing, shrink-proofing, organdie processing or any other process or any one or more of these processes Of man made fibres :	20%
	5801.31	Not subjected to any process	<i>Nil</i>
	5801.32	Subjected to the process of bleaching, dyeing, printing, shrink-proofing, tentering, heat setting, crease resistant processing or any other process or any one or more of these processes.	20%

List of Goods by Headings in the *Central Excise Tariff Act, 1985*

Heading No.	Sub heading No.	Description of goods	Rate of additional duty
(1)	(2)	(3)	(4)
58.02		Terry toweling and similar woven terry fabrics, other than narrow fabrics of heading No.58.06; tufted textile fabrics, other than products of heading No.57.03	
		Terry toweling and similar woven terry fabrics of cotton :	
	5802.21	Not subjected to any process	<i>Nil</i>
	5802.22	Subjected to the process of bleaching, dyeing printing water proofing, shrink-proofing, organdie processing or any other process or any one or more of these processes	20%
		Terry toweling and similar woven terry fabrics of man-made fibres:	
	5802.31	Not subjected to any process	<i>Nil</i>
	5802.32	Subjected to the process of bleaching, dyeing printing, shrink-proofing, tentering, heat setting, crease-resistant processing or any other process or any one more of these processes	20%
		Tufted textile fabrics :	
	5802.51	Not subjected to any process	5%
	5802.52	Subjected to the process of bleaching, dyeing printing, shrink-proofing, tentering, heat setting, crease-resistant processing or any other process or any one or more of these processes	20%

List of Goods by Headings in the *Central Excise Tariff Act, 1985*

Heading No.	Sub heading No.	Description of goods	Rate of additional duty
(1)	(2)	(3)	(4)
58.03	5803.00	Gauze, other than narrow fabrics of heading no. 58.06	5%
58.04		Lace in the piece, in strips or in motifs In or in relation to the manufacture of which any process is ordinarily carried on with the aid of power or steam :	20%
	5804.11	Of cotton	20%
	5804.12	Of man-made-fibres with power :	<i>Nil</i>
58.05		Embroidery in the piece, in strips or in motifs manufactured with the aid of vertical type automatic shuttle embroidery machines operated	
	5805.11	Embroidery without visible ground	<i>Nil</i>
	5805.19	Other	<i>Nil</i>
58.06	5806.00	Narrow woven fabrics (other than tulle, other net fabrics and goods of heading No.58.07, 58.08, 58.09 and 58.10)	
59.01		Textile fabrics coated with gum or amylaceous substances, of a kind used for the outer covers of books or the like; tracing cloth; prepared painting canvas; buckram and similar stiffened textile fabrics	
	5901.10.1	Textile fabrics coated with gum or amylaceous substances, of a kind used for the outer covers of books or the like	20%
	5901.90	Other	20%

List of Goods by Headings in the *Central Excise Tariff Act, 1985*

Heading No.	Sub heading No.	Description of goods	Rate of additional duty
(1)	(2)	(3)	(4)
59.02		Tyre cord fabric of high tenacity yarn of nylon or other polyamides, polyesters or viscose rayon	
	5902.10	Of nylon or other polyamides	5%
	5902.20	Of polyesters	5%
	5902.20	Other	5%
59.03		Textile fabrics of cotton and man-made textile materials impregnated, coated, covered or laminated with plastics, other than those of heading no.59.02	
	5903.10	With polyvinyl chloride	5%
	5903.20	With polyurethane	5%
	5903.90	Other	5%
59.07		Fabrics covered partially or fully with textile flock or with preparation containing textile flocks	
	5907.11	On base fabrics of cotton	5%
	5907.12	On base fabrics or man-made textile material	5%
60.01		Pile fabrics, including 'long pile' fabrics and terry fabrics, knitted or crocheted	
		'Long pile' fabrics	
	6001.11	Of cotton	20%
	6001.12	Of man-made fibres	20%
		Looped pile fabrics	

List of Goods by Headings in the *Central Excise Tariff Act, 1985*

Heading No.	Sub heading No.	Description of goods	Rate of additional duty
(1)	(2)	(3)	(4)
	6001.21	Of cotton	20%
	6001.22	Of man-made fibres	20%
		Other	
	6001.91	Of cotton	20%
	6001.92	Of man-made fibres	20%
60.02		Other knitted or crocheted fabrics	
	6002.10	Of a width not exceeding 30 cm, containing elastomertic yarn or rubber threads	10%
		Other, of a width not exceeding 30 cm	10%
	6002.20	Of a width exceeding 30 cm, containing elastomertic yarn or rubber threads	10%
	6002.30	Other fabrics, warp knit :	
	6002.42	Of cotton	20%
	6002.43	Of man-made fibres	20%
		Other	
	6002.92	Of cotton	20%
	6001.93	Of man-made fibres	20%

Annexure 2

Declared goods under CST Act

Under Section 14 of the *Central Sales Tax Act (CST Act)* certain goods are declared to be of special importance in inter-state trade or commerce. These goods are subjected to tax restrictions and conditions specified in section 15 of the *CST Act*. Overtime, there has been some additions and deletions in the list of declared goods. As on 1.4.1998, the following are the declared goods along with the rates of sales tax applicable in Maharashtra: 1998-99.

List of declared goods

Sr.No.	Description of goods	Rate of sales tax in Maharashtra
(1)	(2)	(3)
1.	Coal including coke in all its forms (excluding charcoal)	4%
2.	Cotton, that is to say, all kinds of cotton (indigenous or imported) in its unmanufactured state, whether ginned or unginned, baled, pressed or otherwise but not including cotton waste	4%
3.	Cotton yarn, but not including cotton yarn waste	2%
4.	Crude oil, that is to say, crude petroleum oils, and crude oils obtained from bituminous minerals (such as shale, calcareous rock, sand), whatever their composition, whether obtained from normal or condensation oil deposits or by the destructive distillation of bituminous minerals and whether or not subjected to all or any or following processes :	4%

List of declared goods

Sr.No.	Description of goods	Rate of sales tax in Maharashtra
(1)	(2)	(3)
	<ul style="list-style-type: none"> (1) Decantation; (2) De-salting; (3) Dehydration; (4) Stabilisation in order to normalise the vapour pressure; (5) Elimination of very light fractions with a view to returning them to the oil deposits in order to improve drainage and maintain pressure; (6) Addition of only those hydrocarbons Previously recovered by physical methods, during the course of the above mentioned processes; (7) Any other minor process (including addition of pour point deprents or flow improvers) which does not change the essential character of the substance. 	
5.	Hides and skins, whether in raw or dressed state	4%
6.	Iron and steel, that is to say, - <ul style="list-style-type: none"> (i) Pig iron and cast iron, including ingot moulds, bottom plates, iron scrap, cast iron scrap, runner scrap and iron skull scrap; (ii) Steel semis (ingots, slabs, blooms and billets of all qualities, shape (iii) Skelp bars, tin bars, sheet bars, hoebars, and sleeper bars; (iv) Steel bars (rounds, rods, square flats, octagons and hexagons, plain and ribbed or twisted, in coil form as well as straight lengths); 	4%

List of declared goods

Sr.No.	Description of goods	Rate of sales tax in Maharashtra
(1)	(2)	(3)
	(v) Steel structural (angles, joints, channels tees, sheet piling sections, Z sections, or any other rolled sections);	
	(vi) Sheets, hoops, strips and skelp, both black and galvanised, hot and cold rolled, plain and corrugated, in all qualities, in straight lengths and in coil form, as rolled and in revetted condition;	
	(vii) Plates both plain and chequered in all qualities;	
	(viii) Discs, rings, forgings and steel castings;	
	(ix) Tool, alloy and special steels of any of the above categories;	
	(x) Steel melting scrap in all forms including steel skull, turning and borings;	
	(xi) Steel tubers, both welded and seamless, of all diameters and lengths, including tube fittings;	
	(xii) Tin plate, both hot dipped and electrolytic and tin-free plates;	
	(xiii) Fish plate bars, bearing plate bars, crossing sleeper bars, fish plates, bearing plates, crossing sleepers and pressed steel sleepers, rails-heavy and light crane rail;	
	(xiv) Wheels, tyres, axles and wheel sets;	
	(xv) Wire road and wires-rolled, drawn, galvanised, aluminised, tinned or coated such as by copper;	

