

The Rate Structure of Indirect Taxes in Pakistan

by

GHULAM MOHAMMED RADHU*

INTRODUCTION

The purpose of this paper is to examine the rate structure of indirect taxes in Pakistan with particular emphasis on the incentive aspects of the tax structure. It is a part of a series of studies to evaluate the impact of the fiscal system in Pakistan, which is being undertaken by the Fiscal and Monetary Section of the Pakistan Institute of Development Economics. The rate structure of indirect taxes, however, is only one of the many factors that influence the relative prices and relative profitabilities of industries. Direct controls, like the import-licensing system, exchange-rate policy, the export-bonus scheme, *etc.*, may in fact have greater impact on relative prices and on the pattern of investment than indirect tax rates. However, this paper examines the differential incentives provided by the rate structure of indirect taxes alone, assuming that the market is allowed to operate freely and that rate structure is the major factor influencing relative prices of industrial goods.

The traditional objectives of taxation policy have been confined largely to diverting sufficient resources to the government sector to match its expenditures. However, recent developments in fiscal thought have come to assign a more positive role to taxation policy in economic development, and the impact of the tax structure on the rate and direction of saving and investment is widely recognized. In Pakistan and other underdeveloped countries, in view of the inadequate coverage and administrative complexities of direct taxes, indirect taxes assume a particular significance.

The usual case for indirect taxes is that: *i*) they are relatively easy to administer; *ii*) they raise the costs of consumption relative to saving, hence saving is encouraged at the expense of consumption; and *iii*) since there can be different rates of indirect taxes for different commodities and different rates for imports, locally produced goods and exports, the indirect tax system is an

*The author is a Staff Economist at the Pakistan Institute of Development Economics. He is deeply indebted to Dr. Stephen R. Lewis, Jr., Research Adviser at the Institute, for his suggestions about the approach followed and for comments on earlier drafts. He is also indebted to Dr. Bruce Glassburner, Senior Research Adviser at the Institute, for his comments on an earlier draft and is grateful to Mr. Leonard De Souza for providing assistance in computations. Responsibility for errors, however, rests with the author.

instrument for creating differential incentives to particular industries in Pakistan and for encouraging exports and import substitution. The range of indirect taxes covered in this paper includes sales, excise, import, and export taxes, all levied by the central government.

There are three major sections in this paper. In Section II, we present a general description of the basic law and the rate structure of each tax separately. Some administrative and operational procedures are also discussed. Section III analyses the rates of indirect taxes according to two separate classifications. *First*, we examine the rate structure by industrial groups, classified in a manner similar to that being used by the National Statistical Council's working group on input-output statistics and by other studies in progress at the Institute. The second classification is by type of commodity, using Planning Commission-ECAFE definitions to divide commodities into various categories. We also discuss in Section III the differential incentives given to particular industries by the impact of the rate structure on relative prices. The final section examines the rate structure to see the extent to which it is consistent with the broader objectives of fiscal policy and with the stated aims of the government to promote certain types of industries. Some tentative suggestions are made in the final section for modifying the rate structure.

II: THE RATE STRUCTURE OF CENTRAL-GOVERNMENT INDIRECT TAXES

Sales Tax

The case for a general sales tax is that it is an elastic and dependable source of revenue. It is well suited for conditions in Pakistan and other developing countries, for it is able to reach those parts of population with incomes too low to be covered by income tax but who have nevertheless to be taxed for the purpose of raising tax revenue and restraining consumption expenditure. The virtue of the sales tax, it is usually argued, is that it widens the tax base, restrains consumption, and it falls on spending rather than on income and saving.

The power to impose a sales tax was granted to the provinces under the Government of India Act, 1935. It was first introduced in the undivided provinces of the Punjab and Bengal. The Punjab province adopted the multiple-point tax imposing a sales tax of 0.25 per cent at every stage of sale. Bengal chose to levy a single-point tax of three pies in a rupee, or 1.56 per cent, at the final stage of sale to the consumer or the unregistered dealer. In 1948, the tax was transferred from the provinces to the centre by an amendment to the Government of India Act, 1935. Since then, it has been administered by the centre, but the provinces are entitled to a share in the receipts.

The Pakistan General Sales Tax Act of 1948 originally imposed a multiple-point tax of 3.125 per cent (two pice per rupee) on every commercial transaction, with an exemption limit of Rs. 5,000. All dealers with an annual turnover exceeding Rs. 5,000 were subject to the tax. But in 1950, a sales-tax committee was appointed and, on the recommendations of the committee, the multiple-point tax was replaced by a single-point tax, which is levied as follows:

- i) in the case of goods imported into Pakistan at the time of clearance through the customs, payable by the importer;
- ii) in the case of goods produced, processed or manufactured in Pakistan at the stage of sale by the producers or manufacturers, payable by the producers or manufacturers;
- iii) on goods sold by the producers or manufacturers to licensed wholesalers, payable by the licensed wholesalers.

In the case of imported goods, the tax is payable on the duty-paid value of the goods¹. In the case of goods produced or manufactured in the country, the tax is payable on the sale price².

The standard rate of tax was 10 per cent from 1951 to 1960. It was raised to 12.5 per cent in July 1960; and in 1963, it was further raised to 15 per cent. Certain essential goods, notably most food articles, drugs and medicines, certain excisable items like tea, matches and tobacco, goods for educational purposes, such as newspapers and periodicals, and all capital goods are exempt from sales tax. Certain goods are taxed at reduced rates ranging from 3-1/8 per cent to 10 per cent. Some luxury goods, like articles of fur and skin, liquors, and silken goods, *etc.*, are charged at higher rates from 15 to 20 per cent. The original exemption limit under the Sales Tax Act of 1948 was an annual turnover of Rs. 5,000. In 1951, when the tax was changed from multiple point to single point, cottage industry was allowed an exemption upto Rs. 25,000. The exemption limit was raised to Rs. 36,000 in 1952 and to Rs. 60,000 in 1954. It was, however, brought down to Rs. 36,000 in 1959. Cottage industry³ was exempted from tax irrespective of the amount of turnover.

¹ Duty-paid value is the *c.i.f.* price of the goods *plus* the amount of customs duty levied thereon.

² 'Sale price' means with respect to excisable goods, the wholesale cash price charged by the manufacturer *plus* the amount of excise duty. In other cases, 'sale price' refers to the price before any tax is added, but includes provincial excise, if any.

