Policy Paper No. 7

SWITCHOVER TO ADVALOREM OCTROI RATES AT DRY PORTS

SOCIAL POLICY AND DEVELOPMENT CENTRE

Policy Paper No. 7

SWITCHOVER TO ADVALOREM OCTROI RATES AT DRY PORTS

By

Aisha Ghaus-Pasha
M. Asif Iqbal
Naveed Hanif

1994

Social Policy and Development Centre

SWITCHOVER TO ADVALOREM OCTROI RATES AT DRY PORTS

LIST OF TABLES

INTRODUCTION

A casual analysis of octroi on international imports reveals the striking difference in the level and buoyancy of revenues by region. That is, the level and buoyancy of octroi (sea dues) in Karachi is vastly higher than that collected from the dry ports in the country. The basic question which emerges is whether this difference is due to the nature of tax base, that is, the type of imports cleared at these ports, or is it largely due to the regional difference in the administration and structure (level of rates, nature of levy etc.) of the tax?

The purpose of this report is to attempt an answer to this question. Specifically the objectives are as follows:

i) to review the structure of octroi at Karachi port and Lahore dry port and highlight major similarities/differences particularly with respect to the buoyancy of revenues, tax rates, the nature of levy and tax administration;

ii) to determine if the existing Karachi port structure can be replicated at the Lahore dry port;

iii) to derive the legal and administrative implications of the switchover to ad valorem structure at dry ports and analyse any implications on the pattern of movement of imported goods and on the location of economic activity; and finally

iv) to quantify the additional revenues that can be generated by such a switchover

CHAPTER ONE

REVIEW OF OCTROI STRUCTURE AT KARACHI PORT

1.1 GROWTH IN REVENUES

Octroi is the major source of revenue of local governments in Pakistan. In Karachi it constitutes over 80 percent of total revenue receipts. Trend in octroi revenue at Karachi is presented in Table 1.1. The table indicates that octroi revenue increased from Rs 50 million in 1971-72 to Rs 2850 million in 1992-93 at the rate of 21.2 percent per annum. Its revenue contribution, in terms of shares in total revenues, has increased from about 50 percent in 1971-72 to over 80 percent in 1992-93.

Bulk of this increase in due to a faster growth in sea dues as shown in table 1.2. Sea/air dues have shown a higher buoyancy than land dues. The former has increased at an average annual rate of about 25 percent while growth in the latter has been lower at about 15 percent. As a consequence the share of sea dues has increased from about 43 percent to 80 percent over the last two decades.

The significant growth of octroi revenues during the 70s and 80s in Karachi can be attributed to a number of factors. First, the buoyancy in international imports, of about 23 percent per annum, which constitutes the largest tax base for octroi, second, periodic escalations in octroi rates, third, the advalorem structure of tax for the major component of the tax (the sea dues), fourth, the administration of sea dues which minimises possibility of leakages and, finally, the

improvement in land dues administration through privatisation of collection to contractors. Strict supervision through the appointment of contractors has led to enhancement in revenues in land dues also. We discuss some of these factors in the subsequent sections.

1.2 THE RATE STRUCTURE

Octroi rates are specific in nature at inland post and ad valorem at the sea and air posts in Karachi. In the case of sea and air dues, these rates have been prescribed by Pakistan Customs Tariff (PCT) code number for different commodities. Eighteen rates ranging from 0.75 percent to 6.75 percent presently exist in the structure as shown in Table 1.3. The average rate is 2.43 percent. (see Table 1.4)

Rate applying on 56 PCT commodity groups (out of 97 commodity groups) ranges between 1.50 percent to 2.25 percent. Tax rates of 1.5 percent applies to 20 PCT chapters. These commodities include animal and vegetable products, food stuff, mineral and chemical products and base metals. Relatively higher rates have been specified for luxury goods like furniture and fixture, beverages, textile made-ups and footwear, arms and ammunition, jewellery, etc. However, the volume of import of such items is limited. The application of ad valorem rates to sea and air dues as opposed to the specific rates on land dues is one of the major factors responsible for the high level of buoyancy in revenues from the former. This raises the question as to whether it is possible to replicate the ad valorem rate structure to other international imports cleared at dry ports in other cities also. This could help in enhancing the built-in buoyancy of octroi revenues.

Octroi tax rates have increased a couple of times during the last decade or so. The most recent revison was done in 1992-93. On an average, rates were enhanced by 31.1 percent (see Table 1.5). Highest rate escalation has been in the case of luxury consumer goods. For example, maximum rate enhancement, has been in the case of precious stones and works of art antiques. Rates on some basic capital goods, like electrical machinery, boiler and other mechanical equipment, however, have been reduced by about 30 to 33 percent. In general most of the rates have been increased by about 50 percent. These include commodities like meat and fish, tobacco and manufactured tobacco; perfumes, cosmetics, silk, wood, cotton, glass and glassware etc.

