CHAPTER-III

EMPIRICAL ANALYSIS OF ENPERTAINMENT TAX

3.1 <u>Revenue from Entertainment Tax</u> :

Table 3.1 gives data for entertainment tax revenue for Maharashtra, Gujarat, Tamilnadu, Karnatak, West Bengal and All-States for the period under study. On the basis of this data we can make following observations :

1) It is clear that revenue from entertainment tax is growing at a fast rate in all the States under study. The annual compound rate of growth of revenue at the All-States level is 16%.

ii) Karnatak and Gujarat are the two States where the growth rate of revenue from entertainment tax is significantly greater than the respective growth rate for All-States. In case of Maharashtra, Tamilnadu and West Bengal the respective growth rates are lower than the growth rate for All-States.

111) If we rank the States by the emount of revenue from entertainment tax, we get following rankings - Maharashtra, Tamilnadu, West Bengal, Karnatak and Gujarat for the year 1960-61 and Maharashtra, Tamilnadu, West Bengal, Karnatak and Gujarat for the year 1980-81. From this it is clear that in the case of States under study, the relative position of the States regarding revenue from entertainment tax has remained more or less unchanged. iv) The overall increase in the revenue from entertainment tax is the highest in case of Karnatak and lower in case of West Bengal. In case of Gujarat the overall increase in revenue from entertainment tax is much larger than in case of Maharashtra, Tamilpadu and West Bengal.

v) The percentage share of different States in the total revenue from entertainment tax is as under :

<u>1960-61</u> <u>1980-81</u>

Maharashtra	* • •	20.44	19.92
Gujarat	***	4.88	7.91
Tamilnadu	***	15.41	12.70
Kernatek	***	5.03	9.11
West Dengal	***	12,05	9.84

From this we can say that Maharashtra's relative share has remained almost the same over a period of 21 years. In case of Tamilnadu and West Bengal this share has decreased whereas in case Gujarat and Karnatak it has increased.

vi) If we calculate the average annual growth rate of revenue from entertainment tax on the basis of annual increase for every year it is seen that in case of Maharashtra it is 16.28%, Gujarat, 19.3%, Tamilnadu 15.23%, Karnatak 20.14% and West Bengal 15.35% and in case of All-States 16.19%. These can be considered as trend growth rates. In case of Maharashtra the maximum annual increase is in the 1962-63 and and in the year 1967-68 there is a slight decrease. In case of Gujarat the maximum annual increase is in the year 1961-62 and minimum in the year 1967-68. In case of Tamilnadu the maximum annual increase is 15.1% in the year 1963-64 whereas in the year 1977-78 there is a slight decrease. In case of Karnatak maximum annual increase is in the year 1973-74 and minimum in the year 1970-71. In case of West Bangal maximum annual increase is in the year 1974-75 and in the year 1967-68 there is a plight decrease. TABLE No. 3.1

REVENUE FROM ENTERTAINMENT TAX

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3.2 Overall Revenue Significance of Entertainment Tax :

Revenue significance of a tax is measured by the percentage ratio of the revenue from the tax to the total revenue of the Government concerned Revenue significance shows the relative importance of the tax concerned in the overall revenue system. We have measured revenue significance in three different ways. In the first case revenue from entertainment tax is related to the total revenue of the State. The total revenue comprises own tax revenue, transferred tax revenue; own non tax rev enue and transferred non-tax revenue. In the second case revenue from entertainment tax is related to total tax revenue which comprises own tax revenue and transferred tax revenue. In the third case the revenue from entertainment tax is related only to the State's own tax revenue. The first ratio measures the overall revenue significance, the second ratio measures the revenue significance of the tax in the total tax revenue whereas the third ratio measures the revenue significance of the tax in the own tax revenue of the State. The third ratio is more important and relevant so far as the State's own tax system is concerned. Table No. 3.2.- A gives data for the overall revenue significance of entertainment tax for All States and the States under study. On the basis of this table we can make following statements :

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i) If we consider the average revenue significance for the whole period under study it is seen that overall revenue significance for the All-States model is 1.64 and in all the States under study this average is slightly greater in case of Gujarat (1.79) and Karnatak (1.76) but in case of Maharashtre (2.72), Tamilnadu (2.99) and West Bengal (2.06) it is significantly greater than the All-States average. One explanation for this may be the traditional location of film industry in Maharashtra, Tamilnadu and West Bengal.

