

CHAPTER - I

OCTROI

- A) Legal Provisions
- B) Trends in Octroi Revenue
- C) Observations - General  
Analysis  
Arrears Evasion

CHAPTER - I  
O C T R O I

A) PROVISIONS IN THE

MAHARASHTRA MUNICIPALITY ACT, 1965 :-

Octroi is levied by the municipalities with previous sanction of the State Government. Out of all taxes leviable by the municipalities, in actual practice only octroi is found to have been levied by all the municipalities in Maharashtra.<sup>1</sup> As an individual source

-----

1. A. Datta - Municipal quarterly Affairs Oct.-Dec. 1971  
P. 33.

of income, it brings the largest revenue yield to every municipality (explained in 'B').

Octroi limits are the limits of the municipal area. A person bringing into octroi limits any animal/goods/packages shall permit the officer appointed by Chief Officer to inspect, examine such articles or animals and communicate information and bills and if that person refused it, such officer can take articles before Executive Magistrate without any delay. A municipal council imposing any toll under the Act shall prepare Tables of tolls to be shown on demand.

Any person defrauding the Council, causes the introduction of such animal/goods into octroi limits, be punished with fine which may extend to 10 times the amount of octroi or Rs. 200/- whichever may be greater.

B) TRENDS IN OCTROI REVENUE :

Trends in Octroi Revenue for the period from 1980-81 to 1984-85 is given in Table No. 2.

TABLE NO. 2

TABLE SHOWING REVENUES FROM OCTROI

<u>Year.</u>	<u>Rs. Revenues from Octroi</u>
1980-81	8,72,330
1981-82	9,85,889
1982-83	13,18,440
1983-84	13,97,753
1984-85	14,03,760

Source :- (Annual Accounts - Gadhinglaj Nagar Parishad)

Income from octroi has been increasing year after year as can be seen in Table No. 2. ~~As~~ As compared with the total revenues of Gadhinglaj Nagar Parishad from 1980-81 to 1984-85 the percentage of octroi contribution in total revenue remained in the range of 25% to 30%. (Appendix - 1). In the year 1982-83 there was sharp increase in octroi proceeds. But in 4th and 5th year in the analysis growth rate was very slow. But as per experience in the collection in first 4 months of the year

1985-86. Authorities have estimated the octroi target at Rs. 15 lakhs for the 1986-87. Total employees in octroi and tolls collection is about thirty seven. Superintendent of octroi and other employees were interviewed for knowing the causes of increase in octroi in these recent years covered by the study.

REASONS FOR INCREASE :

1. Octroi covers the portion of total revenues from rates and taxes upto 3/4 of the total. Octroi and tolls rates are based on the prices of articles/animals/goods/packages/crop bags. There is steep rise in prices of the items in recent years so with this octroi proceed is also - increased.
2. In these years there has been steep rise in the import of goods in municipal area for sale or use.
3. There is increase in retail shops, small business, vehicles, trucks, tractors, so the ancillary goods and spare parts are also increasingly imported in municipal area.
4. There is sharp rise in the use of domestic and household goods like bicycles, radios, tape recorders, fans and semi-luxury goods by the

4. Contd...

citizens in municipal area. There is also perceptible rise in consumption of domestic goods due to rise in population which is again due to sugar-factory, milk dairy project, small businesses, rise in Government Offices, bank branches, schools etc.

C) OBSERVATIONS :

All the above factors caused sharp increase in the octroi revenue of Gadhinglaj Nagar Parishad. Some employees in octroi section were interviewed about their qualification, integrity, attitudes and working and inspection method of the invoices and bills supplied by the traders and weightage of goods etc. Following facts are found.

1. There is direct relation between rise in octroi revenue and rise in the prices of commodities/articles and importing of goods in municipal area.
2. Employees in octroi department are not trained in respect of estimating the quantity, weight, price and assessing the octroi rate. Qualification of all employees is below S.S.C.
3. Large quantity of goods are under-weighted and there is no criteria or any supervising method for correct weighing of goods due to pressure from payer of octroi and many other influences.

4. Employees collecting octroi are of biased mind. There are cases in which favourable octroi rate is levied when their friends, relatives, neighbourers or any other influential persons, who have brought goods in municipal area. In most of the cases octroi was not collected from above mentioned persons.
5. Inner reflection in employees is that near about twenty per cent of the total goods imported in municipal area are not levied upon an octroi.
6. Some articles/goods like gold, silver, ornaments, radios, pots, watches, books, medicines, cosmetics, cloths, tape-recorders, small spare parts, types are outside the control of supervision and hence not taxed. It is revealed that there are innumerable items which are purchased outside and brought in municipal area by many in-roads on which there are not octroi offices and hence totally omitted from the perview of octroi authority.

