CHAPTER — 4TH
(CUSTOM QUEST)
Custom duty was levied by the government on goods imported into and exported from the state. The chief receipts were at Jammu at the railway terminus, at Kohalla and the frontier on the Jhelum Valley Road and at Nuzaffarabad and the border of Hazara.

Before 1885-86 the system of collection of custom duties on goods imported from India and Bumree into Kashmir was to examine consignments upon their arrival at the Srinagar customs house. In the year 1886, however, a new system was adopted according to which the traders were required to pay the duties at the Kohalla bridge. This was done to prevent smuggling of goods into the Kashmir territory. Considerably, distance intervenes between Srinagar and the frontier and the new system allowed no opportunity for traders of evading the government by selling their goods without the payment of customs duties.

For the convenience of traders, it was laid down that duty on goods invoiced for Srinagar could be paid in cash or by Mundi to the customs officials. This duty was to be paid at Kohalla and the original price at the tariff rate.

1. J. & B. Chief Rule 5. No. 5 of 1885.


3. Mundi is a sort of demand draft.
This system remained in existence up to 1901 when an altogether new system was adopted. There was a great drawback in the way of collection of duties under the earlier system.

The collection of the custom duties under the system was leased out to contractors, who paid fixed amount to the government for the duties collected by them and for the imported articles. This caused heavy loss to the government as they could not demand more if the imports increased during any contracted year. Further, little care seemed to have been taken by the government to ascertain that contractor was solvent. There was little or no competition between the contractors. No effort was made to introduce fresh or to reduce the size of the contracts so as to be within the reach of common contractors. Moreover, duties were quite high, and traders were subject to perpetual annoyance by the contractor's agent who charged duties over and above the fixed rates.

It was in such circumstances that it was decided to inaugurate a new scheme of collection of customs duties through a departmental agency. In this context, the year 1901-02, marked an epoch in the history of customs and excise system of

6. Ibid.
7. J.K. Chief No: 9 of 1898.
the state. It was during this year that the new scheme for the collection of customs and excise duties was introduced in the state. It was done on the recommendations of the excise expert from the government of India.

The old tariff taxes were imposed on all articles except gold and silver. The necessaries of life were also taxed. Besides, it caused a great hindrance in the way of trade in certain articles. In the new tariff, the taxation of several necessaries was reduced, e.g. that on salt, liquorice, animals, grains and pulses. Tax on luxuries was increased, as in the case of tobacco in order to foster the trade of certain articles, which yielded a very little revenue. These articles were freed altogether from the taxation.

Besides, to help in the collection of duties, and to encourage the trade, it was laid down under new scheme that first the realization would be done before the goods passed the customs post of import except only in the case of a few privileged traders and agencies whose goods paid duties at Srinagar. But these latter traders in Srinagar were not allowed to remove the goods to their places of business without payment. Secondly, steps were taken to exempt from customs the returns of country

produce exported as samples or re-imported unsold. Third, the live-stock were exempted from customs duty, and also generally all the articles imported from Central Asia. Fourth, checking customs posts at different places in Kashmir where checking was done to see whether duties had been paid at the frontier at the rate of Rs. 1/3 to Rs. 1/- per maund in British India were set up and subsequently state also reduced the duty at the same rate.

The duty on salt was revised again in different years as in 1906-07, 1911-12, 1915-16, 17, 1918 and 1925-26. The duty on other articles was also revised mostly upwards. This was done as many as ten times between the years 1907 and 1925.

Major revisions in the rates of duties, however, were made only during 1920-21, 1921-22, and 1922-23. In 1920-21, the rate of customs duty was raised from 1/2 to 11% on all articles except the articles of luxury on which rates were raised to 20%. Again during 1921-22 and 1922-23, the import tariff was revised and articles which paid customs duty so far at 11% and 20% were made accessible to 15% and 30% respectively.

12. See R. R.
It was the duty imposed on drugs (other than medicine) and intoxicants produced in the state. Upto 1901, the excise system of the state was running on a very unsatisfactory condition. It hindered the trade in excisable items. In the Jammu province, contracts for the right of manufacture and sale of country liquor were given. These were given by auction. No restrictions on the contractors with regard to the quantity of the country liquors they manufactured or sold were attached, and no competition existed except in the imported liquors. For some years in Jammu province, a separate contract for the sale of liquors of Cukkar, the government distillery at Srinagar, was given, but the opposition of the local contractors who were given the contracts for the sale and manufacture of local liquor, caused this practice to be stopped in 1900.