11) If we take into consideration trend as such it seems that only in Gujarat and Karnatak the revenue significance has significantly increased after 1970 whereas in case of Maharashtra, Tamihadu and West Bengal the revenue significance shows irregular fluctuations in the range of the 2% to 3% over the whole period. The fluctuating tendency is clear in the case of All-States model also.

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1960-61	10	156	1.66	101441	1305	1.29
1961-62	045	186	1.85	107349	1510	1.41
1962-63	572	242	2.29	128386	1821	1,42
1963-64	376	263	2.13	149020	2256	1.51
1964-65	903	301	2.17	173498	2511	1.54
1965-66	700	319	1.19	185021	2944	1.59
1966-67	208	337	1.85	213520	3525	1.65
1967-68	918	325	1.72	232468	3556	1.53
1968-69	442	361	1.68	267000	4245	1.59
1969-70	189	465	1.05	305270	5042	1.65
1970-71	579	507	1.98	337049	5752	1.71
1971-72	224	575	1.39	404472	6279	1.55
1972-73	364	722	2.04	491235	76 56	1.56
1973-74	893	839	2.21	555200	9959	1.79
1974-75	019	1116	2.43	643151	12554	1.95
1975-76	235	1397	2.48	793816	14989	1.89
1976-77	111	1541	2.48	903702	17516	1.94
1977-78	327	1655	2.37	993057	18056	1.82
1978-79	b19	2012	2.43	1164669	20488	1.76
1979-80	1314	1900	1.97	1362931	23064	1.69
1980-81	571*	2498*	2.12	1563973*	25395*	1.62
overall	15.29		1976 - 498 - 499 2077	1541.76	844 445 444 444 4	
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3.2.1 Total Tax Revenue Significance of Entertainment Tax :

Table No. 3-2-B gives data regarding the revenue significance of entertainment tax in the total tax revenue (own + transferred). On the basis of this data following observations, which are more or less similar to the observations made earlier, can be made :

1) The average for the whole period in case of All States is 2.60%. In case of Karnatak, West Bengal and Gujarat this average is slightly greater but in case of Maharashtra and Tamilnadu the averages are significantly higher.

11) In case of Meharashtra, Tamilmadu, Gujarat and Mest Bengal, the revenue significance shows a fluctuating trend but in case of Karmatak it is seen that the revenue significance has become significantly higher after 1972-73 than before. The fluctuating trend is witnessed in case of the All States model also.

3.2.2 Own Tax Revenue Significance of Entertainment Tax 1

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Table No. 3.2-C gives data regarding revenue significance of entertainment tex in the State's own tex revenue. On the basis of this table it is clear that in Maharashtra, Temilnadu and West Bengal the revenue significance of entertainment tax is between 4% to 6% but in case of Gujarat and Karnatak it is less than 4%. Secondly revenue significance from this point of view remained more or less stable in case of Maharashtra (excepting 1972-73 and 1973-74). In case of Temilnadu the range of fluctuations is higher but the average significance is the highest. In case of Gujarat, Karnatak and Nest Bengal it seems that the revenue significance has tended to increase after 1970-71. Similarly in case of All-States model also the revenue significance of entertainment tax seems to have an increasing tendency after (i) 1970-71. In other words, we can say that (i) at the All-States level revenue significance of entertainment tax from the point of view of State's own tax system is increasing gradually.

