Revenue (1897) Department.

MISCELLANEOUS SERIES.

G.O., No. 5354-5

DATED 14th Octr

[Despatch Abstract.]

Expressing the views of the Madras Govt: regarding a proposal made by the Govt: of India that Customs duty on mineral oil should be levied by weight instead of by measure.

BACK PAPERS.

G.O.	No	Department.	Date.	G.O.	No.	Department.	Date.

FURTHER PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.
C. No. 7149/97							

Revenue (189/) Department.

RECEIVED AT THE SECRETARIAT OF MADRAS
26 SEP 97

CURRENT No. C 955

Order

From The Secretary to the Commissioner of Salt abkari and Separate Revenue Madras

His No. 4001

Dated 13th September 1897

Received

Registered

Enclosures 2

Spare copies

SUBJECT.

Submitting to Government the letters from the Collector of Sea Customs Madras and the Chairman of the Madras Chamber of Commerce expressing opinions on the proposal that Customs duty on mineral oil should be levied by Weight instead of by measurement and stating that the Board concurs in the

BACK PAPERS.

C.

G.O.	No.	Department.	Date.

FURTHER PAPERS.

C.

G.O.	No.	Department.	Date.

The Chamber of Commerce.

Madras, 3rd August 1897.

From

The Hon'ble Mr. G.G.Arbuthnot,

Chairman, Chamber of Commerce, Madras.

To

The Secretary,

The Board of Revenue (Separate Revenue).

Sir,

I have the honor to acknowledge the receipt of the Proceedings of the Board of Revenue, No.2976, dated the 9th July, together with a letter from the Government of Ihdia, Financial and Commerce Department, No.2738 S.R., dated the 24th June 1897, requesting an early expression of the Chamber's views regarding a proposal that customs duty on mineral oil should be levied by -- weight instead of by measure.

In reply, I beg to inform you that the Chamber sees no reason for making the change suggested, but rather the reverse & in support of its opinion I have the honor to bring the following facts to the notice of the Board:-

1. Mineral oils are sold to the consumers in this Presidency and over the greater part of India, by volume, and not by weight.

2. Although American and other light gravity oils under the present system pay on import, weight for weight more duty than -- Russian and other heavy oils, the volume occupied by these is correspondingly larger and the duty therefore per unit of sale --- approximately the same.

3.

3. The statement made by the Calcutta Manager of the Standard Oil Co. that importers of their oil are in a worse position than importers of Russian oil by reason of their oil expanding more quickly than Russian - or, in other words, through the co-efficient of expansion of American oil being greater than the co-efficient of Russian - only applies to sales made in places where the average temperature is less than that of the place of import. Where the average temperature of the place of sale exceeds that of the place of import, the disadvantage lies with the importers of heavy oils.

4. The specific gravity of American oil compared with that of Russian at 62° F. is very approximately as .800 is to .825, and if a unit of weight be adopted on which duty is to be calculated, American [illegible] volume for volume of Russian, in these proportions an advantage of 3 % on the duty in favor of importers of American oil. (Duty is levied at present at the rate of 1 anna per imperial gallon. A gallon of American oil weighs approximately 8 lbs. and a gallon of Russian 8¼ lbs. if therefore duty is levied by weight at say 1 anna per 8 lb., importers of American oil will pay 1 anna per gallon, as heretofore, whilst importers of Russian oil will pay a little over 1.03 annas per gallon.)

So long, therefore, as the custom continues of selling oil to consumers by volume, the Chamber deprecates the change suggested, as it is tantamount to giving the importers of one class of oil a bounty on the duty levied in many cases of approximately 3 %.

In Madras and Bombay, importers of mineral oils are at a distinct advantage in the payment of duty compared with importers in Calcutta, by reason of the average temperature of the former places being considerably in excess of the average temperature of the latter place; and, similarly importers of mineral oils in Calcutta in the hot weather are at a disadvantage in the payment of duty compared with importers in the cold weather amounting, in a range of temperature of, say, 25° F. to as much as 1¼ %. (Taking the co-efficient of expansion Kerosine oil as .0005, then - .0005 × 25 = .0125, equivalent to a gain in volume per unit of 1¼ %.)

The Chamber would therefore suggest the desirability of the measurement of mineral oil for duty being reduced to their equivalent measurement at a standard temperature of say 62° F. (This can easily be done by taking the specific gravity at the temperature at which it is measured, and the specific gravity at the standard temperature the volume occupied at the different temperatures being inversely proportional to specific gravities at those temperatures.)