1.3 COMMODITY-WISE COLLECTION

Commodity wise collection of octroi from sea dues in 1990-91 at Karachi is given in Table 1.6. The largest contributor to octroi revenue is chemical products with a share of about 18 percent of total octroi revenue. Next in importance are vegetable products, 13 percent; base metals and articles, 11 percent; machinery, 10 percent; animal and vegetable oil and fats, 9 percent; and textiles about 8 percent. These commodity groups together contribute Rs 1025 million, accounting for about 70 percent of total revenues.

1.4 ADMINISTRATION

Sea Dues are collected departmentally by Karachi Metropolitan Corporation even though the collection of land dues has been leased out to private contractors since 1978. Also, as already mentioned, the tax is collected on the basis of the value of consignment. The switchover from specific to ad valorem rates in the case of sea dues was made in 1973. No major administrative problems were confronted following the switchover. This was because, the value of a

consignment is reported in the bill of entry. The tax collector notes down the federal duty paid value of the consignment and charges a tax rate as per the tariff schedule provided to him. As such, the administration of the tax remains simple and allows minimum discretion to the tax collector. Also, the tax continues to be departmentally administered. Therefore, the problem of overcharging and harassment of tax payers, which is a problem in the case of land dues being collected by private contractors, has been minimised.

CHAPTER TWO

REVIEW OF OCTROI STRUCTURE AT LAHORE PORT

2.1 GROWTH IN REVENUES

Table 2.1 gives the trend of octroi revenue collection in Lahore from 1979-80 to 1991-92. Total octroi collection (from both land posts and dry port) grew at a modest rate of 11 percent per annum during the last twelve years, increasing revenues from Rs 137 million in 1979-80 to Rs 463 million in 1991-92. This growth rate is almost half of that of Karachi.

2.2 THE RATE STRUCTURE

Octroi rates in Lahore, both on land dues and dry ports, are specific in nature. These are low and have not been revised frequently resulting in the low buoyancy of revenues. Table 2.2 presents the minimum and maximum octroi rates on major commodity groups. In most commodities groups the rates are imposed on weight basis while in the case of capital goods like machinery, electrical equipments, vehicles etc. these are levied on per unit basis. These rates range from a minimum of Rs 0.01 per kg on some of the vegetable products to a maximum of Rs 0.4 per kg on textile goods. However, in the case of per unit basis levy, the rates vary from Rs 75 per piece on electrical goods to Rs 440 on vehicles etc. In general, octroi rates are relatively low on essential consumers goods like food stuff and vegetable products and on chemical products. While these are high in the case of commodities like textile products, base metals and vehicles etc.

2.3 COMMODITY WISE COLLECTION

Commodity-wise collection of total octroi for the year 1985-86 is given in Table 2.3. Jinswar revenue distribution for dry ports is not maintained. The largest contributor to octroi revenue is textile sector with a share of over 13 percent. Chemical products and pharmaceuticals also have a significant share of 10 percent, in total octroi revenue. Food items altogether contribute about 18 percent of revenues. Therefore, as compared to Karachi, the incidence of octroi revenues is likely to be more regressive in Lahore.

2.4 EFFECTIVE TAX RATE

Effective octroi rates (tax rate as percentage of consumer prices) for major commodity groups are presented in table 2.4. The table reveals that effective tax rates of octroi in Lahore are in general very low. These ranges from 0.02 percent in the case of chemical products (especially pharmaceutical products) to 1.21 percent in the case of food stuff, beverages and tobacco.

2.5 ADMINISTRATION

Collection of octroi at dry ports in Lahore, like in the case of land dues, is through private contractors. The tax is assessed on the weight of the consignment as reported in the bill of entry. The tax collecting officer notes down the type and weight of the consignment on his register and applies the tax rate as given in the octroi tariff schedule. As such, the administration of the tax is simple.

CHAPTER THREE

COMPARISON OF THE STRUCTURES AT KARACHI AND LAHORE PORTS

The last two chapters present a review of the octroi structure at Karachi and Lahore ports. Based on this we identify in this chapter the salient features of the structure in the two cities, highlighting major similarities and differences. These can then form the basis of our recommendations in the subsequent chapters.

3.1 SIMILARITIES

Table 3.1 summarises the important features of the octroi tax structure in the two cities. The point to note is the commonality of the collection basis in both the cities. The basic information about the consignment is obtained from the same document, the bill of entry, in both the cities. Also, the octroi staff involved in collection is limited, resulting in marginal costs of collection, of about 1 percent of revenues. Altogether, the tax in both the cities is simple and easy to administer. Simplicity in the tax administration is one of the major reasons for the success of the tax with local governments in Pakistan.