(11) This increasing tendency is more evident in case of relatively less developed States whereas in case of more developed states the revenue significance seems to have reached a plateu.

3.2.3 Growth Rate Comparision :

We have calculated compound growth rates for total revenue, total tax revenue, State's own tax revenue and revenue from entertainment tax for the All-States model as well as the States under study for the period 1960-61 to 1980-81. It is clearly seen that in case of all the States under study as well as the All-States model the revenue from entertainment tax increased at a higher rate -0 46 0-

than the rate of growth of total revenue. Similarly the rate of growth of revenue from entertainment tax is higher than the rateof growth of State's own tax revenue in all the States under study and also in the case of All-States model. But if we compare the rate of growth of revenue from entertainment tax with the rate of growth of total tax revenue it is seen that excepting Tamilnadu, the former rate is greater than the latter. The implication of this for Tamilnadu may be that transferred tax revenue has increased at a much faster rate. In short we can make a general observation that entertainment tax is a buoyant source of revenue.

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t I ;	1960-61	158	2.36	61330	1305	2.13	
· ·	1961-62	186	2.30	66259	1510	2.28	
	1962-63	242	3.00	79395	1621	2.29	
, , , , ,	1963-64	263	2.77	93906	2256	2.40	
1	1964-65	301	2.84	102242	2511	2.46	
•	1965-66	319	2.69	111775	2944	2.63	
	1966-67	337	2.54	130568	3525	2.70	
;	1967-68	325	2.26	147276	3556	2.41	
, ł.,	1968-69	361	2.31	169220	4245	2.51	
· • • •	1969-70	465	2.65	198089	5042	2,55	
÷,	1970-71	507	2.65	228350	5752	2.52	
	1971-72	575	2.57	26 36 50	6279	2.39	
	1972-73	722	2.78	298973	7656	2.56	
	1973-74	839	2.94	345778	99 59	2.67	
	1974-75	126	3.42	410906	12554	3.06	
` ,.t	1975-76	397	3.37	514529	14989	2.91	
	1976-77	541	3.39	571326	17516	3.07	
	1977-78	555	3.35	615505	18056	5*83	
	1978-79	012	3.60	692314	20488	2.96	
	1979-80	900	2455	907695	23064	2.54	
	1980-81	498*	2.79	1021126*	25395*	2.49	
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3.3 Level of Entertainment Tax :

By level of a tax we mean the ratio of the revenue from the tax to the national income of the government unit concerned. In this study we have related revenue from entertainment tax to gross national product at the All States level whereas in case of individual States we relate the revenue from entertainment tax to the State domestic product of the State concerned. The level of a tax essentially shows how much of their income people pay in the form of entertainment tax at the macro level. Similarly, if we relate per capita burden of entertainment tax to per capita income we get per capita level of entertainment tax which can be considered as level of entertainment tax at the micro level.

3.3.1 Macro Level of Enterteinment Tax :

Table No. 3.3-A gives data regarding the macro level of entertainment tax for the All-States model as well as the different States under study for the years 1960-61 to 1978-79 because statewise data for SDP are not available for the years 1979-80 and 1960-81. On the basis of the data in Table No. 3.3-A we can make following statements :

1) In case of every State under study as also in case of All-States model the macro level of entertainment tax is gradually and almost consistently increasing.