In Kashmir, contracts for sale were given for the spirit distilled in the Cukkar distillery. There were practically no restrictions for the contractors in the matter of fixing the rates at shops nor was there any other check on their worth the name. Illicit distillation was undoubtedly ripe as every contractor and every official testified. The farmers themselves were even alleged to be in league with the illegal distillers.

17. A Collecting papers relating to excise:
   A.G., 1901-02, p. 3.
   A. R. C. 1901-02, pp. 2-3.
A new scheme was introduced in 1901 to check illicit distilling and to encourage a disciplined trade in the state in order to check illicit distillation. In addition to the license fee for vending in shops, a fixed duty of 4 pence per gallon was imposed on all liquors consumed in the state.

To encourage the trade of Gupkar liquors, it was proposed that none but the Gupkar liquors were to be sold in the state. However, it was merely a proposal which was not carried out as this liquor was not liked much in the state or outside it.

Duty imposed on the liquor was equivalent to the Punjab duty. The special advantage calculated to be acquired from the imposition of such duty was the check on the state liquor being carried illicitly into the adjoining British territory, and thus affecting the Punjab excise revenue. To control drunkards, it was declared that the liquor shops were to be opened under licenses, moreover steps were taken to impose duty on all liquors brought into the state from outside.

In the frontier districts, both the country and foreign liquors were allowed to be sold under one license.

Excise duty was also charged on the import and sale of charas and opium. These also were sold by the contract system. The supply of Yarkandi charas was obtained by purchase through the Assistant Resident at Leh, or direct through some Yarkandi traders.

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20. Ibid.
In order to foster the trade of charas, great care was taken to keep it fresh and in a good condition. The drug was liable to deteriorate very rapidly and was unfit for use after two years.\(^{21}\)

Under the new scheme an average duty was also imposed on all lands under poppy cultivation. In order to encourage the trade of local opium, import of opium from outside was prohibited. However, opium could be imported under certain restrictions such as important fixed quantities on payment of a customs duty.\(^{22}\)

In view of the difficulties experienced by sellers and purchasers in getting opium, the produce of the state was purchased and warehoused on state account. Afterwards, licenses were issued to the shopkeepers of the state for sale.\(^{23}\) Further, in 1916-17 for the proper central supply of opium and checking of its smuggling, some improvements in the system were made. Under the new scheme the whole quantity of opium produced in the Jammu province was purchased departmentally and manufactured and turned into cakes of one seer each. Out of this, some opium was allowed into Kashmir and the rest with the exception of 15 seers sent to Gilgit was retained for local sale.\(^{24}\)

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Like customs duties, the rate of duty on excisable items also was revised from time to time. In 1904-05, the duty on the Yargand charas was raised from 2 to 6/- per seer which was further enhanced to 12 and 17 in 1912-13 and 1917-18 respectively. In 1921 it was raised to 1740/- as compared to 24 in 1920. This rate continued without any change till 1915. In 1917-18 again the excise duty was raised from 4 to 6 per gallon of country liquor.

**Octroi**

Octroi or Chunqil was a local tax levied on various articles brought into the districts of the state for consumption. Before 1901, the collection of Octroi duties was leased out to contractors. The main anomaly in this system was the levy of Octroi tax even in small entitling villages. This yielded every year very little revenue to the state treasury but caused a great hindrance to the trade. Mr. Rodhunter, the excise expert, took strong exception to this and pointed out that this tax should be confined only to the Municipal Towns of Jammu and Srinagar. At the same time he urged that in case this proposal was not practicable, the government should abolish Octroi in all such villages having a population less than 50000.