3.2 DIFFERENCES

Interestingly, despite the common basis of assessment, there is a vast difference in the buoyancy of the tax in the two cities. The primary reason for this is the nature of taxation and the tariff rates applied. Due to the specific nature of taxation in Lahore the element of automatic growth in octroi revenues due to inflation in international prices of imported goods is non-existent. This is not the case at Karachi port. Furthermore, rate escalations have been infrequent in

Lahore which has further exacerbated the low buoyancy of revenues. The consequence in that the effective tax rates are extremely low in Lahore, at about less than 1/2 a percent, compared to about 2.4 percent in Karachi. This difference in the effective rates has in fact led to distortions in economic activity. There is a perception that goods, particularly catering to consumer markets in the northern areas of the country, are now increasingly been cleared through dry ports instead of Karachi. Therefore it seems that there has been some distortion in economic activity due to the vast difference in the octroi tariff structures in the two cities.

Furthermore, a casual look at the tariff structures in the two cities also tend to suggest that revenues are more likely to be progressive in Karachi than in Lahore. The reason is that there is higher relative taxation of luxury consumer goods in Karachi than at Lahore.

In all, it appears that due to the difference in the tariff structure of octroi in the two cities, its incidence is more progressive and the buoyancy and quantum of its revenue collection is vastly higher in Karachi than in Lahore. Also, interestingly, application of ad valorem rate neither complicates the tax administration nor increases the collection costs of the local council in Karachi. Therefore, the major merit of the tax, its simplicity, remains in tact in the case of Karachi also. Therefore, on the whole, the structure of octroi in Karachi appears better in Karachi than its counterpart in Lahore.

CHAPTER FOUR

REGIONAL ANALYSIS OF THE IMPORT BASE

The regional pattern of international trade through Karachi port and the dry ports in Lahore and elsewhere in the country is presented in Table 4.1. The table shows that in 1992-93 out of the total national imports of Rs 259 billion, Rs 200 billion, 77 percent, was through the Karachi port. As such, Karachi continues to be the major clearing port of international imports into Pakistan. Dry ports[1] cleared about 23 percent of total imports, the bulk of which, over 18 percent, was through the Lahore dry port.

Commodity-wise distribution of imports through different ports shows that Karachi accounts for the bulk of imports of most commodities (see Table 4.2). Major commodities which have been diverted to the dry ports, primarily the Lahore dry port, include live animals and animal products (40 percent), plastic and rubber articles (47 percent), pulp of wood, paper and paper board (48 percent), textiles (55 percent), footwear/leather articles (60 percent), stone articles, plaster, cement, ceramics and glassware (42 percent), base metals and articles (49 percent) and wood cork, straw articles etc (95 percent). As already mentioned an important factor leading to this diversification is the high effective octroi rates at Karachi.

We next turn to a detailed commodity wise description of imports through different ports.

---

[1] Includes Port Qasim in Karachi and oil imports alongwith the nine dryports located at Hyderabad, Sukker, Multan, Faisalabad, Gujranwala, Sialkot, Lahore, Peshawar and Quetta.

4.1 COMMODITY-WISE IMPORTS THROUGH KARACHI PORT

Table 4.3 gives the commodity-wise share of imports through Karachi, Lahore and other dry ports. The table shows that the bulk of imports in Karachi are of intermediate goods[2] nature, equivalent to almost 47 percent of the total imports, while 43 percent fall in the capital goods category. Consumer goods account for only 10 percent of the total value of imports.

Major commodities in the intermediate good catagory include chemical products, with a share of 15 percent, mineral products and animal and vegetable fats, each accounting for over 8 percent, and base metals and articles, 7 percent. Major capital goods imported through Karachi port include machinery and electrical equipment, with a share of about 26 percent followed by spare parts of vehicles, aircrafts and vessels etc, equivalent to about 17 percent of total imports. The total contribution of individual consumer good items is small with vegetable products and textiles accounting for 75.4 of the total value of consumer goods imported.

4.2 COMMODITY-WISE IMPORTS THROUGH LAHORE DRY-PORT

Interestingly, the major category of imports through Lahore dry ports is also of intermediate goods, with a much higher share in the total than in Karachi. Intermediate goods account of about for 79 percent of the total value of imports cleared in Lahore. Consumer goods and capital goods account for relatively small shares of 21 percent and less than one percent respectively.

---

[2] Categorised into intermediate, capital and consumer goods commodities are as per the classification scheme of the National Tariff Reforms Commission.

The largest intermediate good item cleared through the dry ports is chemical products, with a share of 24 percent followed by base metal and articles and plastic and rubber articles accounting for about 22 percent and 13 percent of the imports respectively. Other major items with important revenue contributions are wood cork, straw articles and pulp of wood, paper and paper board.

Textiles is the most important commodity in consumer goods category cleared through the dry port. Its share in the total value of imports is about 13 percent. Vegetable products account for over 6 percent while other commodities have an nominal share in total import value.

On the whole, there are differences in the nature of imports cleared through differents ports in Pakistan. Lahore dry port clears a relatively higher share of intermediate goods, while the relative share of capital goods, imports cleared through Karachi is higher. However, if classified in board terms of final consumer goods and intermediate goods, the relative share of the two categories in both Karachi and Lahore are not very different. About 10 percent of imports into Karachi and 20 percent into Lahore are in the nature of final consumer goods.