List of declared goods

Sr.No.	Description of goods	Rate of sales tax in Maharashtra
(1)	(2)	(3)
7.	Jute that is to say, the fibre extracted from plants belonging to the species <i>Corchorus Capsularis</i> and <i>Corchorus Oiltorius</i> and the fibre known as <i>mesta</i> or <i>bimli</i> extracted from plants of the species <i>Hibiscus Cannabinus</i> and <i>Hibiscus Subdariffa</i> <i>Var altissima</i> and the fibre known as <i>Sunn</i> and <i>Sanna</i> or extracted from plants of the species <i>Crotalaria Juncea</i> whether baled or otherwise.	4%
8.	Oilseeds, that is to say, -	4%
	(i) Groundnut or Peanut (<i>Archis hypogaea</i>)	
	(ii) Sesamu or til (<i>Sesamum orientale</i>)	
	(iii) Cotton seed (<i>Gossypium Spp.</i>)	
	(iv) Soyabean (<i>Glycine seja</i>)	
	(v) Rapeseed and mustard –	
	(1) Toria (<i>Brassica compestris var toria</i>)	
	(2) Rai (<i>Brassica Juncea</i>)	
	(3) Jamba Taramira (<i>Eruca Sativa</i>)	
	(4) Sarson, yellow and brown (<i>Brasica compestris Varsarson</i>)	
	(5) Banarsi rai or true mustard (<i>Brassica nigra</i>)	
	(vi) Linseed (<i>Linum usitatissimum</i>)	
	(vii) Castor (<i>Ricinus communis</i>)	
	(viii) Coconut (i.e. copra excluding tender coconuts) (<i>coco nucifera</i>)	
	(ix) Sunflower (<i>Helianthus annus</i>)	
	(x) Nigar seed (<i>Gizotia abyssinca</i>)	
	(xi) <i>Neem vepa</i> (<i>Azadirachta indica</i>)	
	(xii) <i>Mahua, ilupai, Ippe</i> (<i>Madhuca indica, M. Latifolia, Basisa, Latifolia</i> and <i>Modhuca longifolia</i> Syn. <i>M. Longifolia</i>)	

List of declared goods

Sr.No.	Description of goods	Rate of sales tax in Maharashtra
(1)	(2)	(3)
	(xiii) <i>Karnja, Pongarm, Honga (Pongamia pinnata syn. P. Glabra)</i>	
	(xiv) <i>Kusum (Schleichera olcosa, syn. s. trijuga)</i>	
	(xv) <i>Punna, undi (Calophyllum inophyllum)</i>	
	(xvi) <i>Kokum (Carcinina indica)</i>	
	(xvii) <i>Sal (Shorea robusta)</i>	
	(xviii) <i>Tung (Aleurities foridii and A. montanna)</i>	
	(xix) <i>Red Palm (Elacis guinensis)</i>	
	(xx) <i>Safflower (Carthamus tinclorius)</i>	
9.	(i) Fabrics, (ii) Sugar, (iii) Tobacco,	4%

as defined from time to time, in section 14 of the *Central Sales Tax Act 1956*, but excluding those covered by entry 15 of schedule A.

Source: Anand, M. L. (1998-99) (ed.), *The Bombay Sales Tax Act*, M.T. J. Publications.

Annexure 3
Commodity-wise Rates of Sales Tax in the States: Provision for 1997-98

S.No	Commodity	Andhra Pradesh	Delhi	Karnataka	Madhya Pradesh	Maharashtra	Manipur	Punjab	Rajasthan	Tamil Nadu	Uttar Pradesh
1	2	3	4	5	6	7	8	9	10	11	12
1. Cereals and Pulses											
1.1	Cereals	2 FS	E	E	4 FP	E	E	4 LS	4 FP	E	2 FP/FS
1.2	Pulses	4 FS	E	2 FS	4 FP	E	E	2 LS	4 FP	E	4 FP
1.3	Paddy	4 FS	E	E	4 FP	E	E	4 FS	4 FP	E	4 FP
1.4	Atta, maida and suji	4 FS	E	E	E	E	E	4 FS	4 FP	4 FS	2.4 FS
2. Other Food Articles											
2.1	Edible oils (specified)	2 FS	5 FS	2 FS	2 FP	1.5	E	6 LS	4 FP	4 FS	2 FS
2.2	Vanaspati ghee	6FS	5 FS	2 FS	4 FP	1.5	7 FS	4 FS	6 FP	4 FS	4 FS
2.3	Ghee (pure)	6 FS	5 FS	8 FS	8	8	7 FS	8 FS	4 FP	4.11 FS	6 FP
2.4	Fresh vegetables, potatoes, onions etc.	E	E	E	E	E	E	E	E	E	E
2.5	Fresh fruits excluding wet dates	E	E	E	E	E	E	E	E	E	E
2.6	Dry fruits, wet dates, dried vegetables ²	10 FS	3 FS	4 FS	8 FP	4	10 FS	3.5 LS	12 FP	11 FS	10 FS
2.7	Meat and fish in containers	10 FS	7 FS	8 FS	8 FP	4	7 FS	8 LS	12 FP	8.16 FS	8 FS
2.8	Khandsari sugar	E	E	4 FS	E	E	E	E	2 FP	4 FS	2 FP
2.9	Gur (Jaggery)	E	E	1 FS		E	E	E	6 FP	4 FS	4 FP
2.1	Salt	E	E	E	E	E	E	E	E	E.4 FS	E
2.11	Tea Leaves, powder or instant tea	10 FS	4.7 LS	12 FS	10 FP	8	7 FS	3 FS	6 FP	8 FS	4.8 FS
2.12	Coffee powder or instant coffee	10 FS	7 LS	4 FS	10 FP	8	10 FS	8 FS	12 FP	8 FS	8 FS
2.13	Pepper	8 FS	7 FS	4 FS	8 FP	4	7 FS	6 LS	12 FP	E	E
2.14	Other specified spices	9 FS	3 FS	4 FS	4 FP	4	7 FS	6 LS	12 FP	11	4 FS
2.15	Curd, lassi and butter milk	10 FS	E	8 FS	E	E	E	E	E	E	E.4 LS
2.16	Cooked food	9 FS	7 FS	8 FS	4 LP	13	7 FS	8 FS	6 FP	E	4 LS
2.17	Halwai sweets	9 FS	5 LS	8 FS	4 LP	4	7 FS	E	6 FP	E	4 LS
2.18	Milk food and powder	8 FS	5 FS	4 FS	8 FP	8	7 FS	4 FS	12 FP	8 FS	6 FS
3. Books and Stationery											
3.1	Students' exercise books	4 FS	E	E	E	E	E	E	E	E	6 FS
3.2	Paper & paper products	E	5 LS	4 FS	8 FP	8	4 FS	8 FS	4 FP	4.8 FS	6 FS
3.3	Other stationery	10 FS	7 LS	8 FS	8 FP	13	4 FS	6 LS	4 FP	11 FS	8 FS
3.4	Instrument boxes	E	E	E	8 FP	2	E	8 LS	E	E	4 FS
3.5	Books and maps	E	E	E	8 FP	E	E		E	E	E.4 FS
4. Domestic Fuel Items											
4.1	Firewood	8 FS	E	E	4 FP	E	6 FS	8 LS	E	E	4 FS
4.2	Coal and coke (DG)	4 FS	3 FS	4 FS	4 FP	4	4 FS	4 LS	4 FP	4 FS	4 FS
4.3	Kerosene (PDS)	8 FS	2 FS	8/4 FS	2 FP	E	3 FS	8 FS	8 FP	4 FS	8 FS
4.4	Cooking gas	16 FS	4 FS	2 FS	15 FP	4	7 FS	8 FS	12 FP	8 FS	8 FS
4.5	Charcoal (excluding lignite)	4 FS	E	4 FS	4 FP	4	7 FS	4 LS	12 FP	E	4 LS
4.6	Candles	10 FS	7 FS	E	8 FP	4	7 FS	8 LS	12 FP	E	8 FS
4.7	Match boxes	9 FS	3 FS	4 FS	2 FP	4	4 FS	4 FS	4 FP	E.8 FS	8 FS

Annexure 3 (Contd.)
Commodity-wise Rates of Sales Tax in the States: Provision for 1997-98