³ Butt's book gives the following definitions of 'cottage industry' for the purpose of exemption: (a) "That it is basically an enterprise in which the owner combines in himself the function of the investor and the labourer; (b) that it is (i) wholly dependent on manual or animal labour and the number of workers employed therein on a single-shift basis does not exceed ten at any time during the year; or (ii) uses mechanical or electric power (such use not being its dominant feature) and the number of workers employed therein on a single-shift basis does not exceed five at any time during the year; (c) that the capital employed therein does not exceed ten thousand rupees at any time during the year." [1, pp. 148-150].

Excise Duties

In most developing countries, customs constitute the primary form of indirect tax. However, as domestic production of goods previously reached by customs increases, some use of excises becomes necessary in order to replace the customs revenue. The case for excise duties in Pakistan, as pointed out by the Taxation Enquiry Committee, is that: *i*) those domestic industries which have been developed under the protective wall of the tariff and quota system must be taxed in order to replace the customs revenue: *ii*) excise duties will enable the government to have a due share in the development of protected industries, and *iii*) excise duties will put a restraint on the growth of consumption. [13, p. 175.]

At present, there are twenty-nine excisable goods. In 1948, there were only fifteen items on which excises were levied. But as domestic industries developed, new items appeared on the list. Thus in 1957/58, for the first time petroleum products and jute manufactures were subjected to excise duty. The following year four more items were added. These were woollen textiles, electric fans, tanned leather, and paints and varnishes. In 1959/60, an excise was imposed on soap. Excises were levied on electric bulbs, polish and cream, cosmetic and toilet preparations in 1963.

The excise duties are specific, except on a few items, and are levied at the production point. The rates of excise are lower than corresponding customs duties, as would be expected. The differentials are maintained for the protection of domestic industry. In 1962/63, for example, the following differential rates applied.

	<i>Excise duty</i>	<i>Import duty</i>
Sugar (<i>per cwt</i>)	Rs. 7	Rs. 32
Tyres (<i>ad valorem</i>)	10 per cent	40 per cent
Cement (<i>ad valorem</i>)	15 „	50 „
Paints and varnishes (<i>ad valorem</i>)	10 „	35 „

The exemption limit for cloth production was twenty power-looms, that is, factories operating below this limit were exempted from excise. In 1959, this limit was lowered to five power-looms. For some industries, there is no exemption limit but the rates of tax vary with the size of daily output or with the value of the commodity. For instance, in the match-producing industry, there are separate rates for factories whose daily output is less than or greater than one hundred gross of boxes. The excise on manufactured tobacco varies with the value of the commodity. Thus, on cigarettes of which the value per thousand does not exceed ten rupees, the excise is one rupee per thousand, while on

cigarettes whose value exceeds twenty rupees but does not exceed twenty-six rupees, the rate of duty is twenty-two rupees per thousand.

Import Duties

In Pakistan, where a high percentage of all manufactured goods used in the country are imported, import duties constitute the main source of revenue. Import duties are levied for various purposes. The main consideration is revenue, but protection also plays a very important part. Other objectives of such levies are: easing balance-of-payments difficulties, checking consumption, and freeing foreign exchange for items of major importance for economic growth. Thus, in the rate structure of import duties in Pakistan, several principles play a part along with a considerable element of chance and tradition. Goods regarded as luxuries bear the heaviest duties; on such items rates range from one hundred per cent to three hundred per cent. Articles such as liquor, jewellery, cigarettes, musical instruments, silken cloth, perfumes and cosmetics, *etc.*, carry very heavy duties. Goods of widespread use and semi-luxuries are charged moderate rates, primarily as a source of revenue. Very low rates or complete exemption is given to goods regarded as *i)* basic necessities, *ii)* important to the general welfare (such as educational materials and medicines), *iii)* capital goods, or *iv)* raw materials used in agriculture and industry.

The Pakistan tariff schedule is a six-column tariff with preferential rates for the United Kingdom and other Commonwealth countries. The first column presents the statutory rate, and the second column presents the general concessional rates for all countries. For certain goods, there are concessional rates under the General Agreement on Tariff and Trade (GATT). Finally, there are preferential rates for certain goods from Ceylon or a British Colony, and from the United Kingdom and India. The schedule was relatively simple until 1959, with rates being listed only by major categories. However, after 1959 the breakdown became more detailed and complicated, and the number of items was increased from 549 to 1,372, with many subcategories.

The duties are *ad valorem* with a few exceptions. *Ad valorem* duties are more elastic than specific duties, since revenue from such duties varies proportionately with changes in prices. Import duties tend to be progressive because the more expensive varieties of the same commodity pay a higher duty. The duties are levied on *c.i.f.* prices. With *ad valorem* tariffs, the key to correct payment of duty is accurate valuation of the goods. In Pakistan, valuation of articles liable to *ad valorem* rates of duty is regulated by the provisions of Section 30 of the Sea Customs Act, 1878, which defines the "real value" for purposes of duty, as "the wholesale cash price, less trade discount, for which goods of the like kind

and quality are sold, or are capable of being sold, at the time and place of importation or exportation, as the case may be, without any abatement or deduction whatever, except of the amount of the duties payable on the importation thereof". [12, p. 23].

Export Duties

The Pakistan export-duty schedule is a two-column schedule, showing a statutory rate and a general concession for all countries. At present, four goods are subject to export duty. They are raw cotton, raw jute, fish, and cottonseed. In the past, export duties were levied on twelve items, *i.e.*, raw jute, raw cotton, raw wool, tea, hides and skin, bamboo, jute manufactures, rice, cement, fish, and cottonseed. Gradually duties were withdrawn from all but the remaining four. Duties on bamboo and cement were suspended in 1950, and that on raw wool in 1952. Raw hides and skins, and rice were exempted from duty in 1955, and duties on jute manufactures were suspended in 1953.

Export duties are specific except on cottonseed. From the administrative point of view, export duties are more acceptable than import duties in that both the variety and the complexity of goods exported are less than on the import side. However, due to their adverse effect on exports and on the internal prices of exportable goods, they cannot be relied upon as a major source of revenue.

III: DIFFERENTIAL INCENTIVES PROVIDED BY INDIRECT TAXES

There are different rates of duty for exports, imported goods, and locally produced goods for home market. We have presented a separate table for each category. In Table I, we have presented the rates of export duty for the years 1948-1963. Average duties on imported goods and locally produced goods have been shown in Tables II and III respectively. Average duties on imported goods means import duties *plus* sales taxes. Similarly, average duties on domestically produced goods means excises *plus* sales taxes. In the case of import duties, averages have been calculated on the basis of statutory rates or the rates chargeable as a result of general exemption for all countries, whichever applied. Other concessional rates chargeable under GATT or preferential rates for the United Kingdom and other Commonwealth countries have not been taken into consideration. The averages are simple arithmetic means. They have been calculated by adding all the rates of duties in each industry or category, divided by the total number of items in that category of the tariff schedule. In some cases where the mode has been found more representative than the mean, the mode has been taken as the "average". We have converted the specific excise duties into *ad valorem* in order to calculate the averages. The method adopted is as

follows: From the *Year Books* of the Central Statistical Office, we have taken the annual average wholesale prices for the excisable goods, and the rates of excises have been deducted from the wholesale prices in order to get a rough estimate of the cost prices. Then, we calculated the rates of excises as a percentage of the cost prices.