CHAPTER FIVE

SCOPE OF SWITCHOVER TO AD VALOREM STRUCTURE AT DRY PORTS

One of the reasons for the growth of dry ports in the country has been the need to clear goods from customs as close to the point of consumption as possible. This has, however, led to a distortion in the rate structure of octroi across the country. Imports cleared at Karachi and retained for over 16 hours either for consumption within the city limits or for transfer to other parts of the country at a more convenient time pay octroi at ad valorem rates. Thus the tax appears to be substantially more buoyant than elsewhere in the country where the rates are specific (to weight or volume) in character. This, therefore, is inequitous as the effective tax rate on consumption or conversion outside Karachi is lower. This Chapter examines the feasibility of introducing a standardised octroi rate across the country on imports whether cleared at the sea/air ports of Karachi or at the dry/air ports in the rest of the country.

5.1 Legal Feasibility

The levy of octroi is governed by the Local Government Act or Ordinanace in each of the provinces. It authorises the imposition of an octroi either on ad valorem or a specific basis subject to approval by council. Thus, in law, there is no impediment to introducing an ad valorem structure. However, the rules framed under the Ordinance/Act initially suggested a model octroi schedule which was developed on the basis of a specific rate structure. Councils feel that the existence of such a schedule, which implicitly suggests a specific rate structure, acts as a restraint on them in opting for an ad valorem structure as neither the rules nor the legislation itself explicitly permit the adoption of an ad valorem structure. However, the

existence of an ad valorem structure in Karachi indicates that the legal problems are not insurmountable.

5.2 Impact on Location of Economic Activity

Discussions with trade and industry representatives suggest that in the event a uniform ad valorem structure is imposed on all imports, irrespective of point of clearance, there would be no visible impact on the location of economic activity. The main reason cited for this is that the share of octroi in the total value of goods produced is small. This is, however, more than offset by the advantages of having goods valued at custom barriers away from Karachi which do not have a presence of a fully equipped valuation office. The absence of such an office results frequently in under-valuation or wrong classification of consignments and thus the revenue from similar consignment of goods cleared at Karachi and elsewhere will always show a differential in favour of the dry ports.

5.3 Impact on Pattern of Movement of Imported Goods

For the very reasons stated in the preceding section, there would be no appreciable difference in the movement of imported goods. However, some change may occur in the goods cleared at Karachi and at Hyderabad. At present a relatively small fraction of goods meant for consumption at Karachi are destined for clearance at Hyderabad. After clearance from customs at Hyderabad, these goods are re-routed under an octroi transit pass arrangement to Karachi where they attract the specfic land due rates. The savings in the octroi paid more than offsets the double transport costs between Karachi and Hyderabad. Collusion between the importer, the revenue staff and the octroi staff could also increase this margin somewhat. There is need

to remove this distortion in the flow of goods through standardisation of octroi rates among different ports of entry.

5.4 Replicability of Karachi Sea/Air Due Rate Structure

To discourage any tendency in the relocation of economic activity and also the artificial movement of imported goods, it is advisable that a uniform rate structure be established for the country at large. As Karachi's octroi schedule has been examined at depth in the Metropolitan Resource Generation Study and revisions have been suggested for rationalising the same, we would advise the adoption of the suggested schedule for implementation at all inland customs barriers.

5.5 Acceptability of Switchover

It is expected that both trade and industry would argue forcefully against the introduction of an ad valorem structure. However, if cities are to have a built-in buoyancy in the tax base of the rate, then city and provincial urban managers (both the politician and the bureaucrat) would have to resist pressure from these vested interests. They would need to show to the citizens of each of these urban centres the myths surrounding the bogey of inflation resulting from the introduction of an ad valorem structure for octroi. Introduction of ad valorem rates will only remove the price differential in imported goods nationally. They would also need to show that the existing rate structure is weighted in favour of the upper income groups within the cities' residents.

5.6 Administrative Feasibility

We see no impediment to the introduction of the ad valorem structure. One of the principal tasks is the valuation and classification of items. Since both of these are already being done by the customs officials, the octroi staff will only have to look up the octroi rate applicable to the given consignment and calculate the octroi payable.

CHAPTER SIX

ADDITIONAL REVENUE GENERATION

Application of the Karachi octroi tariff structure to other dry ports yields substantially higher revenues than are currently generated. Table 6.1 presents the commodity-wise distribution of potential octroi revenues following switchover to ad valorem rates structure applied at Karachi. Total revenue potential is estimated be Rs 1.7 billion in 1992-93. As compared to this actual revenues generated are only about Rs 21 million. Therefore, a change in the tariff structure at the dry ports can lead to an additional revenue generation of Rs 1.5 billion.