S.No	Commodity	Andhra Pradesh	Delhi	Karnataka	Madhya Pradesh	Maharashtra	Manipur	Punjab	Rajasthan	Tamil Nadu	Uttar Pradesh
1	2	3	4	5	6	7	8	9	10	11	12
5. Toilet Articles											
5.1	Tooth paste/powder	20 FS	5 FS	12 FS	15 FP	13	7 FS	6 LS	12 FP	16 FS	8 FS
5.2	Washing soaps	10 FS	5 FS	8 FS	8 FP	13	7 FS	6 LS		4 FS	6 FS
5.3	Toilet soaps	10 FS	5 FS	12 FS	15 FP	13	7 FS	6 LS	12 FP	16 FS	8 FS
5.4	Hair oils	20 FS	12 FS	12 FS	15 FP	20	7 FS	12 LS	12 FP	20 FS	12 FS
5.5	Razors and razor blades	12 FS	5 FS	8 FS	15 FP	13	7 FS	8 LS	6 FP	16 FS	4.8 FS
5.6	Other shaving products	20 FS	5 FS	12 FS	15 FP	20	7 FS	8 LS	12 FP	16 FS	8.12 FS
5.7	Cosmetics, perfumes etc.	20 FS	12 FS	12 FS	15 FP	20	15 FS	12 LS	12 FP	20 FS	12 FS
5.8	Boot-polish	10 FS	5 FS	8 FS	8 FP	8	7 FS	8 FS	12 FP	11 FS	8 FS
5.9	Tooth brushes	20 FS	5 FS	12 FS	15 FP	13	7 FS	6 LS	12 FP	16 FS	8 FS
6. Medicines		10 FS	5 FS	8 FS	8 FP	6	6 FS	6 FS	8 FP	8 FS	6 FS
7. Garments and Footwear											
7.1	Cotton hosiery products	6 VAT	3 FS	4 FS	2 FP	4	4 FS	2 LS	4 FP	E	2.4 FS
7.2	Readymade garments	6 VAT	4 FS	4 FS	2 FP	4	10 FS	4 LS	4 FP	4 FS	4.8 FS
7.3	Footwear	6 VAT	3.7 FS	8 FS	10 FP	8	12 FS	8 LS	12 FP	8 FS	3.6 LS
8. Cycle and Accessories		2 FS	5 FS	2 FS	8 FP	4	7 FS	5 LS	4 FP	4 FS	8 FS
9. Refreshment Articles											
9.1	Bread	9 FS	E	E	E	E	E	E	E	4 FS	4 LS
9.2	Biscuits	15 FS	7 FS	8 FS	10 FP	13	7 FS	E	8 FP	4.11 FS	4 LS
9.3	Cakes and pastries	15 FS	7 LS	12 FS	10 FP	13	7 FS	8 FS	8 FP	8.16 FS	4 LS
9.4	Toffees and chocolates, ice-cream	15 FS	7 FS	12 FS	10 FP	13	7 FS	8 FS	8 FP	4.11 FS	4 LS
9.5	Ice	16 FS	-	8 FS	8 FP	4	7 FS	8 LS	2 FP	4 FS	8 FS
9.6	Aerated water	12 VAT	7 LS	12 FS	8 FP	13	15 FS	12 FS	16 FP	11 FS	12 FS
9.7	Cigarettes	E	E	E	E	E	E	E	E	E	E
9.8	Tobacco	E	E	E	E	E	E	E	E	E	E
9.9	Country liquor	68 FS	12 LS	E	E	E		E	E	30 FS	E
9.10	Foreign liquor	68 FS	12 LS	60 FS	E	E		12 FS	36 FP	60 FS	20 FS
9.11	Indian made foreign liquor	68 FS	12 LS	60 FS	E	E		12 FS	E	30 FS	20 FS
9.12	Bhang	16 FS	7 LS	20 FS	E	13		8 LS	36 FP	-	12 FS
9.13	Ganja	16 FS	7	20 FS	E	13		8 LS	36 FP	-	E
9.14	Opium	16 FS	7	20 FS	E	13		8 LS	36 FP	-	26 FP
10. Consumer Durables including Gold and Silver											
10.1	Gold and silver and their coins	0.5 FS	0.5 LS	4 FS	2 FP	2	15 FS	2 LS	2 FP		2 FP
10.2	Bullion and spices	0.5 FS	0.5 LS	1 FS	2 FP	2	15 FS	0.5 LS	2 FP	2 FS	2 FP
10.3	Articles of gold and silver	4 FS	7 LS	4 FS	8 FP	2.4	15 FS	2 LS	2 FP	4 FS	4.6 LS
10.4	Ivory products	15 FS	10 LS	8 FS	8 FP	13	15 FS	8 LS	12 FP	16 FS	8 FS
10.5	Marble and its products	16 FS	12 LS	12 FS	8 FP	13	15 FS	8 LS	16 FP	20 FS	6.12 LS, FS
10.6	Synthetic gems and their stones	3 FS	10 LS	12 FS	8 FP	4	15 FS	8 LS	E	E	10 FS

Annexure 3 (Contd.)
Commodity-wise Rates of Sales Tax in the States: Provision for 1997-98

S.No	Commodity	Andhra Pradesh	Delhi	Karnataka	Madhya Pradesh	Maharashtra	Manipur	Punjab	Rajasthan	Tamil Nadu	Uttar Pradesh
1	2	3	4	5	6	7	8	9	10	11	12
10. Consumer Durables including Gold and Silver											
10.7	Gold and embroidery work	E	E	4 FS	8 FP	4	15 FS	2 LS	E	4 FS	E
10.8	Articles of stainless steel	10 VAT	10 FS	4 FS	8 FP	2	12 FS	4 LS	12 FP	8 FS	4.8, 12 FS
10.9	Ladies hand-bags	10 FS	12 FS	8 FS	12 FP	8	12 FS	8 LS	12 FP	11 FS	8 FS
10.10	All kinds of leather goods	12 FS	12 LS	8 FS	8 FP	8	10 FS	12 FS	12 FP	11 FS	8 FS
10.11	Suit cases and attache cases	10 VAT	12 LS	12 FS	12 FP	13	7 FS	12 FS	12 FP	11 FS	8 FS
10.12	All kinds of stoves	12 FS	E	8 FS	8 FP	13	7 FS	8 LS	12 FP	E	8 FS
10.13	Incandescent lanterns and lamps	10 FS	6 FS	E	10 FP	13	7 FS	8 LS	E	11 FS	8, 12 FS
10.14	Domestic electrical appliances	16 FS	6 FS	12 FS	10 FP	13	12 FS	8 FS	12 FP	16 FS	8, 12 FS
10.15	Clocks and time pieces	16 FS	12 LS	8 FS	12 FP	13	12 FS	12 FS	12 FP	11 FS	12 FS
10.16	Refrigerators and air-conditioners	16 FS	12 FS	12 FS	15 FP	13	15 FS	12 FS	16 FP	20 FS	12 FS
10.17	Wooden furniture	16 VAT	12 LS	8 FS	8 FP	13	10 FS	12 LS	12 FP	10 FS	12 FS
10.18	Steel safes and almirahs	16 VAT	12 LS	8 FS	8 FP	13	10 FS	12 FS	12 FP	10 FS	12 FS
10.19	Other steel furniture	16 VAT	12 LS	8 FS	8 FP	13	10 FS	12 LS	12 FP	10 FS	12 FS
10.20	Aluminium furniture	16 VAT	12 LS	8 FS	8 FP	13	10 FS	12 LS	12 FP	10 FS	12 FS
10.21	Wireless reception instruments	16 FS	6 FS	8 FS	8 FP	2	12 FS	12 FS	12 FP	11 FS	8 FS
10.22	Sound transmitting equipments	16 FS	12 FS	8 FS	8 FP	4.8	12 LS	12 FS	8 FP	11 FS	6.8 FS
10.23	Cinema equipments	16 FS	12 LS	8 FS	8 FP	8	12 LS	12 FS	12 FP	11 FS	12 FS
10.24	Motor cycles and combinations	8 FS	8 FS	8 FS	8 FP	10	4 FS	3 FS	6 FP	8 FS	6 LS
10.25	Heavy motor vehicles	8 FS	8 FS	8 FS	4 FP	10	4 FS	4 FS	6 FP	11 FS	4 LS
10.26	Motor cars	8 FS	8 FS	8 FS	4 FP	10	4 FS	3.5, 0.5 FS	6 FP	11 FS	1.5, 4 LS
10.27	Lifts, hoists, cranes etc.	16 FS	12 LS	12 FS	8 FP	13	12 FS	12 FS	12 FP	20 FS	8 FS
10.28	Tyres and tubes	10 FS	10 FS	8 FS	12 FP	10	7 FS	12 FS	12 FP	11 FS	8, 10 FS
10.29	Motor parts	9 FS	5 FS	8 FS	4 FP	8	10 FS	12 LS		11 FS	10 FS
10.30	Fur and its articles	16 FS	12 LS	12 FS	8 FP	13	15 FS	12 LS	12 FP	11 FS	12 FS
10.31	Tabulating and calculating machines	16 FS	12 LS	8 FS	15 FP	13.2	12 FS	12 FS	12 FP	20 FS	6 FS
10.32	Binoculars and telescopes	16 FS	12 LS	8 FS	15 FP	8	15 FS	12 FS	12 FP	20 FS	12 FS
10.33	Sewing machines	10 FS	7 LS	8 FS	8 FP	8	7 FS	8 LS	6 FP	8 FS	8 FS
10.34	Vacuum flasks etc.	15 FS	12 LS	8 FS	8 FP	13	12 FS	12 LS	12 FP	16 FS	12 FS
10.35	Playing cards	16 FS	7 LS	12 FS	8 FP	13	12 FS	8 LS	12 FP	11 FS	10 FS
10.36	Crockery of all types	10 FS	2 FS	12 FS	8 FP	13	7 FS	8 FS	12 FP	11 FS	10 FS
10.37	Cutlery	10 FS	2 FS	12 FS	8 FP	13	7 FS	12 LS	2 FP	11 FS	10 FS
10.38	Floor and wall tiles	9 FS	12 LS	12 FS	12 FP	13	15 FS	12 FS	12 FP	20 FS	12 FS
10.39	Arms and ammunition	16 FS	12 LS	12 FS	8 FP	13	15 FS	12 FS	16 FP	20 FS	12 FS
10.40	Fireworks	16 FS	12 FS	8 FS	15 FP	13	10 FS	8 LS	4 FP	11 FS	12 FS
10.41	Cigarette cases and lighters	16 FS	12 LS	12 FS	8 FP	13	12 FS	12 LS	12 FP	20 FS	12 FS
10.42	Sheets, cushions and pillows	16 FS	12, E FS	8 FS	12 FP	13	12 FS	2 LS	12 FP	16 FS	12 FS
10.43	Other rubber products	15 VAT	7 FS	8 FS	12 FP	13	7 FS	12 LS	12 FP	11 FS	8 FS
10.44	Pile carpets	16 FS	12 LS	12 FS	8 FP	13	12 FS	12 LS	E	20 FS	6 FS