Best & Co. Enclosure 1. to Collector's letter No. 6216 G/30.8.97 Madras, 5th August 1897.

To. The Collector of Sea Customs. 9/8
Madras.

Sir.

We have the honor to acknowledge the receipt of your letter No. 5461 G, dated the 2nd Instant with reference to the question of the payment of duty on mineral oil by weight or by measure:—

In reply to your interrogatins we beg to state:

(I) Kerosine oil does expand and contract with the rise and fall in temperature.

(II) We have no table giving the Coefficients of expansion for refined Petroleum, but for your information, annex a copy of a table of coefficients of crude oil given by Boverton Redwood in his recent work on "Petroleum and its products". In the case of refined oils, the Coefficients are somewhat less, and as a rule in inverse proportion to the denisity of the oil.

(III). In this Presidency, and we believe throughout India Kerosine is sold to the Consumer by measure, and except in the Case of very large Importers it is so purchased.

Both

Both in America and Russia, oil is quoted by the case of two tins containing approximately 8⅓ Imperial gallons, but in Russia, and we believe also in America, Refiners sell in quantity by weight.

(IV) To importers of American and other light gravity oils, it would be more advantageous to have duty levied by weight, instead of by volume, whilst on the other hand Importers of Russian and other heavy oils would suffer in proportion to the greater density of their oil.

(V) The weight of a gallon of american oil compared to that of Russian, at a temperature of 62° F is approximately as 7 3/4 to 8 lbs is to 8 1/4 lbs. Taking a gallon of american oil then as 8 lbs and a gallon of Russian as 8 1/4 lbs, if duty is levied by weight and 8 lbs be taken as the unit, a gallon of american oil will pay 1 anna per gallon, against 1.03 annas per gallon for Russian, tantamount to a bounty of 3% on the duty to importers of american oil.

(VI) In a small range of temperature, the difference in the rates of contraction and expansion of Russian and american

is immaterial. In a large range of temperature importers of American oil will lose in duty rather more than importers of Russian on sales made by volume in places colder than the place of import, whilst they will gain correspondingly in sales made in places where the temperature exceeds that of import.

In conclusion we are of opinion the present method of levying duty by volume is more equitable than levying it by weight.

We have &c

(Signed) Beat & Co.

(True Copy)

Ag Collector, Sea Customs.

Sea Customs office
Madras, 30th August 1877.

Coefficients of Expansion of Crude Petroleum.

Origin	Pennsylvania	Canada	Schwabweiler (Alsace)	Virginia	Schwabweiler (Alsace)	Wallachia	Eastern Galicia	Rangoon	Caucasus	Western Galicia	Ohio	Bonkendorf (Baku)	Oedesse (Hanover)	Schildbronn Pit oil	Wallachia	Oberg (Hanover)	Vienne (Hanover)
Coefficient of expansion ×1,000,000.	840	843	843	839	858	808	813	774	817	775	748	784	772	792	748	662	647
Sp. gr. at. C × 1000.	816	828	829	841	861	862	870	875	882	885	887	890	892	892	901	944	955

Madras. 5th Augt. 1897.

(Signed) Beat & Co.

(True Copy)

Sea Customs office
Madras. 30th August 1897

Hajee Ismail Sait.

Madras, 16th Augt. 97

1224

To The Collector of Sea Customs,
Madras.

Sir,

In reply to your letter of the 2nd Instant. No 5462/97, I beg to inform you that I have no tables of any Kind to show the rise and fall of temperature.

The oil in America and Russia is bought by weight 65 lbs per Case, an equivalent of 8 gallons and in India is always bought by measure and not by weight.

It will be all the same whether the duty is levied on weight or by measure; and as far as we Know there is no difference in weight of Russian and American oil.

I beg to remain.
&c
(Sd) Ibrahim Sait,
Manager,

(True copy)

Ag Collector, Sea Customs.

Sea Customs office.
Madras. 30th August 1897.

REVENUE BOARD OFFICE
MADRAS.

Proceedings of the Board of Revenue

(Separate Revenue.)

Dated 13th September 1897.