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, , ,	196	4-65	1101	3.64	764R3	2511	3.28
*. • : •	196	5-66	1219	3.39	84200	2944	3.50
	190	6-67	1537	3.40	93724	3525	3.76
· · ·	196	7-68	1625	3.10	106552	3556	3.34
	195	8-69	1851	3.23	120500	4245	3.52
	195	9-70	2155	3722	135551	5042	3.72
· · ·	197	0-71	25)7	3.93	152765	5752	3.76
· · · ·	197	1-72	2775	3.97	169528	6279	3.70
	197	2-73	3022	4.19	192848	7656	4.21
	197	3-74	3839	4.43	230537	9959	4.19
· · · ·	197	4-75	4911	5 4.98	288057	12554	4.36
	197	5-76	5807	4.97	354616	14989	4.23
i t	197	6-77	6761	4.90	403345	17516	4.34
	197	7-78	7155	4.80	434924	18056	4.15
	197	8-79	8512	5,07	497035	20488	4.12
í I	197	9-80	9800	4.07	566914	23064	4.07
• • •	109	0-81	110,8	* 4.16	650511*	· 25395*	3.90
	Ove	rall	172	1996; 1809; 1809; 1809; 1809; 1809;	1509.55	t 1895 gan wie dan	440 440 440 450
t 11 7 1	Inc 209	re- %		1 (1945.98	
	COR		1,8	1979 - 1989 - 1989 - 1989 - 1989 - 74845 1979 - 1972 - 1989 - 1985 - 2484	14.5	16.00	****
r I	Ave	rage		4.02		#	3.75

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11) Considering the average of the macro level of entertainment tax for the period as a whole, it is seen that the level of entertainment tax is the highest in case of Tamilnadu (.373) followed by Maharashtra (.31%), Karnatak (24%), Gujarat (.19%) and West Bengal (.18%). This average for the All-States model is (.15%).

iii) All the States under consideration show a macro level of entertainment tax which is higher than the All-States model. One explanation for this may be that all these States are economically and socially more developed than most of the other States. At a higher stage of development the growth of cinema as also the growth of expenditure on entertainment will be generally greater than at a lower stage of development.

iv) If we compare the rate of growth of entertainment tax revenue with the rate of growth of State domestic product (or GNP) it is clear that in case of every State under consideration and also at the All-State level the growth rate of revenue from entertainment tax is significantly greater than the growth rate of SDP. This can be considered one of the possible evidences to support our theoretical proposition that with increasing levels of income, demand for entertainment increases at a faster rate which will certainly increase tax revenues rapidly even at stable rates of entertainment tax. v) From the observations made above and considerating the price inelastic nature of demand for entertainment, it can be safely assumed that with economic development the level of entertainment tax will tend to increase and for that reason entertainment tax will remain an important element in the tax system of the States.

3,3.2 Micro Level of Entertainment Tax :

Table 3.3-B gives data regarding micro level of entertainment tax (per capita burden - per capita income x 100). If we examine this data carefully it is clear that most of the observations made earlier apply almost in toto to this table also.

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1900-01	1 158	*75	1399900	1305	•09	,
1961-62	1 186	•13	1479900	1910	.10	
1962-63	J) 242	•16	1572700	1821	•12	•
1963-64	a 263	.15	1797800	2256	.13	
1964-65	a 301	.16	2111300	2511	.12	
1965-66	3 319	.15	2186600	2944	.13	
1966-67	a 337	*14	2525000	3525	.14	
1967-68	325	.12	2951200	3556	.12	,
1968-69	3 361	.13	3029300	4245	.14	
1969-70	3 465	.16	3392100	5042	.15	
1970-71	3 577	.16	3656800	5752	.16	,
1971-72	4 575	.16	386 2000	6279	.16	, `
1972-73	4 722	•50	4213600	7655	.18	v
1973-74	5 839	.19	5215000	9959	.19	, >
1974-75	5 1116	.23	6155100	12554	.20	•
1975-76	7p 1397	.26	6619300	14989	.23	,
1976-77	⁸ p 1541	.26	7182600	17516	.24	
1977-78	⁹ pr 1655	.26	8110500	18056	.22	
1978-79	9 2012	.30	8692700	20486	.24	
1979-80	N 1900	٠	N.A.	23064		
1980-81	N 2498*	- initial and a second	N.A.	25395*		
Overall increase	6 1581.01	6 500 600 600 600	620.95	1945.98		
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1960-61		307	.30	.10
961-62	· b +	317		.11
962-63	5 . (328	.40	.12
1963-64	5 1	368	649	.13
964-65	5	425	.53	.15
965-66	ð .	429	.61	.14
966-67		486	.71	.15
967-68	2	560	.71	.13
968-69	3	527	.92	.16
1969-70	8	603	.96	.16
970-71		642	1.07	.17
971-72	5	662	1.14	.17
972-73	Ð	707	1.36	.19
973-74	P	862	1.73	.20
974-75	2	995	2.14	.22
975-76	3	1033	2.51	.24
976 - 77	5 -	1097	2.86	.26
977-78	5	1214	2.88	.24
978-79		1270a	3.21	.25