Annexure 3 (Contd.)
Commodity-wise Rates of Sales Tax in the States: Provision for 1997-98

S.No	Commodity	Andhra Pradesh	Delhi	Karnataka	Madhya Pradesh	Maharashtra	Manipur	Punjab	Rajasthan	Tamil Nadu	Uttar Pradesh
1	2	3	4	5	6	7	8	9	10	11	12
10. Consumer Durables including Gold and Silver											
10.45	Precious stones	3 FS	10 LS	4 FS	8 FP	4	15 FS	12 LS	E	16 FS	10 FS
10.46	Dry cell batteries	16 FS	6 FS	12 FS	10 FP	13	7 FS	6 FS	12 FP	8 FS	8 FS
10.47	Glass bangles	E	E	E	E	13	7 FS	E	E	E	4 FS
10.48	Locks and keys	10 FS	7 LS	8 FS	8 FP	13	10 FS	8 LS	12	11 FS	4 FS
10.49	Bedding stuff with cotton	10 FS		12 FS	8 FP	13	10 FS	8 LS	12	4 FS	6 FS
10.50	Musical instruments	10 FS	7 LS	4 FS	8 FP	8	12 FS	8 LS	E	4 FS	8 FS
10.51	Plastic goods	10 FS	7	8 FS	8 FP	13	7 FS	8 LS	12 FP	8 FS	8 FS
10.52	Synthetic mica products	8 LP	7 LS	12 FS	8 FP	13	12 FS	8 LS	12 FP	11 FS	8 FS
10.53	Air circulators and fans	10 FS	6 FS	12 FS	10 FP	13	12 FS	8 FS	12 FP	16 FS	8 FS
11. Raw Materials											
11.1	Mica	8 LP	7 LS	8 FP	8 FP	13	7 FS	8 LS	E	11 FS	4 FS
11.2	Manganese	8 LP	7 LS	8 FP	8 FP	4	7 FS	8 LS	12 FP	11 FS	4 FS
11.3	Hides and skins	4 LP	2 LS	4 FS	4 FP	4	4 FS	2 LS	4 FP	4 LP	4 LS
11.4	Coal and coke (section 14 of CST)	4 FS	3 FS	4 FS	4 FP	4	4 FS	4 LS	4 FP	4 FS	4 FS
11.5	Cotton yarn (section 14 of CST)	4 FS	1 LS	2 FS	2 FP	4	E	2 LS	2 FP	4 FS	2 FS
11.6	Cotton waste	4 FS	5 LS	4 FS	4 FP	4	E	2 LS	4 FP	8 FS	4 FS
11.7	Iron and steel (Section 14 of CST)	4 FS	2 FS	4 FS	4 FP	4	4 FS	4 LS	4 FP	4 FS	2.4 FS
11.8	Sewing thread and balls	9 FS	2 LS	4 FS	2 FP	4	7 FS	8.2 LS	2 FP	4 FS	2 FS
11.9	Cement and its items	16/20 FS	10 FS	15 FS	10 FP	13	7 FS	10 FS	16 FP	16 FS	10 FS
11.10	Manure (organic)	3 FS	E	E	E	E	E	E	E	E	E
11.11	Chemical fertilisers	3 FS	E	E	E	E	E	E	4 FP		5 FS
11.12	Pesticides	5 FS	2 FS	2 FS	2 FP	8	E	E	4 FP	4 FS	4 FS
11.13	Fungicides	5 FS	2 FS	2 FS	2 FP	8	E	8 LS	4 FP	4 FS	4 FS
11.14	Bamboos	9 FS	7 LS	4 FS	10 FP	8	7 FS	8 LS	E	8 FS	12 FS
11.15	Timber	12 VAT	7 LS	12 FS	20 FP	8	7 FS	8 LS	12 FP	8 FS	12 FS
11.16	Betel leaves	E	E	E	E	E	7 FS	8 LS	E	E	E
11.17	Tendu leaves	10 FS	7 LS	4 FS	20 FP	13	E	8 LS	12 FP	11	12 FS
11.18	Goat hair	10 FS		12 FS	8 FP	4	6 FS	8 LS	E	4 FS	8 FS
11.19	Raw wool	8 FS	2 LS	4 LP	E	4	4 FS	2 LS	4 FP	4 FS	4 LS
11.20	Woollen knitting yarn	E	4 FS	2 FS	8 FP		E	2 FS	4 FP	4 FS	4 FS
11.21	Staple yarn	9 FS	2 LS	2 FS	2 FP	4	E	2 FS	2 FP	2	2 FS
11.22	Non-ferrous metals	10 FS	7 FS	8 FS	8 FP		7 FS	8 LS	12 FP	11 FS	2 FS
11.23	Aluminium wares	10 FS	2 FS	8 FS	8 FP	2	7 FS	4 FS	12 FP	8 FS	4 FS
11.24	Copper wire	10 FS	7 FS	8 FS	8 FP	4	7 FS	8 LS	4 FP	16 FS	6.8 FS
11.25	Cotton	4 LP	E	4 LP	4 FP	4	4 FS	4 PP	4 FP	4 FS	4 LS
12. Fuel Items											
12.1	Motor spirits	30.55 FS	10 FS	22 FS	20 FP	21		E	20 FP	18	20 FS
12.2	Light diesel oil	19.33 FS	10 FS	20 FS	15 FP	21	7 FS	8 FS	16 FP	18 FS	20 FS
12.3	High-speed diesel oil	19.33 FS	10 FS	20 FS	20 FP	21	7 FS	4 FS	16 FP	18 FS	20 FS

Annexure 3 (Contd.)
Commodity-wise Rates of Sales Tax in the States: Provision for 1997-98