His No. 4001

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× Copy attached

Read letter from the Chairman, Chamber of Commerce Madras dated 3rd August 1897

Read also the following letter from the Collector of Sea Customs Madras No. 6210 dated 30th August 1897.

"I have the honor to submit the report called for in Board's Proceedings Mis. No. 2976 (Separate Revenue) d/ 9th ultimo requiring information with reference to para 3 and 4 of letter no. 2738 S.R. from the Assistant Secretary to the Government of India Finance and Commerce Department, dated 21st June last, on the matter of dealing with Kerosine oil for Customs purpose

2 No Complaints have been received in this

this office from any of the importers of Kerosine oil objecting to the levy of duty by the imperial gallon as prescribed in the Tariff act.

3 Messrs Best and Company the chief importers of oil in bulk, and the English warehouse which has a large import and retail trade in Case oil, have been Consulted and Copies of their replies are enclosed. The main points to be noted therein are the Statements that purchase in America and Russia of refined oil is by weight and Sale here is by measure; and while the one house Considers the levy of duty by volume to be more equitable than by weight the other is careless which method is applied.

4. The representations of the Managers Standard oil Company of New York, Calcutta that temperature affects kerosine oil to such an extent that Commercial rules have been adopted by Commercial

5-10

Commercial bodies to ascertain quantities are, I presume, Correct and, no doubt, are useful for Commercial purposes. It is not so evident that Government ought to be influenced thereby to the extent of altering the Customs law and procedure especially if the effect be to favor the finer to the detriment of the Crude oils. It will be noted that Messrs Best and Company urge that a levy of duty by weight would be equivalent to a bounty of 3% to the importers of American as against Russian oils.

5 His Contention regarding measurement is peculiar. A gallon is a measure of Capacity which Contains 10 lbs of distilled water at 62° Farht. and barometer 30°. It Continues to be a gallon measure if used to measure kerosine oil at 98° Farht and I see no more reason in applying Corrections for temperature for kerosine oil than for any other article which is

not

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not rigid in volume. Indeed if Conceded for Kerosine oil all importers of articles Similarly tariffed and Subject to variations from temperature might claim a hearing and remedy Investigation of liquor for temperature and density is designed to find the proportion of Spirit Contained; it is not proposed to deal Similarly with Kerosine oils to find their values as lighting agents.

6 The claims of the Standard oil Company is Simply directed towards obtaining an advantage over others in the trade or the Customs Revenues. If buyers from them pay duty on more than the Cases are Sold as Containing, these buyers would Seem to profit by the larger receipt more than they lose in duty paid on that excess and apparently have no good reason for Complaint: and if they pay more on American

American than on Russian oil and on better than on inferior grades it Can be only because the Mensurements by the Sellers are incorrect and on passing the Customs are Corrected. Such Variations are due to natural Causes and buyer and Seller are Competent to foresee and take account of them in arriving at a price value. If the Company's meaning is that, on import a less amount is added by Customs duty to the Cost price of the Crude than of the refined oils and thereby the former is brought into larger relative Consumption — Such a view of the Case is an incident of the trade to which the Supply — Market must adopt itself.

7. There does not appear to be any argument that Can be advanced for altering the use of a Gallon measure

measure as fixed by law. Commerce ought to be able to adjust itself to a fixed rate of duty more easily than Customs can undertake the testing of each consignment of oil to discover expansion or can adopt a variable measure. A gallon of oil in Calcutta may not be a gallon of oil in Darjiling; a 12 foot-rod of iron would also in the circumstances be found to have contracted in volume. But on the plains of India the variation would not be extreme; and if all oil Companies sell by a fixed measure of capacity the Customs method of levying duty cannot injuriously affect them relatively to each other. If sales by some are by weight that method cannot be persevered in at a loss.

8. What is far from clear on these papers is why — if so — the Standard Company refrains from selling by measure, as others do, and foregoes the benefit arising from an expanded volume. The explanation can only be that the conditions of the oil market, as a whole, lead them to do so. It is not for Government to interfere and regulate Customs so as to create a market in their favor.

9. Clearly a levy of duty on the basis of actual weights would not be acceptable to importers generally. If such a change is ordered Consignments can be dealt with only by careful weighment of a percentage of cases in respect of Case oil, and by measurement of tanks and weighment of samples in the case of bulk oil. And if temperature and specific gravity are to be considered the methods of determination must be such

such as can be applied by officers of the intelligence ordinarily to be found at ports where kerosine oil is introduced."