30. A.R. C.R. 1905-06.
Under the new scheme of Mr. Todhunter's proposal of 1901, that the Octroi should be confined only to the Municipal towns was accepted. Further it was decided that no parcel, package or goods were to be allowed to enter the Octroi limits without the payment of proper duty. No Octroi duty was to be levied on the goods which had paid custom duty already and were brought intact within the Municipal limits provided such goods were duly covered by a certificate of paid duty. It was done for the facility of traders and to check undue interference in trade by the government officials, who kept a register of Octroi collections.33

ROAD TOLL

This tax was collected for the purpose of upkeep of the roads.34 Before the introduction of the new scheme of 1901, the traffic on the Jhelum Valley road was liable to a number of taxes, such as the taxes imposed by forest department and the one imposed by the Ferry Department. This caused a great embarrassment to both the traders and the carrying agencies. Consequently in 1907, all these taxes were amalgamated into one road toll35, a which was to be paid at Jhelum. The system, however, proved defective owing to the exemption that was granted in

34. A.R. 1900-01, p. 13.
favour of conveyances stopping at Domen, or coming from the interior. As a result, the new system also underwent a change in 1906-07. Both the up and down traffic was now subject to the toll tax. The rate of road toll were revised during 1913-14, 1920, and 1925. The total receipts under toll amounted to Rs. 66,406 in 1904-05, which rose to Rs. 2,13,417 in 1926.

Thus it is clear that the taxation policy of the state suffered from many defects and, in certain cases, seriously hindered the smooth running of trade before 1901. The year 1907 proved to be a turning point in this connection when some far-reaching changes were introduced in all the four branches of the taxation system i.e. the customs, the excise, the Octroi and the road tolls. So far as the custom duties were concerned, in order to develop the trade of the state, the taxation of several necessaries of life was reduced and the duties were to be collected at Central Asia only. The articles imported from Central

38. A. R. 1925-26, p. 76.
39. Surcharge duty a per acre of poppy cultivated land.
40. A. R. 1921-22 Appendix.
Asia were exempted from customs duties. The customs checking posts which caused obstacles on the way of trade were removed, and the whole staff working on these was taken to the frontiers to check tariff. It was adopted with a view to establishing uniformity between the duties laid down by the British and those levied by the state.

In the case of the excise system, where among other defects, the illicit distillation was a great defect and particularly in Jammu, contracts were given for the sale and manufacture of country liquor but no check was placed on the contractors with regard to the number of shops they opened for the sale of Gupkar spirits. Now a sort of discipline was sought to be introduced. In the new scheme, in addition to the licence for fee for vending of liquors in shops, a fixed duty was imposed on all liquor consumed in the state. The duty imposed on the country liquor was made equivalent to Punjab rates and to check smuggling of the country liquor out of the state. A carriage duty was imposed on opium and, to encourage its trade, import of opium from outside was prohibited. A fixed duty was imposed on the cheras and, in order to encourage the trade of cheras and opium, steps were taken to keep them fresh and in good condition.

The new scheme also removed the existing defects in the Octroi system. The Octroi duty was confined only to the Municipal towns and no Octroi was to be levied on those articles which had already paid the customs duties.
Some reforms were also introduced in the road toll system in 1907 and in 1906-07, under which the toll levying authority was combined on one hand and efforts were made that all those who used roads for trade paid the toll.

The facts obviously, reveal that the government of Kashmir continued taking considerable interest in adjusting and readjusting its taxation policy so that the trade, both external and internal, could increase. As a result of this, the trade progressed and this is shown by the fact that the external trade of the state alone which was worth Rs. 2,66,74,129 in 1907-08, increased to the value of Rs. 5,24,36,164 in 1921.

Still however this is attested by the fact that the development of trade during our period of study generally presents a poor picture while the total population of the state was 33,20,518 in 1921. The total external trade transactions of the Kashmir state were valued only at about Rs. 524 lakhs. Against this the total population of the Punjab was 2,06,56,770 in 1921. The total external trade transactions of the Punjab in the same year were valued at Rs. 10,000 lakhs and the per capita basis in the external trade transactions of the Kashmir in 1921 were Rs. 15.87 and those of the Punjab were as such Rs. 48.97.

In other words, the Punjab was 3.96 times more progressive than the Kashmir state so far as trade was concerned.

For the backwardness in trade, however, the government alone cannot be blamed. There were other factors like physical features, climate, character of the people etc. responsible for its backwardness.