S.No	Commodity	Andhra Pradesh	Delhi	Karnataka	Madhya Pradesh	Maharashtra	Manipur	Punjab	Rajasthan	Tamil Nadu	Uttar Pradesh
1	2	3	4	5	6	7	8	9	10	11	12
13. Lubricants and Other Aids to Production											
12.4	Aviation spirits	30.55 FS	10 FS	22 FS	15 FP	24	10 FS	8 FS	20 FP	24 FS	20 FS
12.5	Aviation gasoline	30.55 FS	10 FS	22 FS	8 FP	10	10 FS	8 FS	20 FP	24 FS	20 FS
12.6	Aviation turbine fuel	30.55 FS	10 FS	22 FS	15 FP	24	10 FS	8 FS	20 FP	24 FS	20 FS
12.7	Crude oil	4 FP	10 FS	4 FS	4 FP	4	4 FS	8 FS	4 FP	4 FS	4 LS
12.9	Furnace oil	12 FS	10 FS	12 FS	8 FP	13	7 FS	8 FS	12 FP	16 FS	6 FS
12.10	Petrol	30.55 FS	10 FS	22 FS	20 FP	21	15 FS	7 FS	20 FP	24 FS	20 FS
13.1	Dyes	10 VAT	7 FS	12 FS	15 FP	4	7 FS	8 LS	4 FP	16 FS	8 FS
13.2	Paints and lacquers	15 VAT	10 FS	12 FS	15 FP	4	10 FS	8 LS	16 FP	16 FS	12 FS
13.3	Lubricants	16 FS	10 FS	12 FS	15 FP	13	10 FS	8 FS	12 FP	16 FS	8 FS
13.4	Caustic soda and soda ash	12 FS	7 FS	4 FS	8 FP	4	7 FS	8 LS	12 FP	11 FS	6 FS
13.5	Potash and explosives	10 FS	7 FS	4 FS	15 FP	13	15 FS	8 LS	16 FP	11 FS	8.12 FS
13.6	Other chemicals	10 VAT	7 FS	4 FS	4 FP	4.13	7 FS	8 LS	12 FP	11 FS	8 FS
13.7	Starches	10 FS	7 FS	4 FS	4 FP	4	7 FS	8 LS	4 FP	4 FS	4.6 FS
14	Machinery of all Kinds	3 FS	7 LS	8 FS	10 FP	13	7 FS	8 LS	12 FP	11 FS	6 FS
15. Packing Materials											
15.1	Empty tins and empty barrels	4 FS	7 LS	4 FS	4 FP	13	7 FS	8 LS	4 FP	8 FS	4 FS
15.2	Wooden boxes	4 FS	7 LS	4 FS	4 FP	13	7 FS	8 LS	4 FP	11 FS	6 FS
15.3	Empty bottles and corks	4 FS	7 LS	8 AP	4 FP	13	7 FS	8 LS	4 FP	16 FS	4 FS
15.4	Polythene and alkalene materials	4 FS	7 LS	8/12 FS	4 FP	13	7 FS	4 FS	4 FP	8 FS	8 FS
15.5	Bitumen as packing materials	4 FS	7 LS	12 FS	4 FP	13	7 FS	4 FS	4 FP	11 FS	6 FS
15.6	Cartons	4 FS	7 LS	4 FS	4 FP	13	7 FS	4 FS	4 FP	8 FS	8 FS
16	General rate	10 FS	7	12 FS	8 FP	13	7 FS	8 LS	12 FP	11 FS	8 FS
17	Surcharge	NIL	NIL	NIL	15	NIL	NIL	10	NIL	NIL	25
Notes:											
1 E: Exempt. FS: First sale (First point), LS: Last sale (Last point), MP: Multi point, FP: First purchase, LP: Last purchase, PP: Purchase point, I/FD/FC/FO: Importer/Forest Department/Forest Corporation/Forest Owner, BWI: Bonded warehouse issuance, AP: All points.											
2 Imported Refined Palmoline, refined rapeseed oil, R.B.D. Palm oil & refined soyabean by state government authorised dealers - exempt w.e.f. 1.10.1995 by Notification Entry F-3											
3 Cashew nut (raw) - exempt from whole of tax from 1.10.95 to 30.6.2000 by Notification Entry F 2(1)											
4 Cashew kernel (finished) manufactured in certain districts - 2% upto 30.6.2000 by Notification Entry F 2(2)											
5 Currants & raisins prepared from grapes by farmers - exempt from whole of tax from 1.10.95 to 30.6.2000 by Notification Entry F-8											
6 Wet dates - exempt from whole of tax w.e.f. 1.4.97 to 28.4.98 & 2% from 29.4.98 by Notification Entry A-59											
7 Dhania, methi & suva exempt except when sold in powdered form in sealed containers & under a brand name											
8 Pickles - 8% w.e.f. 1.4.1997 by Notification Entry A-58. Sabudana - 6% from 1.4.97 to 28.4.98 & 4% from 29.4.98 by Notification Entry A-11											
9 For slab wise rates effective from 29.4.98 see Notification Entry A-31(1)											

Annexure 4
Octroi Rates in Selected Municipal Corporations of Maharashtra

S. No.	Articles	Greater Mumbai Corporation	Mira Bhayandar Municipality	Kolhapur Corporation	Malegaon Municipality
Class I-Articles of food & drink					
1	Grain, flour, pulses and cereals of all sorts	0.50%	Rs 0.05 per 10 kg	Rs 0.15 per 10 kg	Rs 0.05 per 10 kg
2	Rava	0.50%	Rs 0.05 per 10 kg	Rs 0.15 per 10 kg	Rs 0.05 per 10 kg
3	Sugar, sugar candy, <i>chamchami</i> & bura	0.50%	0.05%	1.50%	1.50%
4	Gur of all sorts & <i>rab, pend -khajur, shira & kakwi</i>	0.50%	1.00%	1.00%	1.00%
5	Sugarcane	E	2.00%	Rs 5.00 per tonne	1.00%
6	Wines & spirits & beers	E	4.00%	7.00%	4.00%
7	<i>Ganja, bhanga</i> , opium & <i>charas</i>	E	4.00%	7.00%	4.00%
8	Ghee & butter (other than table butter)	2.00%	1.00%	1.50%	Rs 3.00 per 10 kg
9	<i>Vanaspati</i> & hydrogenated oils	2.00%	1.00%	1.5%	2.00%
10	Tea, coffee & coffee seeds	0.50%	2.00%	3.00%	2.00%
11	Saffron	7.00%	1.50%	4.00%	2.00%
12	Bacon & hams	7.00%	2.00%	6.00%	4.00%
13	Frozen mutton carcasses,	3.00%	2.00%	6.00%	4.00%
14	Table butter, margarine etc.	7.00%	2.00%	6.00%	4.00%
15	Dried or preserved fruits and nuts excluding fresh fruits & betel nuts	7.00%	2.00%	6.00%	4.00%
16	Canned fish	7.00%	2.00%	6.00%	4.00%
17	Confectionery, mawa, milk cream	7.00%	2.00%	6.00%	4.00%
18	Unwrapped bread	3.00%	2.00%	6.00%	4.00%
19	Biscuits costing more than Rs16/- per kg	7.00%	2.00%	6.00%	4.00%
20	Biscuits costing not more than Rs16/- per kg	3.00%	2.00%	6.00%	4.00%
21	Ice cream	2.00%	2.00%	3.00%	4.00%
22	Jams & jellies, pickles, all sorts of farinaceous foods	7.00%	2.00%	6.00%	4.00%
23	Lard or edible animal fat	7.00%	2.00%	6.00%	4.00%
24	Fruit juices & all beverages	7.00%	2.00%	6.00%	4.00%
25	Glucose, dextrose or any fruit sugar, saccharin, food colours, malt extract, honey	7.00%	2.00%	6.00%	4.00%
26	Cocoa, cocoa beans & chocolate	7.00%	2.00%	6.00%	4.00%

Annexure 4
Octroi Rates in Selected Municipal Corporations of Maharashtra

S. No.	Articles	Greater Mumbai Corporation	Mira Bhayandar Municipality	Kolhapur Corporation	Malegao n Municipality
Class I-Articles of food & drink					
27	Oilman stores	7.00%	2.00%	6.00%	4.00%
28	Preserved provisions, baking or curry powder	7.00%	2.00%	6.00%	4.00%
29	All kinds of food or drink not specifically provided for, excepting whole milk, toned milk & skim milk powder	7.00%	2.00%	6.00%	4.00%
30	All kinds of essence	7.00%	2.00%	6.00%	4.00%
31	Cheese, condensed & preserved milk	7.00%	2.00%	5.00%	4.00%
32	Bread,	7.00%	2.00%	Rs 2.00 per 10 kg	4.00%
33	Meat-fresh or preserved	7.00%	2.00%	6.00%	4.00%
34	Curd	7.00%	2.00%	5.00%	4.00%
35	Papad, potato wafers	7.00%	2.00%	6.00%	4.00%
36	Chakka	7.00%	2.00%	6.00%	4.00%
37	Cakes	7.00%	2.00%	6.00%	4.00%
38	Preserved kirana articles, hing	-	2.00%	6.00%	4.00%
39	Whole milk, toned milk or skimmed milk powder	E	per cent	5.00%	-
40	Dates (dry)	2.00%	2.00%	2.00%	0.50%
41	Dates (wet)	2.00%	2.00%	2.00%	0.50%
42	Grass, straw, bhusa, tanus, bhas (fodder for horses), etc.	E	Rs 0.05 per 10 kg	Rs 0.10 per 10 kg	Rs 0.05 per 10 kg
43	Chuni, mouha, oil-cake including khandas of grain used for any purpose	E	Rs 0.05 per 10 kg	Rs 0.20 per 10 kg	Rs 0.05 per 10 kg
44	Oil seeds of all kinds	E	Rs 0.05 per 10 kg	Rs 0.10 per 10 kg	Rs 0.05 per 10 kg
45	Groundnuts & cotton seeds excluding those specified in Class III	E	Rs 0.05 per 10 kg	Rs 0.10 per 10 kg	Rs 0.10 per 10 kg
46	Edible oils to be used for manufacture of hydrogenated oils or vanaspati	-	0.05%	1.35%	2.00%
47	Bottled edible oils	-	0.05%	1.35%	2.00%
48	All other kinds of edible oils	-	0.05%	1.35%	1.00%
49	Ice	E	Rs 0.05 per 10 kg	Rs 0.10 per 10 kg	Rs 0.05 per 10 kg
50	All chemicals, chemical insecticides, surgical goods of all kinds	-	1.50%	4.00%	2.0%