Export Taxes

Table I presents the rates of export duty for the years 1948-63. It is obvious from the table that export duties have gradually been abolished. By 1963, only five goods were subject to the export tax. In order to give further incentives for exports, most sales taxes on export goods were suspended in 1961. Thus, there is no sales tax on any export goods (domestically produced) other than ginned cotton [1, p. 19].

The present export duties on raw cotton and raw jute act as disincentives to the producers of these commodities. The tax reduces the earnings of the exporters and growers and, thus, has an adverse effect on the volume of exports. The imposition of an export duty on cotton and jute reduces the relative profitability of these commodities, and the production of competing crops like rice and sugarcane becomes more profitable [3]. Thus, diversion of resources takes place from the production of exportable goods towards food crops for domestic consumption. Moreover, to the extent that the export duty keeps domestic prices of raw jute and raw cotton lower than world prices, it is a kind of subsidy to domestic textile-industries. As raw cotton and jute are then available at lower prices and in larger quantities to the textile industries, the domestic prices of cotton textile and jute manufactures will be lower. This encourages domestic consumption of cotton and jute textiles, which results in a higher domestic absorption of raw cotton and raw jute.

Import Taxes

Table II shows average rates of duty on imported goods classified into thirty-two industrial groups for the years 1954/55 to 1962/63. Several facts are at once obvious. *First*, the highest average duties on imported goods are on consumption goods and the lowest are on capital-goods industries. For instance, in the year 1962/63 the average duty is 153 per cent on cotton, 200 per cent on manufacture of silk and art silk, 185 per cent on tobacco, 150 per cent on fabricated textiles manufactures not elsewhere classified (n.e.c.). Duties on heavy capital goods, however, are very low. The average duty on nonelectrical machinery is 12.5 per cent, on electrical machinery 22 per cent, 18 per cent on transport vehicles and equipment (except automobiles), and 16.5 per cent on basic metal industries. These averages, however, hide considerable variation in the rates

within an industry. Thus, in the case of the tobacco industry, the average duty ranges from 40 per cent on tobacco extracts and essences to 300 per cent on cigarettes. For silk and art silk, the rates vary from 44 per cent on raw silk to 320 per cent on silk fabrics, for footwear they range from 57 per cent on parts of footwear to 91 per cent on slippers and shoes, and for transport vehicles (except automobiles) zero to 40 per cent. In Table IV, we present the range of duties on imported goods in each industry for the years 1958 and 1962.

Second, there is an upward trend in the rate of duty. Though from 1954 to 1959 the average duties are more or less constant, we find a sudden upward shift after 1959. This rise is mainly the result of the recommendations made by Taxation Enquiry Committee⁴. The Committee proposed enhancement of the rate of import duties on most goods. Thus, the rise in the rate of duty in 1960/61 is partly due to the increase in import duty and partly due to the rise of the standard rate of sales tax from 10 per cent to 12.5 per cent. There are some minor changes in 1962, such as a fall in the average duty on chemicals from 47 per cent to 42 per cent.

Third, the absolute increase in the rates of duty are much more substantial in the case of consumption-goods industries than capital-goods industries. Thus, the average duty for cotton textiles rises from 76 per cent in 1958 to 153 per cent in 1962, an increase of seventy-seven percentage points. Similarly, there is an increase of eighty-eight, seventy-five and sixty-nine percentage points, for fabricated textile manufactures, silk and art silk, and manufactures of textile n.e.c. respectively. As regards capital-goods industries, though the percentage increase is significant and fairly comparable to the rise in consumption-goods industries, the absolute increase is not significant. For instance, average duty on nonelectrical machinery has risen from 5 per cent to 12.5 per cent, more than 100 per cent increase, but the absolute increase is only 7.5 percentage points.

Another subject of interest is the rate of duty on goods classified by end-use. Table VI shows the average duty on imported goods by types or end-use, of commodities. The classification is based on the Planning Commission-ECAFE definitions of consumption goods and for capital goods. We further classify the consumption goods into essentials, semi-luxuries, and luxuries, raw materials into unprocessed and processed, and capital goods into consumer durables and

⁴ The Taxation Enquiry Committee was appointed by the Central Government in 1957. and submitted its report in 1960.

Its interim report on Central-Government taxation was submitted in January 1959.

producer durables. These extensions made to the Planning Commission-ECAFE scheme are not based on any standard classification but on the author's judgement.

In this classification, too, we find the same picture. Luxury goods have been taxed most heavily. a relatively lower rate is levied on semi-luxury goods, and a still lower average rate applies to essential goods. Within raw materials, the average rate is distinctly lower for unprocessed raw materials and higher for processed materials, and it is slightly lower for raw materials mainly used in capital-goods industries than it is for raw materials used in consumption-goods industries. Machinery and other capital equipment bear the lowest rates, and household durables are heavily taxed among the capital goods. The rise in the rates of duty over time is most remarkable in luxury and semi-luxury goods. In other cases, the percentage point increase is not as significant.

Taxes on Domestic Goods

Table III shows the rate of duty on domestically produced goods, and comparison of Tables II and III shows the extent of inducement given for import substitution by the rate structure of indirect taxes. For all industries, the duties are considerably lower if produced domestically than if imported. The average duties on domestically produced goods remained below 20 per cent except on three or four industries. In Table II, we do not find any uniform trend in the rate structure. Some industries, like sugar, edible fat and oils, and food manufacturing, show a slight downward trend, while the matches, chemicals, and cement industries show an upward trend. In some cases, the rates are more or less constant. The reasons for the variation are *i*) excise duties are specific, so in spite of gradual increases in tax rates, the proportional burden of taxes remained constant or even declined as the general level of prices rose; and *ii*) exemptions from the sales tax were given to various commodities from time to time. For example, edible fats and oils (except vegetable ghee) were exempted from sales tax in 1960, and foods manufactured or produced by residential hotels and bakeries were also given complete exemption in 1960.