Major beneficiaries of this additional resource mobilisation would be the local councils where dry ports are located namely, local councils of Lahore, Faisalabad, Multan, Gujranwala, Sialkot, Peshawar, Hyderabad, Sukker and Quetta. This, however, assumes that the tax base (i.e. the import base) at the dry ports will not contract following standardisation of octroi rates at all ports in the country. It is foreseeable that following standardisation distortions created by an artifically higher amount of imports being cleared at the dry ports due to the lower octroi rates may be eliminated. This implies that increasingly more imports will again be cleared at Karachi port which, in turn, implies that Karachi may share in the additional revenue gain from the switchover at the dry ports.

On the whole, a replication of the Karachi port's octroi structure to other dry ports in the country, which implies a switchover from specific to ad valorem structure and an escalation in effective tax rates, yields substantial increases in the level and buoyancy of revenues. It, therefore, appears that the spatial difference in the magnitude and growth of octroi revenues

accruing from international imports is not due to the difference in the import base at different locations. It is largely a function of the level and nature of rates levied and as such local councils where such dry ports are located can substantially enhance the revenues by adopting Karachi's octroi structure. It may again be reiterated that such a switchover not only leads to a quantum jump in revenues with higher future growth potential but also involves effectively no additional administration costs. The tax administration continues to be simple. Furthermore it leads to a reduction in distortions in economic activity and is likely to increase the overall progressivity of the octroi tax burden.

TABLE 1.1

OCTROI COLLECTION OF

KARACHI METROPOLITAN CORPORATION

[Rs in Million]

	Total Revenue Receipts	Octroi	% Share
1971-72	103	50	48.6
1972-73	111	56	50.5
1973-74	159	89	55.7
1974-75	189	117	61.8
1975-76	246	129	52.3
1976-77	254	154	60.8
1977-78	297	181	60.8
1978-79	384	241	62.8
1979-80	459	285	62.2
1980-81	550	330	60.0
1981-82	602	361	59.9
1982-83	892	592	66.3
1983-84	976	735	75.3
1984-85	1044	743	71.2
1985-86	1178	861	73.1
1986-87	1433	1117	77.9
1987-88	1545	1229	79.6
1988-89	1575	1404	89.1
1989-90	1883	1602	85.1

1990-91	2321	1830	78.9
1991-92	2363	2014	85.3
1992-93	3542	2850	80.5
ACGR (%)	**18.3**	**21.2**	

SOURCE: KMC Budgets.

TABLE 1.2

COMPOSITION OF OCTROI REVENUES IN KARACHI

	Sea Dues		Land Dues		Total	
	Rs. in Million	Share (%)	Rs. in Million	Share (%)	Rs. in Million	Share (%)
1971-72	22	43	28	57	50	100
1974-75	77	66	40	34	117	100
1990-91	1464	80	366	20	1830	100
ACGR (%)	**24.7**	**3.3**	**14.5**	**-5.3**	**20.9**	**-**

SOURCE:

Pasha, H.A. et. al. "City on the Brink" Research Report, Applied Economics Research Centre, University of Karachi.

Pasha, H.A., Ghaus, A. et. al. "Metropolitan Resource Generation Study" Research Report, Applied Economics Research Centre, University of Karachi.

TABLE 1.4

COMMODITY-WISE OCTROI RATE STRUCTURE OF SEA AND AIR DUES IN KARACHI, 1992-93

(%)

	Octroi Rate	
	Minimum	**Maximum**
Live Animals, Animal Products	2.00	2.25
Vegetable Product	1.50	2.75
Animal & Vegetable Fats, Oil, etc.	1.40	1.40
Food Stuffs; Beverages; Tobacco; etc.	2.25	4.50
Mineral Products	2.00	2.00
Chemical Products	1.40	3.40
Plastics & Rubber Articles	1.50	1.50
Hides & Skins etc.	2.25	3.40
Wood, Cork, Straw Articles etc.	1.15	2.25
Pulp of Wood, Paper & Paper Board	0.75	1.50
Textile	1.90	4.50
Footwear; Leather Articles; Artificial Flower	4.50	4.50
Stone Articles; Cement; Ceramics; Glassware	2.25	3.40
Precious Stones, Metals, Jewelllary etc.	6.75	6.75
Base Metals & Articles	1.50	1.50
Machinery; Elec. Equipments; etc.	1.00	1.15
Vehicles, Aircraft, Vessles, etc.	2.00	4.50
Optical, Photographic, Surgicals, Clocks	1.90	4.50
Arms & Ammunitions	4.50	4.50
Miscellaneous Manufactured Articles	2.00	5.60

S U M M A R Y

Octroi Rate	Number of PCT Chapters	Octroi Rate	Number of PCT Chapters
0.75	1	2.75	3
1.00	2	3.00	3
1.15	2	3.40	4
1.40	2	4.00	1
1.50	20	4.50	12
1.70	2	5.00	1
1.90	5	5.60	1
2.00	19	6.75	1
2.25	17		
2.50	1		