Annexure 4
Octroi Rates in Selected Municipal Corporations of Maharashtra

S. No.	Articles	Greater Mumbai Corporation	Mira Bhayandar Municipality	Kolhapur Corporation	Malegaon Municipality
51	Cylinders filled with gas, physical & laboratory goods of all kinds, sterilised goods including cotton & cotton bandages, para, surma etc.	E	1.50%	4.00%	2.0%
52	Drugs & allopathic medicines, homeopathic, ayurvedic medicine etc.	E	0.50%	2.50%	2.0%
53	All sorts of vegetables,	E	Rs 0.05 per 10 kg	Rs 0.30 per 10 kg	Rs 0.05 per 10 kg
54	Dry chillies, onions, turmeric etc.	E	Rs 0.05 per 10 kg	Rs 0.10 per 10 kg	Rs 0.10 per 10 kg
55	All kinds of fresh fruits	E	Rs 0.05 per 10 kg	Rs 0.30 per 10 kg	Rs 0.12 per 10 kg
56	Coconuts	E	Rs 1.00 per 100 P	Rs 2.00 per 100 P	Rs 1.00 per 100 P
57	All kinds of Indian sweets, breads, bari	-	Rs 1.00 per 10 kg	6.00%	2.00%
58	Fishes of all kinds dead or alive,	E	E	Rs 0.30 per 10 kg	Rs 0.60 per 10 kg
59	Eggs	E	E	Rs 2.00 per 100 P	Rs 1.00 per 10 kg
60	Fresh meat	E	E	Rs 0.30 per 10 kg	Rs 1.00 per 10 kg
61	All kinds of dried meat	E	-	Rs 0.25 per 10 kg	-
62	Fowls, ducks & other game birds	E	Rs 0.25 per 10 kg	Rs 0.10 per head	Rs 0.10 per head
63	Wild beasts	E	Rs 2.00 per 10 kg	E	Rs 1.00 per head
64	Betal leaves	E	Rs 0.20 per 10 kg	Rs 0.50 per 10 kg	Rs 0.20 per 10 kg
65	Betal nuts	E	2.00%	3.00%	2.00%
66	Cardamoms, nutmegs etc.	-	2.00%	3.00%	2.00%
67	Kirana articles not specified elsewhere including <i>aijwan, kalmi, gullal, jira, dalchini</i> , eating soda, <i>hing</i> etc.	-	2.00%	1.00%	2.00%
Class II- Animals					
68	Sheep, goats, lambs & kids	1.00%	Rs 1.00 Each	Rs 0.50 per head	Rs 1.00 per head
69	Oxen, cows, buffaloes, calves, horses & donkeys	1.00%	Rs 1.50 Each	Rs 2.00 per head	Rs 2.00 per head
70	Domestic pets such as dogs, cats, parrots etc.	E	Rs 1.50 Each	E	Rs 0.50 per head

Annexure 4
Octroi Rates in Selected Municipal Corporations of Maharashtra

S. No.	Articles	Greater Mumbai Corporation	Mira Bhayandar Municipality	Kolhapur Corporation	Malegaon Municipality
71	Pigs	1.00%	Rs 1.50 Each	Rs 0.50 per head	Rs 2.00 per head
72	Camels & elephants	E	Rs 2.00 Each	E	Rs 5.00 per head
Class III- Articles used for fuel, lighting, washing etc.					
73	Charcoal,	0.50%	2.00%	Rs 0.05 per 10 kg	Rs 0.05 per 10 kg
74	Coal & coke	0.50%	2.00%	4.00 per cent	3.00%
75	Crackers, fireworks etc, calcium carbide & safety fuses	7.00%	3.00%	6.00%	3.00%
76	Chandeliers & articles for electric or gas lighting	6.00%	2.00%	3.50%	2.00%
77	Chimneys & electric bulbs costing more than Rs 50/- each	6.00%	2.00%	3.50%	2.00%
78	Chimneys & electric bulbs costing not more than Rs 50/- each	3.00%	2.00%	3.50%	2.00%
79	Boot & metal polish	3.00%	2.00%	4.00%	2.00%
80	Washing soap & bath soap costing more than Rs1.25 per cake	3.00%	2.00%	3.00%	2.00%
81	Washing soap & bath soap costing not more than Rs1.25 per cake	2.00%	2.00%	3.00%	2.00%
82	Potash, ritha, soda, alum etc.	4.00%	1.00%	3.00%	2.00%
83	Oil seeds of inedible oils	2.00%	2.00%	3.00%	2.00%
84	Inedible vegetable oils	3.00%	1.50%	3.00%	2.00%
85	Methyled & denatured spirits & industrial alcohols	6.00%	2.00%	4.00%	2.00%
86	Mineral oils of all sorts, white oil, petroleum products, Fevicol excluding kerosene & crude oil	1.00%	5.25%	4.25%	2.00%
87	Furnace oil	1.00%	5.25%	4.25%	2.00%
88	Crude oil	1.00%	0.60%	4.00%	Rs 2.00 per 10 litre
89	Grease & petroleum jelly	4.00%	2.00%	4.00%	2.00%
90	Liquid petroleum gas for domestic use	-	1.00%	3.00%	Rs 1.00 per piece
91	Liquid petroleum gas for industrial use	-	1.00%	3.00%	Rs 1.00 per piece
92	All kinds of petrol & diesel	1.00%	5.25%	4.25%	2.00%
93	Kerosene	E	0.50%	1.00%	Rs 1.00 per 10 litre

Annexure 4
Octroi Rates in Selected Municipal Corporations of Maharashtra

S. No.	Articles	Greater Mumbai Corporation	Mira Bhayandar Municipality	Kolhapur Corporation	Malegaon Municipality
94	All kinds of lubricating oils	1.00%	5.25%	4.25%	2.00%
95	All kinds of inedible fats, tallow, lards, etc., not used as food	—	2.00%	2.00%	2.00%
96	Chemicals of all sorts, sodium, caustic soda, acids of all kinds of salomoniac, borax, sizing flour etc.	—	3.00%	4.00%	2.00%
97	Candles, match boxes,	—	2.00%	3.00%	2.00%
98	Other articles for gas or lighting not provided elsewhere, iron & their spare parts	—	2.00%	3.00%	2.00%
99	Fire wood	E	Rs 0.10 per 10 kg	Rs 0.10 per 10 kg	Rs 0.05 per 10 kg
100	Padpa & cinder	—	Rs 0.10 per 10 kg	Rs 0.10 per 10 kg	Rs 0.05 per 10 kg
Class IV- Articles used in construction & articles made of wood or cane					
101	Cement of all sorts	1.00%	2.50%	3.50%	3.00%
102	White cement	1.00%	2.50%	3.50%	3.00%
103	Coal tar, asphalt, bitumen etc.	3.00%	2.50%	4.00%	3.00%
104	Clinker	1.00%	2.50%	4.00%	3.00%
105	Tiles, marble pieces, fire bricks, China mosaic chips etc.	4.00%	3.00%	5.00%	3.00%
106	Mangalore tiles	4.00%	3.00%	5.00%	3.00%
107	Bricks	4.00%	3.00%	3.00%	3.00%
108	Roofing tiles	4.00%	3.00%	3.00%	3.00%
109	Glazed bricks,	4.00%	3.00%	3.00%	3.00%
110	All kinds of farashing	4.00%	3.00%	5.00%	3.00%
111	Paints, distemper & colour washes, varnish etc.	4.00%	2.50%	5.00%	3.00%
112	Yellow earth & earth of any other kind except red earth	3.00%	Rs 2.00 per tonne	Rs 1.00 per tonne	Rs 0.05 per 25 kg
113	Metal rubble	3.00%	Rs 2.00 per tonne	Rs 1.00 per tonne	Rs 0.25 per truck
114	Sand, murum	3.00%	Rs 2.00 per tonne	Rs 1.00 per tonne	Rs 2.00 per tonne
115	Red earth	—	Rs 2.00 per tonne	Rs 1.00 per tonne	Rs 0.05 per 25 Kg