Comparison of Domestic and Import Taxes

In Table V, we present a comparison of Table II and Table III. Both the ratios of and the absolute differences between Tables II and III are given. Several facts clearly emerge from the combined table. *First*, the absolute differences in the rates of duty between imported goods and locally produced goods are highest for the textiles, tobacco and leather industries, and are lowest for heavy capital-goods industries like electrical and nonelectrical machinery, and transport vehicles and equipment (except automobiles). Consumers' durables and other capital goods, however, do have significant absolute differences.

Second, until 1959, or during the first rush of industrialization, most of the industries, except machineries and transport goods, exhibit more or less the same absolute differences, but after 1959 the consumption-goods industries show considerably higher absolute differences. The reason can be explained by the remarkable increase which took place in the rates of duty on imported consumption goods after 1960.

Third, the ratios of rates of duties on imported and domestic goods do not show much difference between industries and the capital-goods industries have ratios as high as consumption-goods industries. Thus, the proportional differences between rates of duty on imported goods and domestically produced goods are almost the same for all industries, though the absolute differences vary considerably.

These absolute differences and ratios reflect the degree of protection received by the domestic industries from the rate structure of indirect taxes. In terms of cost structure, they indicate the extent to which domestic cost of production can be higher than foreign cost of production. If the ratios and absolute differences in tax rates are quite large, then inefficient and high-cost domestic firms can still compete easily with efficient foreign firms in the home market. On the other hand, assuming domestic and foreign costs approximately equal, these ratios and absolute differences measure the extent of profit margin provided to domestic manufacturers by the rate of duty. The higher the ratios and absolute differences, the larger will be the profit margins or the more inefficient can be the domestic producers and still compete with imports.

The Rate Structure and Industrialization Policies

We have now before us a broad picture of the rate structure of indirect taxes in Pakistan. The rate structure presumably has an impact on the allocation of resources and pattern of investment. But the actual allocation of resources depends on many factors, such as the import-licensing system, exchange-rate policy, the export-bonus scheme, *etc.*, all of which affect relative prices and relative profitabilities. As a matter of fact, direct controls may have far greater impact on the relative prices of goods and relative profitability of industries than the rate structure of indirect taxes. Suppose, for example, that the imports of sewing machines are restricted "tightly". If the demand for sewing machines, considerably exceeds the limited supply at *c.i.f.* prices *plus* duties and "normal" markups, then the market prices of these machines will be much higher than import prices. No matter how low the duties on imported sewing machines, their internal prices will be much higher than "normal prices". As a result, domestic production of these goods may become very profitable, even though little

“protection” is given by the tariff structure. On the other hand, if the rates of duties on imported sewing machines are increased, but licences are issued liberally for the import of these goods, then the difference between internal prices and *c.i.f.* prices will be roughly equal to the amount of duty. Domestic production may not be as profitable in such a case.

Similarly, the exchange-rate policy and export-bonus scheme tend to distort the effect of rate structure on the relative profitability of industries. In short, when most major sectors of the economy are regulated by direct controls, changes in the rate structure may have negligible effects on the relative profitability of the industries⁵. However, as mentioned earlier in this paper, we deal with the differential incentive provided by the rate structure of indirect taxes alone, assuming that the market is allowed to operate freely and that rate structure is the major policy factor influencing relative profitability of different industries.

The high rates of duty on imported consumption goods make their local production very profitable. As the market is protected by high walls of tariffs, the competitive position of domestic industries improves and they expand under the shelter of protection. Thus, the greater protection given to finished consumption goods rather than to intermediate goods or capital equipment, encourages investment in the former industries. If the highest rates of duty are on “unessential” goods, these are the goods whose local production is most profitable. The imposition of heavy duties on luxury and semi-luxury goods is justified on the grounds of principle of equity and ability to pay, and the purpose is to discourage their import and consumption and to save foreign exchange for the import of more “essential” goods. But unless measures are taken to discourage their domestic production by heavy excise or sales taxes, this kind of rate structure only leads to import substitution in favour of “unessential” consumption goods⁶. The low rates of duty on imported capital goods, on the other hand, provide no incentive to produce these goods locally as the imported capital goods are relatively cheap and of good quality. Though capital goods bear no tax if produced locally, the import duties do not appear to be high enough to make domestic production profitable. No doubt, a substantial proportional increase in the rates of import duty on capital goods took place, but the rates are still quite low in comparison to that on consumption goods. Low import duties on capital goods are favoured on the ground that the prices of capital goods must be kept low in order to provide incentives for investment. But in Pakistan this argument

⁵ For a somewhat more extended discussion of this point, see, S.R. Lewis and S. K. Qureshi in [3].

⁶ This point was first raised in recent years by Ragnar Nurkse [5, p. 116].

is not likely to be true, as the demand for imported capital goods seems to exceed the supply considerably at *c.i.f.* prices *plus* import duties⁷. Actually, the demand for capital goods is a derived demand, as they are demanded because the goods they produce have great demand in the country. When the imports of consumption goods are discouraged by heavy duties, their domestic production becomes very profitable, and the demand for capital goods used in these industries rises sharply. The policy of maintaining low rates of duty on capital goods not only discourages domestic production of such goods, but also may tend to generate the profits of the industries receiving the imported capital goods. Moreover, it induces the local producers to adopt capital-intensive techniques of production. Similarly, there seems to be little justification for maintaining low rates of duty on raw materials for consumption goods, since it induces the local producers of consumption goods to use imported raw materials⁸.

Thus, the rate structure of import duties, excises, and the sales tax give a set of incentives that discourage import substitution in capital-goods industries. This kind of import-substitution strategy, as suggested by John H. Power [14] leads to "consumption liberalization". High tariffs (and other restrictions) on the imports of consumption goods not only curb imports, but also constrain consumption. However, as domestic production of consumption goods increases, these constraints no longer remain, and frequently domestic absorption of these goods exceeds what would have been absorbed if these consumption goods had continued to be imported. Therefore, a sort of automatic decontrol of consumption takes place which retards the rate of saving and, perhaps, the rate of growth.

A second aspect of such an import-substitution strategy is that, if specialization for the home market is not possible due to markets of limited extent, firms of uneconomic size may develop, in which case most of the value added in manufacturing industries becomes non-profit income, due to inefficiency and high cost of production of those firms. Due to these factors, this kind of strategy fails to develop a self-generating mechanism of industrial growth. Unless import substitution is extended to intermediate- and capital-goods industries, or unless exports are promoted, the pace of industrial development slows down as the domestic-market limits are reached. Development of capital-goods industries is necessary to meet the growing requirements of capital goods, as well as to reduce pressure for greater domestic absorption of consumption goods [14].