Average Rate = 2.43% Medium Rate = 1.50%

TABLE 1.5

AVERAGE PERCENTAGE INCREASE IN OCTROI RATES (SEA DUES) IN KARACHI [1986-1992]

[Percent]

Commodity Groups	
Live Animals, Animal Products	34.7
Vegetable Products	27.0
Animal & Vegetable Fats, Oil, etc.	23.9
Food Stuffs; Beverages; Tobacco; etc.	23.8
Mineral Products	33.3
Chemical Products	32.4
Plastics & Rubber Articles	32.7
Hides & Skins etc.	50.1
Wood, Cork, Straw Articles etc.	52.6
Pulp of Wood, Paper & Paper Board	0.5
Textiles	33.6
Footwear; Leather Articles; Artificial Flower	50.0
Stone Articles; Cement; Ceramics; Glassware	50.2
Precious Stones, Metals, Jewellary etc.	497.3
Base Metals & Articles	32.7
Machinery; Elec. Equipments; etc.	44.5
Vehicles, Aircraft, Vessels, etc.	63.5
Optical, Photographic, Surgical, Clocks	27.7
Arms & Ammunitions	50.0
Miscellaneous Manufactured Articles	29.6
TOTAL	**31.1**

SOURCE: Octroi Rate Schedules.

TABLE 1.6

COMMODITY-WISE COLLECTION OF OCTROI IN KARACHI 1990-91

(%)

Commodity Groups	Land	Sea	Total
Live Animals, Animal Products	2.1	0.6	0.9
Vegetable Products	18.7	13.4	14.5
Animal & Vegetable Fats, Oil, etc.	1.6	9.4	7.8
Food Stuffs; Beverages; Tobacco; etc.	4.3	6.7	6.2
Mineral Products	0.3	0.8	0.7
Chemical Products	7.5	18.0	15.9
Plastics & Rubber Articles	4.3	7.2	6.6
Hides & Skins etc.	2.2	0.4	0.8
Wood, Cork, Straw Articles etc.	2.4	0.3	0.7
Pulp of Wood, Paper & Paper Board	2.2	2.4	2.4
Textiles	36.4	7.9	13.6
Footwear; Leather Articles; Artificial Flower	0.8	0.1	0.2
Stone Articles; Cement; Ceramics; Glassware	3.8	1.4	1.9
Precious Stones, Metals, Jewellary etc.	0.0	0.0	0.0
Base Metals & Articles	4.5	11.1	9.8
Machinery; Elec. Equipments; etc.	1.9	10.2	8.5
Vehicles, Aircraft, Vessels, etc.	6.2	7.5	7.2
Optical, Photographic, Surgical, Clocks	0.1	1.6	1.3
Arms & Ammunitions	0.0	0.1	0.0
Miscellaneous Manufactured Articles	0.6	0.8	0.8
TOTAL	**100.0**	**100.0**	**100.0**
TOTAL OCTROI REVENUE (Rs in Million)	**366.0**	**1464.0**	**1830.0**

Source: Metropolitan Resource Generation Study, Research Report,

Applied Economics Research Centre, University of Karachi.

TABLE 2.1

TREND IN OCTROI REVENUE IN LAHORE

[Rs in Million]

Years	Revenue
1979-80	137.0
1980-81	163.0
1981-82	328.0
1982-83	328.0
1983-84	207.3
1984-85	228.1
1985-86	251.8
1986-87	269.7
1987-88	299.4
1988-89	332.2
1989-90	368.7
1990-91	396.6
1991-92	462.6
1992-93	511.0
ACGR %	**10.67**

SOURCE: NCRD Data base.

TABLE 2.2

COMMODITY-WISE OCTROI RATES AT LAHORE

[Rs per 100 kg]

		Maximum	Minimum
Live Animals, Animal Products	Per Kg.	0.044	0.132
Vegetable Product	Per Kg.	0.010	0.132
Animal & Vegetable Fats, Oil, etc.	Per Kg.	0.132	0.132
Food Stuffs; Beverages; Tobacco; etc.	Per Kg.	0.011	0.275
Mineral Products	Per Kg.	0.010	0.022
Chemical Products	Per Kg.	0.054	0.110
Hides & Skins etc.	Per Kg.	0.010	0.010
Wood, Cork, Straw Articles etc.	Per Kg.	0.011	0.022
Pulp of Wood, Paper & Paper Board	Per Kg.	0.044	0.044
Textile	Per Kg.	0.066	0.374
Base Metals & Articles	Per Kg.	0.055	0.132
Machinery; Elec. Equipments; etc.	Per Kg.	75.400	75.400
Vehicles, Aircraft, Vessels, etc.	Per Kg.	44.000	440.000

TABLE 2.3

COMMODITY-WISE COMPOSITION OF TOTAL OCTROI REVENUE IN LAHORE

[Percent]

Commodity	Collection
Food	
Wheat	2.4
Rice	0.8
Ghee/Edible Oil	2.4
Sugar	2.6
Fruits	5.0
Others	4.6
Drinks	0.2
Smoking and Chewing	3.0
Textile, Wearing, Clothing, etc.	13.3
Medical, Chemical, Pharmaceuticals	10.4
Lighting and Fuel	6.1
Building Material	5.1
Furniture and Fixtures	4.9
Iron, Metallurgical and Mechanical	7.2
Animal and Animal Products	7.4
Conveyance	5.2
Others	19.4
TOTAL	**100.0**

SOURCE: Pasha, H.A., Ghaus, A. et. al. "Municipal Finances in Pakistan", Applied Economics Research Centre, University of Karachi.