Resolution

Submitted to Government with reference to G. O. Mis No. 3367 dated 3rd July 1897.

2. In its letter Communicated in the G. O. quoted above, the Government of India, at the instance of the Calcutta agent of the Standard oil Co. of New York, called for report as to whether any protests have been made by importers of Mineral oil in this Presidency against its assessment to import duty by actual measurement and requested that the Chamber of Commerce might be Consulted. It further Stated that if the levy of duty by weight would be more acceptable to importers than a levy as at present on measurement, the Government of India would be prepared to Consider the Substitution of the former method of assessment for the latter, and called for the opinion of the local Government on the above points.

3 The principal importers of the oil in bulk Messrs Best and Co. and the Chief importer of the oil in Cases, the owner of the English warehouse, were Consulted by the Collector of Sea Customs, Madras. The former firm is of opinion that the present method of levying duty by volume is more equitable than that of levying it by weight. It brings to notice the fact that, in this Presidency, the oil is sold to the Consumer by measure. The owner of the English warehouse States

States that it is a matter of indifference to him which method is adopted. The Collector Concurs in the opinion of Messrs Best and Co.

4 The Chamber of Commerce also deprecates the change Suggested, but urges the desirability of the measurement of mineral oils for duty being reduced to their equivalent measurement at a Standard temperature of 62° F. This point may be separately Considered if Considered necessary after the question of the method of assessment is finally decided. On the point referred for report the Board Concurs in the views expressed by the Collector and Messrs. Best and Co.

(True Copy & Extract)

Commandant

Assistant Secretary

To The Secretary to Government
Revenue Department.

Read C.No.3355 of 1897.

G.O. Mis. no. 5354 of 14th oct. '97.

The Hon. Sir Henry Bliss K.C.I.E.

Ordered that the following letter be despatched to the Govt. of India.

To the Board of Revenue, SeptRev.

Mis.-22-10-97

LETTER. No. 5355

To the Secy. to the Govt. of India,
Dept. of Finance and Commerce.

Sir,

With reference to the letter from the Govt. of India No. 2738 S.R. of 21st June 1897 enquiring whether any protest have been received from importers of mineral oil in this Presidency against its assessment to duty by actual measur-ment, I am directed to forward a copy of the Proceedings of the Board of Revenue marginally noted and to state as follows.

2. No protests have been received against the present method of taxing mineral oils. On the contrary the Chamber of Commerce which was consulted by the

Board of Revenue

Mis. No 4001/97, 13th Septr/97

deprecates the proposal that customs duty on mineral oils shall be levied by weight.

The facts adduced by it in support of its opinion are:-

(1) Mineral oils are sold to consumers in this Presidency, and over the greater part of India, by volume, and not by weight.

(2) Although American and other light gravity oils under the present system pay on import, weight for weight, more duty than Russian and other heavy oils, the volume occupied by these is correspondingly larger, and the duty therefore per unit of sale approximately the same.

(3) The statement made by the Calcutta manager of the Standard Oil Company that importers of its oil are in a worse position than importers of Russian oil by reason of its oil expanding more quickly than Russian only applies to sales made in places where the average temperature is less than that of the place of import. Where the average temperature of the place of sale exceeds that of the place of import, the disadvantage lies with the importers of heavy oils.

(4) The specific gravity of American oil compared with that of the Russian at 62°F is very approximately as .800 to .825 and if a unit of weight be adopted as the basis of taxation, American oils will enjoy an advantage of a little over 3% on the duty as compared with Russian oil.

Messrs. Best and Co. the principal importers of oil in bulk, who were consulted by the Collector of Sea Customs Madras, state precisely the same thing and are of opinion that the present method of levying duty is more equitable than that of levying it by weight. The proprietor of one of the native mercantile houses which imports oil in cases on a large scale was also consulted on the subject and he is indifferent which method is adopted.

3. His Excellency the Governor in Council agrees with the Board and the Collector of Sea Customs, Madras, in considering that the existing method of assessing duty by volume is equitable and should be continued.

GR 9.10.97

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} 189 .

READ AGAIN G.O., No 189 . DATED

CURRENT No.

ENCLOSURES TO C. No.

ORDER OF GOVERNMENT	A	A	A	A	A	A	A
LETTER OF GOVERNMENT.							
STATEMENT WITH DITTO.							
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