⁷ Matlal Pal, a Staff Economist at the Institute, is working on this problem in a study of the determinants of rupee prices of imported goods. Preliminary investigations are quite consistent with this hypothesis. The results of his study will be available shortly.

⁸ For additional elaboration of this argument, see [2].

It should be noted, however, that the only industries that are seriously disadvantaged by the structure of indirect-tax rates are the heavy capital-goods industries. Even such industries as the basic-metal industries, chemical, non-metallic mineral products, *etc.*, had duty protection that was nearly comparable to most of the light consumption-goods industries in the period up to 1959/60. It is only since 1959/60 that the duty structure has substantially favoured the luxury consumption-goods industries over those producing intermediate goods. These facts are obvious from Table IV. Thus, it seems that considerably more work must be done to test Power's hypothesis on the differential rates of growth encouraged by the duty structure. Only the case of pure capital goods seems to be consistent with his generalization about the duty structure.

IV: SUMMARY AND CONCLUSIONS

The Government of Pakistan is attaching considerable importance to the setting-up of industries in Pakistan, as a means of achieving self-sustaining growth. The main emphasis is on import substitution and expansion of exports of manufactured goods.

The rate structure of indirect taxes currently gives a set of incentives that encourages import substitution in consumption-goods industries. The high rates of duty on imported consumption goods make their domestic production extremely profitable and the low rates of duty on imported capital goods and materials discourage their domestic production. The low rates of duty on raw materials induces the local producers to use imported raw materials.

This kind of import-substitution strategy has several disadvantages. The replacement of imported consumption goods by domestic production leads to an automatic decontrol of consumption. With the development of domestic consumption-goods industries, the domestic absorption of consumption goods increases, which hampers the rate of growth of saving. Due to low income elasticity of demand for such goods and keen competition from other developing countries (because most of the developing countries chose such industries for import substitution) the export market for such goods is limited. So, the pace of industrial development tends to decline as the domestic-market limits are reached.

It seems, therefore, necessary to extend the import substitution to intermediate- and capital-goods industries also in order to *i*) reduce the domestic absorption of consumption goods, *ii*) meet the growing requirements of capital goods at home, and *iii*) to provide investment opportunities for the incomes generated in consumption-goods industries.

The existing complicated rate structure of import duties and excises needs to be simplified. The Planning Commission has classified imports into four major categories, *i.e.*, consumption goods, capital goods, raw material for consumption goods and raw material for capital goods. We have further classified consumption goods into essential semi-luxuries, and luxuries, divided raw materials into processed and unprocessed, and capital goods into consumer durables and producer goods. If a single rate of duty is fixed for each category, the total number of rates will be reduced to nine. This simplification will not unduly distort the rate structure but will instead improve it, as the commodities have been classified into appropriate homogeneous categories. Thus, the present multiplicity of rates can be reduced to nine rates in the first instance.

At present, excises are mostly specific and in some cases very complicated. If the specific rates are converted into *ad valorem* rates, as has been done for paints and varnishes, and cotton and woollen fabrics, it will simplify the rate structure as well as make the excise an elastic source of revenue.

There is also a need to modify the present rate structure of indirect taxes in order to make it favourable for the establishment of intermediate- and capital-goods industries and to encourage the use of domestic raw materials. One possible way to do this is to raise the rates of import duty on capital goods and raw materials. Certain essential raw materials for capital-goods industries, which are not available at home, may continue to be taxed lightly. Such a change would make the domestic production of capital goods more profitable and the use of domestic raw materials would be encouraged. On the other hand, heavy excises and sales taxes may be imposed on consumption goods in order to discourage their domestic consumption, and unless they are exported, there domestic production as well.

However, in a country where foreign exchange and other key sectors of the economy are regulated by direct controls the rate structure may have little effect on the relative profitability of the industries. Therefore, what is required is to redesign not only the rate structure but also import-licensing system, exchange-rate policy and export-bonus schemes, *etc.*, in such a way that they give proper incentives consistent with the broader economic goals of the country. But spelling out the "proper" mix of all these policies is beyond the scope of the present paper.

REFERENCES

- [1] Butt, Mohammad Amin and Saeed, Mohammad. *The Law of Sales Tax*. (Lahore: 1964).
- [2] Lewis, Stephen R. Jr. "Aspects of Fiscal Policy and Resource Mobilization in Pakistan", *Pakistan Development Review*, Vol. IV, Summer 1964, pp. 261-282.
- [3] —————, and Qureshi, S. K. "The Structure of Revenue from Indirect Taxes in Pakistan", *Pakistan Development Review*, Autumn 1964.
- [4] Mohammad, Ghulam. "Some Physical and Economic Determinants of Cotton Production in West Pakistan", *Pakistan Development Review*, Vol. III, Winter 1963, pp. 491—526.
- [5] Nurkse, Ragnar. *Problems in Capital Formation in Underdeveloped Countries*. (New York: Oxford University Press), p. 116.
- [6] Pakistan, Central Board of Revenue. *Annual Customs and Central Excise Administration Report, 1954/55, 1955/56, 1956/57*. (Karachi: Manager of Publications).
- [7] —————. *Central Excise Manual*. (Karachi: Manager of Publications, 1964).
- [8] —————. *Hand-Book on Central Excises*. (Karachi: Manager of Publications, 1956).
- [9] —————. *Report of the Sales Tax Committee*. (Karachi: Manager of Publications, 1962).
- [10] —————, Department of Trade Promotion and Commercial Intelligence. *Pakistan Customs Tariff*. (Karachi: Manager of Publications, Fourth issue, 1958).
- [11] —————, Ministry of Commerce. *Pakistan Customs Tariff*. (Karachi: Manager of Publications, July 1960).
- [12] —————, Ministry of Law. *The Sea Customs Act, 1878. (VIII of 1878)*. (Karachi: Manager of Publications, June 1957).
- [13] —————, Taxation Enquiry Committee. *Report, Vol. 1*. (Karachi: Manager of Publications, June 1960).
- [14] Power, John H. "Industrialization in Pakistan", *Pakistan Development Review*, Vol. III, Summer 1963.
- [15] Prest, A. R. *Public Finance in Underdeveloped Countries*. (London: 1962).