TABLE 2.4

EFFECTIVE OCTROI RATES
BY COMMODITY GROUPS AT LAHORE

[Percent]

	Maximum	Minimum
Live Animals, Animal Products	0.10	0.19
Vegetable Product	0.09	0.54
Animal & Vegetable Fats, Oil, etc.	0.50	0.61
Food Stuffs; Beverages; Tobacco; etc.	0.15	1.21
Mineral Products	0.07	1.05
Chemical Products	0.02	1.08
Hides & Skins etc.	0.11	0.11
Wood, Cork, Straw Articles etc.	0.06	0.64
Pulp of Wood, Paper & Paper Board	0.18	0.18
Textiles	0.08	0.50
Footwear, Feather Raticles; Artificial Flower, etc.	0.08	0.08
Stone Articles, Cement, Ceramic, Glassware	0.02	0.16
Base Metals & Articles	0.17	0.47
Machinery; Elec. Equipments; etc.	0.07	0.72
Vehicles, Aircraft, Vessles, etc.	0.14	0.31
Miscellaneous Manufactured Articles	0.23	0.23

TABLE 3.1

COMPARATIVE ANALYSIS OF OCTROI STRUCTURE AT KARACHI PORT AND LAHORE DRY PORT

	Karachi	**Lahore**
Buoyancy of Revenues	High	Low
Incidence of Revenues	Neutral/Progressive	Neutral/Regressive
Tax Rates	High	Low
Nature of Taxation	Ad-Valorem	Specific
Effective Tax Rate	High	Low
Collection Machinery	KMC Octroi	Private Contractor
Basis of Collection	Bill of Entry	Bill of Entry
Costs of Collection	Very Low	Low

TABLE 4.1

POINT OF ENTRY OF INTERNATIONAL IMPORTS INTO PAKISTAN: 1992-93

(Rs in Million)

Commodity Groups	Karachi[?]	Lahore	Others	Total
Live Animals, Animal Products	705	368	93	1166
Vegetable Products	8699	3048	769	12518
Animal & Vegetable Fats, Oil, etc.	18513	0	0	16513
Food Stuffs; Beverages; Tobacco; etc.	1247	306	77	1630
Mineral Products	17016	637	161	17814
Chemical Products	29829	11068	2793	43690
Plastics & Rubber Articles	8901	6264	1581	16745
Hides & Skins etc.	990	55	14	1059
Wood, Cork, Straw Articles etc.	365	5131	1295	6791
Pulp of Wood, Paper & Paper Board	4319	3225	814	8357
Textiles	6133	5944	1500	13577
Footwear; Leather Articles; Artificial Flower	22	26	7	55
Stone Articles; Cement; Ceramics; Glassware	1000	577	146	1722
Precious Stones, Metals, Jewellary etc.	112	23	6	140
Base Metals & Articles	13437	10235	2583	26255
Machinery; Elec. Equipments; etc.	51735	66	17	51817
Vehicles, Aircraft, Vessels, etc.	34350	0	0	34350
Optical, Photographic, Surgical, Clocks	3854	0	0	3854
Arms & Ammunition	45	0	0	45
Miscellaneous Manufactured Articles	545	0	0	545
GRAND TOTAL	**199817**	**46973**	**11853**	**258643**

[?] Excluding imports through Port Qasim and Liquid Imports.

SOURCE: Computer Bureau, Custom House, Karachi.

TABLE 4.2

SHARE OF DIFFERENT PORTS IN INTERNATIONAL IMPORTS INTO PAKISTAN, 1992-93

[Percent]