Annexure 4
Octroi Rates in Selected Municipal Corporations of Maharashtra

S. No.	Articles	Greater Mumbai Corporation	Mira Bhayandar Municipality	Kolhapur Corporation	Malegaon Municipality
116	Gravel	3.00%	Rs 2.00 per tonne	Rs 3.00 per tonne	Rs 2.00 per tonne
117	Glass, glassware, chinaware, enamelware etc. used for construction or decoration of building & sanitary fittings etc.	4.00%	2.50%	4.00%	3.00%
118	Roofing felt	2.00%	2.00%	5.00%	3.00%
119	Timber (not used for preparation of khokas), ballies, cane & articles made of them	6.00%	3.00%	5.00%	3.00%
120	Timber (used for preparation of khokas),	3.00%	3.00%	5.00%	3.00%
121	Doors, window frames, pegs, stair-cases	6.00%	3.00%	5.00%	3.00%
122	Sandal wood & articles made of such woods	6.00%	3.00%	5.00%	3.00%
123	Plywood, soft boards, hard boards etc.	6.00%	3.00%	5.00%	3.00%
Class V- Perfumes, toilet requisites, colours & household goods					
124	Hair oil, perfumed oils, scents, toilet requisites of all kinds, combs etc.	4.00%	2.00%	5.00%	3.00%
125	Scissors, razors, cutlery, needles, locks & keys, stoves, hardware etc	4.00%	2.00%	4.00%	3.00%
126	Laces, tapes, imitation jewellery, plastic goods, bakelite goods etc.	4.00%	2.00%	4.00%	3.00%
127	All kinds of furniture : wooden, iron, steel, cane etc.	—	3.00%	5.00%	3.00%
128	Umbrellas, Rain coats, hats & caps	—	2.00%	3.00%	3.00%
129	Incense sticks	4.00%	2.00%	5.00%	3.00%
130	Plastic pipes, polythene & P.V.C. pipes	—	—	—	—
131	Imitation ornaments	6.00%	2.00%	5.00%	3.00%
132	Toys of all kinds	3.00%	1.00%	3.00%	3.00%
133	Gold	0.50%	0.15%	Rs 3.00 per 10 gm	0.25%
134	Silver	0.50%	0.30%	Rs 3.00 per 1 kg	0.50%

Annexure 4
Octroi Rates in Selected Municipal Corporations of Maharashtra

S. No.	Articles	Greater Mumbai Corporation	Mira Bhayandar Municipality	Kolhapur Corporation	Malegaon Municipality
135	Ornaments & articles made of gold	0.50%	2.00%	Rs 3.00 per 10 gm	—
136	Ornaments & articles made of silver	0.50%	2.00%	Rs 3.00 per 1 kg	—
137	Other precious metals & ornaments & articles made thereof	—	2.00%	4.00%	3.00%
138	Crockery of all sorts	2.00%	2.50%	4.00%	3.00%
139	Glass & glassware, china & porcelainware, earthenware etc (excluding articles used for construction or decoration of buildings)	2.00%	2.50%	3.00%	3.00%
Class VI- Tobacco & tobacco requisites					
140	Cigar & cigarette holders, smoking pipes, tobacco cases, hukka, & smoking requisites	6.00%	3.00%	6.00%	3.00%
141	Cigarettes & cigars,	—	3.00%	6.00%	4.00%
142	<i>Bichora, fadi, sarsa, churapals</i>	—	2.00%	5.00%	2.00%
143	<i>Dhantal</i>	—	2.00%	5.00%	3.00%
144	Tobacco for manufacturing <i>bidis</i> & snuff & tobacco for eating purpose	—	Rs 1.00 per 10 kg	Rs 2.00 per 10 kg	2.00%
145	Bidis	—	2.00%	2.00%	2.00%
146	Snuff	—	2.00%	5.00%	4.00%
147	Bidi leaves	E	Rs 0.50 per 100 kg	Re 1.00 per 100 kg	Rs 0.10 per 12 kg
Class VII- Piece goods, cotton, yarn & thread of all sorts, starching & sizing materials, leather & articles of leather & rubber goods					
148	Piece goods of wool, silk, linen etc., artificial & synthetic materials etc., 100% cotton fabrics, readymade garments, hosiery goods etc made out of 100% cotton fabrics	2.00%	2.00%	3.00%	2.00%
149	Khadi & articles made thereof	2.00%	1.00%	—	—
150	Cotton ginned	3.00%	Rs 2.00 per 50 kg	1.50%	Rs 1.00 per 50 kg
151	Cotton unginned	0.00%	Rs 2.00 per 50 kg	1.50%	Rs 2.00 per 100 kg
152	Cotton waste, yarn waste & hard waste	2.00%	Rs 2.00 per 50 kg	1.50%	Rs 4.00 per 50 kg

Annexure 4
Octroi Rates in Selected Municipal Corporations of Maharashtra

S. No.	Articles	Greater Mumbai Corporation	Mira Bhayandar Municipality	Kolhapur Corporation	Malegaon Municipality
153	Raw or unspun wool, hemp, jute, coconut & other fibres, & rope & articles made thereof	2.00%	2.00%	3.00%	1.50%
154	Yarn & thread of all sorts	1.00%	2.50%	2.50%	1.80%
155	Starches of all sorts, sago rice & flour, sizing oils etc.	2.00%	2.00%	3.00%	3.00%
156	Hides & skins	2.00%	2.00%	3.00%	3.00%
157	Leather, including harness, saddles, bags, shoes etc	2.00%	2.00%	4.00%	3.00%
158	Kolhapuri chappals	—	—	3.50%	—
159	Rubber tyres & tubes (not required for bicycles & BEST undertakings)	4.00%	3.00%	1.00%	3.00%
160	Rubber tyres & tubes (required for bicycles & BEST undertakings)	2.00%	2.00%	1.00%	3.00%
161	Rubber, rubber goods, gatta purcha & articles made thereof, etc.	1.50%	2.00%	3.00%	3.00%
162	Raw rubber, latex	1.50%	2.00%	3.00%	3.00%
Class VIII- Metals & articles made of metals					
163	Iron & steel	2.50%	2.00%	2.50%	3.00%
164	Pig iron	2.50%	2.00%	2.50%	3.00%
165	Blooms, billets & slabs	2.50%	2.00%	2.50%	3.00%
166	Structural - joints	2.50%	2.00%	2.50%	3.00%
167	Channels	2.50%	2.00%	2.50%	3.00%
168	Angles - equal or unequal	2.50%	2.00%	2.50%	3.00%
169	Bulbs or toes	2.50%	2.00%	2.50%	3.00%
170	Light rails	2.50%	2.00%	2.50%	3.00%
171	Fish plate for light rails	2.50%	2.00%	2.50%	3.00%
172	Shell, steel ingots, blooms, billets & bars	2.50%	2.00%	2.50%	3.00%
173	Black or galvanised sheets, plain or corrugated	2.50%	2.00%	2.50%	3.00%
174	Plates, ordinary mild steel including boiler & high tensile ship building or bullet proof	2.50%	2.00%	2.50%	3.00%
175	Bars, rods	2.50%	2.00%	2.50%	3.00%
176	Bolts, nuts, washers, rivets etc.	2.50%	2.00%	2.50%	3.00%
177	Wire barbed, telegraph or other kinds of black or galvanised	2.50%	2.00%	2.50%	3.00%
178	Wire nails	2.50%	2.00%	2.50%	3.00%
179	Spring steel, vehicular or flat bars	2.50%	2.00%	2.50%	3.00%
180	Hoops & strips	2.50%	2.00%	2.50%	3.00%