TABLE I
RATES OF EXPORT DUTY

Description	(Unit)	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
1 Raw hides	(Advalorem)	10	10	10	10	10	10	10	10	free							
2 Raw skin	(„)	15	5	5	5	5	5	5	5	free							
3 Raw wool	(„)		25	25	25	free											
4 Raw cotton	(Per bale of 400 lbs.)			180	90	90	90	90	135	115	115	115	115	75	75	75	25
a: other varieties																	
b: desi				100	free	60	60	60	80	80	80	80	80	40	40	25	25
5 Cottonseeds	(Advalorem)	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
6 Bamboos	(„)	10	free														
7 Cement	(Per ton)	10	free														
8 Meshta fibre and raw jute				6	6	6	5	5	5	5	10	10	10	10	10	10	10
a: cuttings	(Per bale of 400 lbs.)			20	20	20	35	15	15	15	20	20	20	20	20	20	20
b: all other descriptions																	
9 Rice	(Per md.)	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	free								
10 Fish				5	5	5	5	5	5	5	5	5	5	5	5	5	5
i) fresh fish	(Per md.)			4	free												
ii) salted fish dry	(Per cwt.)			8	free												
iii) unsalted	(Per cwt.)			-4	-4	-3	free	free	free	-3	-6	-6	-6	-6	-6	-4	-2.5
11 Tea	(Per lb.)			50	50	50	50	free									
12 Jute manuf.	(Per ton)			50	50	50	50	free									

Source: Annual Custom and Central Excise Administration Report 1955-56, Pakistan Customs Tariff 1958, and Pakistan Customs Tariff 1960.

TABLE II
AVERAGE RATE OF DUTY ON IMPORTED GOODS BY INDUSTRIAL CLASSIFICATION

Code No.	Name of industries	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61	1961/62	1962/63
2070	Sugar factories	63	63	63	63	63	63	62	62	62
2091	Edible fats and oils	46	46	46	46	46	46	44	44	44
2092	Tea manufacturing (per lb.)	8 As	8 As	8 As	8 As	8 As	8 As	8 As	8 As	8 As
2099	Food manufacturing (n.e.c.)	37	37	37	37	37	37	76	76	76
2100	Beverages industries (per / gallon)	Rs 100/8	Rs 100/8	Rs 100/8	Rs 100/8	Rs 100/8	Rs 150/5	Rs 150/5	Rs 150/5	Rs 128
2200	Tobacco manufactures	*	*	*	*	*	*	160	160	185
2311	Cotton textiles	76	76	76	76	76	76	153	153	153
2313	Jute textiles	48	48	48	48	48	48	68	68	68
2314	Silk and art silk	*	125	125	125	125	125	200	200	200
2390	Manufacture of textiles (n.e.c.)	*	63	63	63	63	63	132	132	132
2420	Manufacture of footwear	46	46	46	46	46	46	87	87	87
2490	Fabricated textile manufactures	*	62	62	62	62	62	150	150	150
2500	Wood and cork manufactures	43	43	43	43	43	43	56	56	56
2600	Manufacture of furniture	43	43	43	43	43	43	110	110	110
2700	Paper manufactures	46	46	46	46	46	46	73	73	73
2800	Printing and publishing industries	free								
2900	Leather manufactures	64	64	64	64	64	64	99	99	99
3000	Manufacture of rubber products	51	51	51	51	51	51	38	38	38
3114	Manufacture of fertilizers	free								
3140	Medicinal and pharmaceutical preparations	17	17	17	17	17	17	15	15	15
3150	Perfumes, cosmetics and other products	49	49	49	49	49	49	73	73	73
3191	Matches	*	*	*	*	*	*	*	*	*
3199	Manufacture of chemical products	*	46	46	46	46	46	47	47	42

(contd.)

TABLE II—contd.

Code No.	Name of industries	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61	1961/62	1962/63
3200	Manufacture of products of petroleum and coal	*	*	*	*	*	*	39	39	39
3340	Manufacture of cement	49	49	49	49	49	49	65	65	65
3399	Nonmetallic mineral products	*	93	93	93	93	93	65	65	65
3400	Basic metal-industries	*	*	*	*	*	*	16.5	16.5	16.5
3500	Manufacture of metal products except machinery	48	48	48	48	48	48	62	62	62
3600	Machinery except electrical	5	5	5	5	10	10	12.5	12.5	12.5
3700	Electrical goods	79	79	79	79	79	79	104	104	104
	a: electrical goods	79	79	79	79	79	79	104	104	104
	b: machinery	19	19	19	19	19	19	22	22	22
3800	Manufacture of transport									
	a: automobiles	80	80	80	80	80	84	89	89	89
	b: other transports	14	14	14	14	14	14	18	18	18
3900	Miscellaneous manufacturing industries	*	*	*	*	*	*	*	*	*

*For a few industries, average duties have not been calculated either for the whole period under study, or for a few years, due to various complexities and difficulties. However, in the case of tobacco manufactures, the rates of duty prevailing before 1959 are considerably lower than the 1960 rates and for basic metal industries the rates prevailing before 1959 seem to be slightly higher than the present rates of duty.

Sources: i) *Customs Tariff 1953, 1958, 1960, [10] and [11].*
 ii) *The Law of Sales Tax and Report of the Sales Tax Committee [1] and [9].*

TABLE III

AVERAGE RATE OF TAX ON DOMESTICALLY PRODUCED GOODS BY INDUSTRIAL CLASSIFICATION

Code No.	Name of industries	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61	1961/62	1962/63
2070	Sugar factories and refineries	5.1	5.0	4.2	4.2	4.5	4.0	4.1	4.3	4.7
2091	Edible fats and oils	5.9	5.9	5.9	5.9	5.9	5.5	0.5	0.5	0.5
2092	Tea manufacturing	3.9	3.8	4.07	3.8	3.7	10.2	20.6	22	15.9
2099	Food manufacturing (n.e.c.)	5.8	6.1	5.6	5.4	5.8	5.3	4.3	3.9	4.1
2100	Beverages industries	18.3	18.3	18.3	18.3	18.3	18.3	18.7	18.7	18.7
2200	Tobacco manufactures	33	36	54	53	90	92	87	52	49
2311	Cotton textiles	*	18.2	18.2	23.0	24.8	21	21.4	24.5	25.4
2313	Jute textiles	*	*	*	*	*	*	*	*	*
2314	Silk and art silk	*	27.2	27.2	27.2	27.2	27.2	27.2	27.2	6.0
2390	Manufacture of textiles (n.e.c.)	10	10	10	11.9	11.9	11.9	14.4	14.4	14.4
2420	Manufacture and repair of footwear	3.3	3.3	3.3	3.3	3.3	8.3	10.4	10.4	10.4
2490	Fabricated textile manufactures	3.6	3.6	3.6	3.6	3.6	3.6	4.4	4.4	4.4
2500	Manufacture of wood, cork and allied products	5.0	5.0	5.0	5.0	5.0	5.0	6.2	6.2	6.2
2600	Manufacture of furniture and fixture	10	10	10	10	10	10	12.5	12.5	12.5

(contd.)