Interviews with some traders, truck-drivers importing goods and citizen purchasing goods outside for their use, were taken and following facts were revealed.

1. Inner reflection of traders is that more than 20% of the octroi is evaded per year.

2. For minimising the burden of octroi following tactics have been used by traders. This information is collected by friendly discussion with them.

(A) To show duplicate/false bills of the goods imported in municipal area.

(B) To understate the prices of articles.

(C) To underweight the bags, packages or to show the quantity less than actual quantity.

(D) To avoid to show bills or not to bring it with truck-load.

(E) To bring spare parts separately by passenger bus or to get down from buses outside the octroi limits and bringing in it by in-roads (black roads) where the octroi offices are not existing.

that  
It is also found/there is no attempt made to discover such facts from the octroi department.

3. Traders and truck drivers contend that octroi should be deleted from the tax-structure of local bodies on the following grounds.



3. (A) Due to stoppages for octroi payment there is delay for right time arrival of goods in the market and its effects would be on the prices causing losses which is more than the amount paid for an octroi. (Goods must be supplied at right time in market for getting price benefit.)

(B) Due to many stoppages for goods in transit say for example Bombay to Gadhinglaj or vice-versa - lowering speed of trucks - crossing speed breakers and again increasing speed and so many stoppages in each municipal area in transit causes :-

- i) high depreciation of types.
- ii) high consumption of diesel and petrol.
- iii) late arrival - departure.
- iv) possibility of breaking shock absorbers, at night due to speed breakers etc.
- v) above factors causes abnormal losses and ultimately leads to high transport cost.

In total it is more burdensome than burden of octroi they contend. Traders request that take octroi not at the market place but at the production place and facilitate economies in the marketing cost of goods to be sold.

4. There are always goods-in-transit e.g. Goods are sent from Bombay to Savantwadi via Gadhinglaj. Then there are many municipal area, at entrance octroi must be paid and at other exit octroi is to be refunded by municipal authority. It causes -

i) loss of time

ii) many times truck-drivers have not an amount with them to pay octroi which is refundable. For overcoming this problem some agents are working at entrance and at exit, to provide finance on commission basis. This business came into existence because ready finance is not available due to long procedure of sanctioning the bill by the firm owners who are sending and receiving the goods.

iii) If driver has money to pay octroi at entrance of municipal area, that amount is to be received back by driver at the place of exit, here also valuable time is lost due to communication and confirmation process between two octroi offices at entrance and at exit.

GENERAL ANALYSIS ABOUT OCTROI :

There is little exaggeration in saying that octroi constitutes the financial backbone of municipality of Gadhinglaj as it is major contributor in the total tax

revenue. In fact this is the only tax, yield from which keeps the civil services going on. Not only this, even day-to-day administration of the Gadhinglaj Municipality is run with the help of daily income from octroi duty. Despite the crucial importance of octroi, its administration has been far from satisfactory. There are certain malpractices connected with the administration of this tax (cited already) which have adversely affected the income from this source. Income from octroi can be substantially increased by eliminating them.

ARREARS :

Though octroi levy is generally meant to be made on the spot, it is also found that substantial arrears continue to exist in Nagar Parishad. On close scrutiny, several factors have been found to be responsible for arrears.

- i) Delay of Government Departments to clear the arrears outstanding against them.
- ii) Missing of transit passes.
- iii) Delay on the part of Collector to invoke the provisions of Land Revenue Act against defaulters whose cases are reported to them.

... 42/-

6554

A

- iv) Lack of proper and adequate supervision over collecting staff.
- v) Inability of the collecting staff to take prompt and timely measures for the recovery of tax, and
- vi) Delay in the write off of irrecoverable arrears.

Source :- (Interview with Chief Officer.)

The problem of collection of arrears demands serious attention of both the State Government and Nagar Parishad as opined by Tax Superintendent.

EVASION :

It is also found from interview that octroi duties are mostly evaded partly because of the inadequate and inefficient octroi collection machinery. Main cause of evasion is corruption among the octroi staff. Employees exercise considerable discretion in recovering octroi duty. They get petty monetary gains from imposters. (Taken from Annual Audit Report 1982-83 Para (X). It is usual to find the employees absent in octroi office or asleep. Evaders are not adequately penalised and it gives an encouragement. Employees are not well versed with the rules of Municipal Account Code (octroi). Nagar Parishad has not installed weigh bridges with the result that the weight of heavy trolley loads and truck loads is assessed on guess-work.