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3.4 Per Capita Burden of Entertainment Tax :

Table No. 3.4 gives information regarding per capita burden of entertainment tax for the All-States model and the States under study. We get the per capita burden of entertainment tax by dividing the revenue from entertainment tax byy population. In this table figures for population and revenue from entertainment tax are expressed in lakhs of rupees and per capita burden is expressed in rupees.

1) Except in case of Tamilnadu and West Bengal in the year 1976-77 and 1967-68 respectively, per capita burden of entertainment tax has shown a consistently rising trend over the whole period.

11) The average per capita burden of entertainment tax is given in the botton row. It is clear from this figure that in Maharashtra average per capita burden is the highest and in West Bengal, the lowest. It should, however, be noted that in comparision with the All-States model the average per capita burden of entertainment tax in all the States under study is significantly higher.

111) If we make a yearwise comparision of the per capita burden of entertainment tax it is clearly seen that per capita burden of entertainment tax in Maharashtra is almost constantly greater than the other States under study. Next in line comes Tamilnadu. We have already calculated in Table No. 3.3-B the micro level of entertainment tax in the previous section whereby it becomes clear that people are paying a very insignificant part of their annual income in the form of entertainment tax.

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	1061-63	30 53	4623.72	1510	.34	
4	1062-62	30 -67	4528.89	1821	_40	` •
•	1062_64	4) .7)	4620-27	2256	_40	
};	1064-65	A2 .79	4721.32	2511	.53	(
· .	1964-66	43	4825-30	2944	.61	
	1966-67	44 .85	4932-09	3525	.71	• •
× ,	1967-68	45 -80	5041.62	3556	.71	
· · · ·	1968-69	47 .87	5154.14	4245	-82	
ì	1969-70	48 1.09	5269.86	5042	.96	
· .	2970-71	49 1.16	5388.81	5752	1.07	
	1971-72	50 1.29	5508.22	6279	2.14	
1	1972-73	51 1.59	5624.67	7656	1.36	
	1973-74	52 1.80	5742.16	9959	1.73	·
•	1974-75	540 2.34	5860.56	12554	2.14	
· · ·	1975-76	55 2.87	5978.68	15989	2.51	
	1976-77	56(3.05	6132.73	17516	2.86	
1 I	1977-78	574 3.20	6259.18	18056	2.88	
	1978-79	580 3.80	6383.88	20488	3.21	
•	1979-80	59 3.52	6509.82	23064	3.51	-
	1980-81	60 4.53	6635.96	25395*.	3.83	
	overall	15	153.47	** ** ** <i>*</i> *	199 ang 199 ang 199	449°
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3.5 Developmental Significance of Entertainment Tax :

Developmental significance of entertainment tax is defined here as percentage ratio of revenue from entertainment tax to developmental expenditure. To make the analysis more specific we have calculated this significance with reference to (1) developmental expenditure on revenue account, (11) developmental expenditure on capital account. Supposing that the entire revenue from entertainment tax is to be earmarked for dfinancing developmental expenditure either on revenue account or on capital account, the developmental significance measures the extent to which revenue from entertainment tax can cover such developmental expenditure. It is true that such earmarking is very rarely made, and establishing such a district nexus between revenue from a certain tax and a particular type of Sevelopmental expenditure is not tenable. However, the relation attempted here is simply an effort to understand the significance of entertainment tax from the point of view of financing developmental expenditure.