TABLE III—contd.

Code No.	Name of industries	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61	1961/62	1962/63
2700	Manufacture of paper and paper products	6.8	6.8	6.8	6.8	6.8	6.8	12.5	12.5	12.5
2800	Printing, publishing and allied products	exempted	exempted							
2900	Leather and leather products	9.8	9.8	9.8	9.8	9.8	8	8	8	8
3000	Manufacture of rubber products	10.6	10.6	10.6	10.6	10.6	10.6	13.1	13.1	13.1
3114	Manufacture of fertilizers	exempted								
3140	Medicinal and pharmaceutical preparations	exempted								
3150	Perfumes, cosmetic, soaps and toilet preparations	12.8	12.8	12.8	12.8	12.8	12.8	12.8	12.8	12.8
3191	Matches	35.5	35.5	38	41	43	67	64	62	62
3199	Manufacture of chemical products	10	10	10	10	10.3	10.3	12.8	12.8	12.8
3200	Manufacture of products of petroleum and coal	*	14.6	11.3	14.4	14.6	14.6	16.8	16.8	16.8
3340	Manufacture of cement	10	10	10	10	10	33.9	36.4	29.8	29.8
3399	Nonmetallic mineral products (n.e.c.)	12.8	12.8	12.8	12.8	12.8	12.8	13.8	13.8	13.8

(contd.)

LIVE LIA

TABLE III—contd.

Code No.	Name of industries	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61	1961/26	1962/63
3400	Basic metal-industries	5.7	5.7	5.7	5.7	5.7	6.1	7.4	7.4	7.4
3500	Manufacture of metal products except machinery	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
3600	Machinery except electrical	exempted								
3700	Electrical goods									
	a: electrical goods	20	20	20	20	20	20	20	20	20
	b: electrical machinery	exempted								
3800	Manufacture of transport									
	a: automobiles	10	10	10	10	10	10	12.5	12.5	12.5
	b: other transport	exempted								
3900	Miscellaneous industries	*	*	*	*	*	*	*	*	*

*Indicates that there is some tax, but not given in the table due to some complexities.

Sources: i) The rates of excises have been taken from unpublished data provided by Central Board of Revenue of Pakistan.

ii) For the rates of sales tax, see, Table II, footnote.

TABLE IV

RANGES OF DUTIES ON IMPORTED GOODS BY INDUSTRIAL CLASSIFICATION

Code No.	Name of industries	1958	1962
2070	Sugar factories and refineries	37—75	50—100
2091	Edible fats and oils	6.25—62.8	6.25—68.7
2092	Tea manufacturing	*	*
2099	Food manufacturing (n.e.c.)	0—52.2	0—110
2100	Beverage industries	*	*
2200	Tobacco manufactures	*	40—300
2311	Cotton textiles	6.25—120	20.9—293
2313	Jute textiles	10—59.5	18—125
2314	Silk and art silk	46—140	44—320
2390	Manufacture of textiles (n.e.c.)	32—92.5	35—293
2420	Manufacture and repairs of footwear	35.2—45.6	57.5—91
2490	Fabricated textile manufactures	43—92.5	35—293
2500	Manufacture of wood cork and allied products	10—43	26.5—125
2600	Manufacture of furnitures and fixtures	43—43	102—125
2700	Manufacture of paper and paper products	29.8—54	18—125
2800	Printing, publishing and allied products	free	free
2900	Leather and leather products	56—68	32—140
3000	Manufacture of rubber products	10—51.2	12.5—57.5
3114	Manufacture of fertilizers	free	free
3140	Medicinal and pharmaceutical products	0—42	0—40
3150	Perfumes cosmetics, soaps and toilet preparations	49.5 72	43.7—130
3191	Matches	*	*
3199	Manufacture of chemical products	10—92.5	12.5—125
3200	Manufacture of products of petroleum and coal	*	12.5—46.2
3340	Manufacture of cement	49.6—49.6	63.1—68.7
3399	Nonmetallic mineral products	10—109	12.5—125
3400	Basic metal-industries	*	10— 36.5
3500	Manufacture of metal products except machinery	10—120	23.7—125
3600	Machinery except electrical	*	0—55
3700	Electrical goods:		
	<i>a</i> : electrical goods	63—98	68—116
	<i>b</i> : electrical machinery	0—65	0—80
3800	Manufacture of transport:		
	<i>a</i> : automobiles	43—142	46.2—293.7
	<i>b</i> : other transports	0— 30	0—40
3900	Miscellaneous industries	*	*

Source: See, Table II.

TABLE V
RATIO AND ABSOLUTE DIFFERENCES

PIDE Code	Name of industries	1954/55		1955/56		1956/57		1957/58
		Ratio	A. diff.	Ratio	A. diff.	Ratio	A. diff.	Ratio
2070	Sugar factories	12.3:1	57.9	12:1	58.0	15:1	58.8	15:1
2091	Edible fats and oils	7.8:1	40.1	7.8:1	40.1	7.8:1	40.1	7.8:1
2092	Tea manufacturing	—	—	—	—	—	—	—
2099	Food manufacturing (n.e.c.)	6.4:1	31.2	6.1:1	30.9	6.6:1	31.4	6.9:1
2100	Beverages industries	—	—	—	—	—	—	—
2200	Tobacco manufactures	—	—	—	—	—	—	—
2311	Cotton textiles	—	76.0	4.2:1	57.8	M4.2:1	57.8	3.3:1
2313	Jute textiles	—	—	—	—	—	—	—
2314	Silk and art silk	—	—	4.6:1	97.8	4.5:1	97.7	4.5:1
2390	Manufacture of textile (n.e.c.)	—	—	6.3:1	53.0	6.3:1	53.0	5.3:1
2420	Manufacture of footwear	13.1:1	42.7	13.1:1	42.7	13.1:1	42.7	13.1:1
2490	Fabricated textile manufactures	—	—	17.2:1	58.4	17.2:1	58.4	17.2:1
2500	Wood and cork manufactures	8.6:1	38.0	8.6:1	38.0	8.6:1	38.0	8.6:1
2600	Manufacture of furniture	4.3:1	33.0	4.3:1	33.0	4.3:1	33.0	4.3:1
2700	Paper manufactures	6.7:1	39.2	6.7:1	39.2	6.7:1	39.2	6.7:1
2800	Printing and publishing products	(.....exempted.....)						
2900	Leather products	6.5:1	54.2	6.5:1	54.2	6.5:1	54.2	6.5:1
3000	Rubber products	4.8:1	40.4	4.8:1	40.4	4.8:1	40.4	4.8:1
2900	Leather and leather products	6.5:1	54.2	6.5:1	54.2	6.5:1	54.2	6.5:1
3000	Manufacture of rubber products	4.8:1	40.4	4.8:1	40.4	4.8:1	40.4	4.8:1
3114	Manufacture of fertilizers	(.....exempted.....)						
3140	Medicinal and pharmaceutical preparations	—	17.0	—	17.0	—	17.0	—
3150	Perfumes, cosmetic, soaps and toilets preparations	3.8:1	36.2	3.8:1	36.2	3.8:1	36.2	3.8:1
3191	Matches	—	—	—	—	—	—	—
3199	Manufacture of chemical products	—	—	4.6:1	36.0	4.6:1	36.0	4.6:1
3200	Manufacture of products of petroleum and coal	—	—	—	—	—	—	4.9:1
3340	Manufacture of cement	4.9:1	39.0	4.9:1	39.0	4.9:1	39.0	4.9:1
3399	Nonmetallic mineral products (n.e.c.)	—	—	7.3:1	80.2	7.3:1	80.2	7.3:1
3400	Basic-metal industries	—	—	—	—	—	—	—
3500	Manufacture of metal products except machinery	7.2:1	41.4	7.2:1	41.4	7.2:1	41.4	7.2:1
3600	Machinery except electrical	—	5.0	—	5.0	—	5.0	—
3700	Electrical goods	—	—	—	—	—	—	—
	a: electrical goods	3.9:1	59.0	3.9:1	59.0	3.9:1	59.0	3.9:1
	b: electric machinery	—	19.0	—	19.0	—	19.0	—
3800	Manufacture of transport	—	—	—	—	—	—	—
	a: automobiles	8:1	70.0	8:1	70.0	8:1	70.0	8:1
	b: other transport	—	14.0	—	14.0	—	14.0	—
3900	Miscellaneous industries	—	—	—	—	—	—	—