Commodity Groups	Karachi	Lahore	Others	Total
Live Animals, Animal Products	60.5	31.6	8.0	100
Vegetable Products	69.5	24.4	6.1	100
Animal & Vegetable Fats, Oil, etc.	100.0	0.0	0.0	100
Food Stuffs; Beverages; Tobacco; etc.	76.5	18.8	4.7	100
Mineral Products	95.5	3.6	0.9	100
Chemical Products	68.3	25.3	6.4	100
Plastics & Rubber Articles	53.2	37.4	9.4	100
Hides & Skins etc.	93.5	5.2	1.3	100
Wood, Cork, Straw Articles etc.	5.4	75.6	19.1	100
Pulp of Wood, Paper & Paper Board	51.7	38.6	9.7	100
Textiles	45.2	43.8	11.0	100
Footwear; Leather Articles; Artificial Flower	39.7	48.2	12.2	100
Stone Articles; Cement; Ceramics; Glassware	58.0	33.5	8.5	100
Precious Stones, Metals, Jewellary etc.	79.8	16.2	4.1	100
Base Metals & Articles	51.2	39.0	9.8	100
Machinery; Elec. Equipments; etc.	99.8	0.1	0.0	100
Vehicles, Aircraft, Vessels, etc.	100.0	0.0	0.0	100
Optical, Photographic, Surgical, Clocks	100.0	0.0	0.0	100
Arms & Ammunition	100.0	0.0	0.0	100
Miscellaneous Manufactured Articles	100.0	0.0	0.0	100
TOTAL	**77.3**	**18.2**	**4.5**	**100**

TABLE 4.3

COMPOSITION OF IMPORTS BY DIFFERENT PORTS IN PAKISTAN, 1992-93

[Percent]

	Karachi	Lahore	Total
CONSUMER GOODS	**10.7**	**20.7**	**13.0**
Live Animals, Animal Products	0.4	0.8	0.5
Vegetable Product	1.4	6.5	4.5
Food Stuffs; Beverages; Tobacco; etc.	0.6	0.7	0.6
Textile	3.1	12.7	5.3
Footwear; Leather Articles; Artificial Flower	0.01	0.1	0.02
Precious Stones, Metals, Jewelllary etc.	0.1	0.1	0.01
Optical, Photographic, Surgicals, Clocks	1.9	0.0	1.5
Arms & Ammunitions	0.02	0.0	0.02
Miscellaneous Manufactured Articles	0.3	0.0	0.2
RAW MATERIALS AND INTERMEDIATE GOODS	**46.2**	**79.2**	**53.7**
Animal & Vegetable Fats, Oil, etc.	8.3	0.0	6.4
Mineral Products	8.5	1.4	6.9
Chemical Products	14.9	23.6	16.9
Plastics & Rubber Articles	4.5	13.3	6.5
Hides & Skins etc.	0.5	0.1	0.4
Wood, Cork, Straw Articles etc.	0.2	10.9	2.6
Pulp of Wood, Paper & Paper Board	2.2	6.9	3.2
Stone Articles; Cement; Ceramics; Glassware	0.5	1.2	0.7
Base Metals & Articles	6.7	21.8	10.2
CAPITAL GOODS	**43.1**	**0.1**	**33.3**
Machinery; Elec. Equipments; etc.	25.9	0.1	20.0
Vehicles, Aircraft, Vessles, etc.	17.2	0.0	13.3

TOTAL	**100.0**	**100.0**	**100.0**

TABLE 6.1

POTENTIAL NATIONAL OCTROI REVENUE AT DRY PORTS, 1992-93

(Rs in Million)

Description of Goods	Value of Import	Total Value of Taxable Import	Proposed Average Tax Rate	Potential Octroi Revenue
Live Animals, Animal Products	461	535	2.60	11
Vegetable Product	3817	6221	1.77	144
Animal & Vegetable Fats, Oil, etc.	0	0	1.40	0
Food Stuffs; Beverages; Tobacco; etc.	384	554	2.86	16
Mineral Products	798	956	2.00	19
Chemical Products	13861	22218	1.95	442
Plastics & Rubber Articles	7845	13184	1.50	198
Hides & Skins etc.	69	71	3.02	2
Wood, Cork, Straw Articles etc.	6426	13364	1.80	299
Pulp of Wood, Paper & Paper Board	4038	6286	1.08	51
Textiles	7444	11851	2.78	239
Footwear; Leather Articles; Artificial Flowers	33	64	4.50	3
Stone Articles; Plater; Cement; Ceramics; Ceramics; Glassware; etc.	722	1214	2.63	29
Precious Stones, Metals, Jewelllary etc.	28	41	6.75	3
Base Metals & Articles	12818	20008	1.52	300
Machinery; Elec. Equipments; etc.	82	93	1.08	1
Vehicles, Aircraft, Vessles, etc.	0	0	2.94	0
Optical, Photographic, Surgical Inst. Clocks, Watches, Musical Inst.	0	0	2.80	0
Arms & Ammunition etc.	0	0	1.13	0
Miscellaneous Manufactured Articles	0	0	4.95	0
TOTAL	**58826**	**96657**	**2.43**	**1757**

TABLE 6.2

ADDITIONAL OCTROI REVENUE GENERATION FROM DRY PORTS IN PAKISTAN

[Rs in Million]

Years	Projected Revenues Gains[?]
1995-96	2869
1996-97	3561
1997-98	4421
1998-99	5487
1999-2000	6812
2000-01	8455
2001-02	10495
2002-03	13028

[?] Projected on the basis of the underlying income elasticity of imports of 1.079 in the country.