Annexure 4
Octroi Rates in Selected Municipal Corporations of Maharashtra

S. No.	Articles	Greater Mumbai Corporation	Mira Bhayandar Municipality	Kolhapur Corporation	Malegaon Municipality
181	Pipes	2.50%	2.00%	2.50%	3.00%
182	Bentonide powder, asbestos packing sheets, graphite powder etc.	—	—	3.00%	—
183	Iron & steel - scrap	2.50%	Rs 25.00 per Tonne	1.00%	25.00 / 2.00%
184	Iron & steel - any other articles manufactured from iron & steel other than cutlery, hardware & machines etc not specifically provided for	2.50%	2.00%	3.00%	3.00%
185	Machinery & their components & spares	2.00%	3.00%	3.00%	2.00%
186	Electric machinery for generation transmission & distribution, motors & generators & their component & spares	2.00%	3.00%	3.50%	2.00%
187	Electric goods including cells, batteries etc.	2.00%	3.00%	3.50%	2.00%
188	Electrical fittings & materials	2.00%	3.00%	3.50%	2.00%
189	Electrical domestic appliances	2.00%	3.00%	3.50%	2.00%
190	Electrical machinery of all kinds, dynamos, transformers etc.	2.00%	3.00%	3.50%	2.00%
191	Agricultural machinery & parts	2.00%	3.00%	3.50%	2.00%
192	Oil engines, diesel engines, steam engines etc	2.00%	3.00%	3.50%	2.00%
193	Tools of all kinds	2.00%	3.00%	3.50%	2.00%
194	Printing press machines & spares	2.00%	3.00%	3.50%	2.00%
195	Other machinery, its components & spares not provided for specifically	2.00%	3.00%	3.50%	2.00%
196	Vehicles				—
197	Motor cars, lorries & chassis (not required by the BEST undertaking)	4.00%	3.00%	1.00%	4.00%
198	Chassis (required by the BEST undertaking)	3.00%	3.00%	0.20%	4.00%
199	Three wheelers	4.00%	3.00%	1.00%	4.00%
200	Two wheelers	4.00%	3.00%	1.00%	4.00%

Annexure 4
Octroi Rates in Selected Municipal Corporations of Maharashtra

S. No.	Articles	Greater Mumbai Corporation	Mira Bhayandar Municipality	Kolhapur Corporation	Malegaon Municipality
201	Bicycles, parambulators, carriages etc.	2.00%	3.00%	2.00%	2.00%
202	Spare parts of all kinds of vehicles	—	3.00%	3.00%	2.00%
203	Instruments, apparatus etc.	4.00%	—	—	per cent
204	Sewing machines, clocks & watches & typewriters & their spares	4.00%	3.00%	2.00%	4.00%
205	Radios, radiograms, television sets, wireless goods, musical instruments etc.	4.00%	3.00%	4.00%	4.00%
206	Photographic machinery, photo goods & materials etc.	4.00%	3.00%	4.00%	4.00%
207	Cine projection machinery, their components etc.	4.00%	3.00%	4.00%	4.00%
208	Surveying apparatus	4.00%	2.00%	4.00%	4.00%
209	Scientific appliances	4.00%	2.00%	4.00%	4.00%
210	Optical goods, their spares, surgical instruments, hospital requirements etc.	4.00%	2.00%	3.00%	4.00%
211	Mill & gin stores including crucibles, cotton & ropes	4.00%	2.00%	3.00%	2.00%
212	All kinds of apparatus, appliances & spares	4.00%	2.00%	4.00%	2.00%
213	Non-ferrous metals like brass, copper, tin etc., their alloys, wires, sheets, ingots & circles	2.50%	2.00%	3.00%	3.00%
214	Circles	2.50%	2.00%	3.00%	3.00%
Class IX- Miscellaneous					
215	Dyes, tans, indigo & all colouring matter including printing paste & inks	2.00%	2.00%	5.00%	2.00%
216	Paper	3.00%	per cent	per cent	—
217	Newsprint,	3.00%	1.50%	1.00%	2.00%
218	Cardboards, strawboards, grayboards & millboards	3.00%	2.00%	3.00%	2.00%

Annexure 4
Octroi Rates in Selected Municipal Corporations of Maharashtra

S. No.	Articles	Greater Mumbai Corporation	Mira Bhayandar Municipality	Kolhapur Corporation	Malegaon Municipality
219	All kinds of paper of whatever composition & thickness	3.00%	2.00%	3.00%	2.00%
220	Lac & cork & articles made thereof	2.00%	2.00%	3.00%	2.00%
221	Sculptured articles of wood, stone, clay etc., other articles & earthenware	4.00%	2.00%	4.00%	2.00%
222	Chinaware, porcelainware & electric insulators not specified earlier	2.00%	2.00%	4.00%	2.00%
223	Cinema films, all films raw,	4.00%	Rs 5.00 per 300 M	Rs 2.00 per 300 M	Rs 25.00 per 300 M
224	Cinema films processed & reels	4.00%	Rs 3.00 per 300 M	Rs 3.00 per 300 M	Rs 0.50 per 300 M
225	Roll films	-	Rs 0.50 per Roll	-	-
226	Molasses	1.00%	Rs 2.00 per tonne	Rs 30.00 per tonne	Rs 2.00 per tonne
227	Chemical manures	-	Rs 1.00 per tonne	0.25%	Rs 1.00 per tonne
228	Scrap of iron & steel & other metals	-	-	2.00%	-
229	Goods not included in any of the above items & not specifically exempted	2.00%	1.50%	4.00%	1.50%

Annexure 5

**List of the Articles Exempt from Octroi
in Greater Mumbai Corporation**

Under the provisions of section 192(6) of the *Bombay Municipal Corporation Act, 1888*, the items given in schedule H-1 are exempt of octroi. Schedule H-1 includes the following items:

1. Books and periodicals including almanacs, *panchangs* and timetables for passenger transport services, catalogues, all publications meant for publicity, goods, services and articles for commercial purposes, postcards, account books, diaries, calendars, office files and documents, answer books (blank or used), tags, wedding cards, greeting cards, invitation cards, picture-post cards, cards for special occasions, visiting cards, photo albums, stamp albums made of paper, playing cards and newspapers.
2. Poultry eggs and flesh of poultry.
3. Cattle-feed including fodder, concentrates meant exclusively for cattle, cotton seeds, oil cake, feed supplements and *mahua* flowers.
4. Chillies, turmeric, *dhania*, *methi* or *suva*, whole or powdered, tamarind seeds whole or separated.
5. Coconut in shell, separated kernel of coconut and copra.
6. Bidi leaves.
7. Electricity.
8. Fertilizers and manures including chemical manures.
9. Firewood, bamboo and articles made of bamboo except toys.
10. Fish, fresh and dry, and fish oils.
11. Fresh flowers, fresh vegetables, potatoes, sweet potatoes, elephants foot (yam), ginger, onions, garlic, fresh fruits and betelnut.
12. Life saving drugs.
13. *Pan*, *tambul*, *vida* or *patti*, prepared from betel leaves.
14. Plantain leaves, palas leaves, patraval, dron.
15. Salt.

16. Silk worm eggs and silk worm cocoons.
17. Slates, chalk-sticks and crayons, exercise and drawing books, lead pencils, orreries and their parts, fountain pens, ball pens, stylograph pens, propelling pencils and refills.
18. Sugar cane.
19. Water-mineral, medicinal, distilled or demineralised waters, water for injection, and plain *acqua* excluding aerated water.
20. Oil seeds of edible oils and edible oils.
21. Flower seeds, fruit seeds, vegetable seeds, seeds of lucerne and other fodder grass, seeds of the *sanna*, hemp, bulbcorns, rhizomes, suckers and tubers (including edible tubers), bud grafts, cuttings, grafts, layers, seedlings and plants.
22. Poultry feed and concentrates exclusively meant for poultry or other birds.
23. Safety matches (excluding matches ordinarily used as fire works).
24. Medicines excluding tooth powder or tooth paste, cosmetics, toilet requisites and soaps, whether used as medicine or otherwise, blood and herbal drugs.
25. Sports goods, gymnasium goods, marbles, pebbles and musical instruments.
26. Insecticides excluding oils used as insecticides, pesticides, fungicides and weedicides.
27. Aeroplanes of all kinds including helicopters and components, parts and accessories of any of them.
28. Arms including rifles, revolvers, pistols, airguns, air pistols, air rifles and ammunition thereof and components, parts and accessories thereof.
29. Ice and dry ice.
30. *Ganja*, *bhang*, *charas* and opium.
31. Mica, graphite and activated earth.
32. Fowls of all sorts, ducks and birds.
33. Human hair and animal hair.
34. Mercury.
35. All animals, wild beasts, domestic pets except those to which entries 11, 12 and 13 of Schedule H apply.
36. Animal bones, horns and hooves.

37. Currency notes and coins.
38. Bee wax, baby berry wax and wax excluding petroleum wax.
39. Brooms.
40. Vitamins.
41. Whole milk, toned milk, and skimmed milk powder.
42. Kerosene.
43. Red earth.

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ABOUT THE BOOK

The study attempts to investigate the implications of the tax system on the competitiveness of domestic producers in the domestic as well as international markets.

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