(contd.)

TABLE V—(contd.)

RATIO AND ABSOLUTE DIFFERENCES

1957/58		1958/59		1959/60		1960/61		1961/62		1962/63	
A. diff.	Ratio	A. diff.	Ratio	A. diff.	Ratio	A. diff.	Ratio	A. diff.	Ratio	A. diff.	
58.8	14:1	58.5	15.7:1	59.0	15.1:1	57.9	14.4:1	57.7	13.2:1	57.3	
40.1	7.8:1	40.1	7.8:1	40.1	88:1	43.5	88:1	43.5	88:1	43.5	
31.6	6.4:1	31.2	6.4:1	31.2	17.6:1	71.7	19:1	72.1	18:1	71.9	
53.0	3.1:1	51.2	3.6:1	55.0	7.1:1	131.6	6.2:1	128.5	6.0:1	127.6	
97.7	4.6:1	97.8	4.6:1	97.8	7.3:1	172.8	7.3:1	172.8	33.3:1	194.0	
51.1	5.3:1	51.1	5.3:1	51.1	9.2:1	117.6	9.2:1	117.6	9.2:1	117.6	
42.7	13.1:1	42.7	5.5:1	37.7	8.4:1	76.6	8.4:1	76.6	8.4:1	76.6	
58.4	17.2:1	58.4	17.2:1	58.4	34.1:1	145.6	34.1:1	145.6	34.1:1	145.6	
38.0	8.6:1	38.0	8.6:1	38.0	9.0:1	49.8	9.0:1	49.8	9.0:1	49.8	
33.0	4.3:1	33.0	8.8:1	97.5	8.8:1	97.5	8.8:1	97.5	8.8:1	97.5	
39.2	6.7:1	39.2	6.7:1	39.2	5.8:1	60.5	5.8:1	60.5	5.8:1	60.5	
(.....exempted.....)											
54.2	6.5:1	54.2	8.0:1	56.0	12.3:1	91.0	12.3:1	92.0	12.3:1	91.0	
40.4	4.8:1	40.4	4.8:1	40.4	2.9:1	24.9	2.9:1	24.9	2.9:1	24.9	
54.2	6.5:1	54.2	8.0:1	56.0	12.3:1	91.0	12.3:1	91.0	12.3:1	91.0	
40.4	4.8:1	40.4	4.8:1	40.4	2.9:1	24.9	2.9:1	24.9	2.9:1	24.9	
(.....exempted.....)											
17.0	—	17.0	—	17.0	—	15.0	—	15.0	—	15.0	
36.2	3.8:1	36.2	3.8:1	36.2	5.7:1	60.2	5.7:1	60.2	5.7:1	60.2	
36.0	4.4:1	35.7	4.4:1	35.7	3.6:1	34.2	3.6:1	34.2	3.6:1	34.2	
39.0	4.9:1	39.0	1.4:1	15.1	1.7:1	28.6	2.2:1	35.2	2.2:1	35.2	
80.2	7.3:1	80.2	7.3:1	80.2	4.7:1	51.2	4.7:1	51.2	4.7:1	51.2	
41.4	7.2:1	41.4	7.2:1	41.4	9.3:1	55.4	9.3:1	55.4	9.3:1	55.4	
5.0	—	10.0	—	10.0	—	12.5	—	12.5	—	12.5	
59.0	3.9:1	59.0	3.9:1	59.0	5.2:1	84.0	5.2:1	84.0	5.2:1	84.0	
19.0	—	19.0	—	19.0	—	22.0	—	22.0	—	22.0	
70.0	8:1	70.0	8:1	74.0	7.1:1	76.5	7.1:1	76.5	7.1:1	76.5	
14.0	—	14.0	—	14.0	—	18.0	—	18.0	—	18.0	

Sources: Absolute Differences: Table II Minus Table III.
Ratios: Ratio of Table II to Table III.

TABLE VI

AVERAGE RATE OF DUTY ON IMPORTED GOODS BY TYPES OF COMMODITY

Description	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61	1961/62	1962/63
<i>Consumption Goods</i>								
a) Essentials	35	35	35	35	35	55	55	55
b) Semi luxuries	54	54	54	54	54	111	111	111
c) Luxuries	99	99	99	99	99	140	140	140
<i>Raw Materials for Consumption Goods</i>								
a) Unprocessed	26	26	26	26	26	27	27	27
b) Processed	43	43	43	43	43	50	50	48
<i>Raw Materials for Capital Goods</i>								
a) Unprocessed	23	23	23	23	23	28	28	28
b) Processed	38	38	38	38	38	40	40	39
<i>Capital Goods</i>								
a) Consumer durables	71	71	71	71	81	85	85	85
b) Machinery and equipments	14	14	14	14	14	17	17	17

Source: See, Table II.