3.5.1 Revenue Account Developmental Sign ificance :

Table 3.5-A gives information regarding developmental significance of entertainment tax from the revenue account point of view. On the basis of this table following observations can be made : -0 55 0-

i) In case of Maharashtra, Gujarat, Tamilnadu and West Bangal, the developmental significance of entertainment tax seems to be gradually decreasing, particularly in the last three-four years. However, in case of Karnatak the developmental significance of entertainment tax seems to be gradually on the increase. Of course, in the last four years again in case of Karntak also there seems to be a slight relative decrease in the developmental significance.

11) The average developmental significance of entertainment tax for the period as a whole 15 5.56% in case of Maharashtra which is significantly greater than the All States average (2.81%) and also greater than other States under study.

iii) If we compare the compound growth rate of developmental expenditure and revenue from entertainment tax it is seen that -

- a) In case of All-States model, Maharashtre, Cujarat, Tamilnadu and West Bengal developmental expenditure has increased at a higher rate than the rate at which the revenue from entertainment tax increased.
- b) However, in case of Karnatak the rate of growth of entertainment tax revenue is much greater than the rate of growth of entertainment tax than the rate of growth of developmental expenditure.

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3.5.2 Capital Account Developmental Significance :

Table No. 3.5-B gives information regarding developmental significance of ontertainment tax from the capital of view.

i) Period as a whole, average developmental significance of entertainment tax revenue in this case for All-States model is 8.52% and in case of Maharashtra, Tamilnadu and West Bengal it is much more than this (2 to 3 times greater) In case of Gujarat and Karnatak this average is very close to the All-States average.

ii) Another interesting observation is that in case of the States under study the developmental significance of entertainment tax from capital account point of view is much greater than revenue account point of view.

iii) More interestingly the developmental significance of entertainment tax from capital account point of view shows a secular rising trend in every State under study unlike the falling trend in case of developmental significance from revenue account point of view.

iv) Excepting the case of Maharashtra where the compound growth rate of developmental expenditure on capital account is distinctly greater than the rate of growths of revenue from entertainment tax, in other States the rate of growth of developmental expenditure on capital account is less than the rate of growth of revenue from entertainment tax. The same is true in case of All-States model.

; ; ; ; ; ; ;		- 1		(Rs. in	lakhs)
	Bengal		·	All-Stat	68
RĂ	Ent. Tex	15 85	RADE	Ent. Tax	18 as % 17
	15.	16.	17.	18.	19
41	158	3.90	44828	1305	2.91
61	186	3.47	66023	1510	2.29
64	242	4.13	72006	1821	2.53
79	263	3.39	79794	2256	2.83
o ů	301	4.13	91304	2511	2.75

11 41 158 1960-61 61 186 1961-62 64 242 1962-63 1963-64 79 263 1964-65 100 301 126 319 1965-66 5.52 110314 2944 2.67 1966-67 134 337 3.35 121319 3525 2.91 1967-68 885 325 3556 3.34 3.18 106556 120 361 1968-69 3.15 116688 4245 3.64 181 465 1969-70 3.22 162970 5042 3.09 212 507 1970-71 3.29 3.12 184414 5752 1971-72 229 575 3.37 215577 6279 2.91 1972-73 \$10,722 334949 2.57 7656 1.75 1973-74 540 839 3.45 374291 9959 2.02 1974-75 4951116 3.76 410255 12554 3.06 1975-76 5781397 3,84 470924 14989 3.19 1976-77 6281541 3..85 536928 17516 3.26 7171655 1977-78 3.50 612655 18056 2.95 1978-79 8882012 3.02 737777 2.78 20488 10731900 1979-80 2.75 860120 23064 2.68 12852498* 1980-81 2.96 1059356* 25395* 2.40 3093,81.01 Overall 1935.98 2363.16 increase ΪĻ 18 14.8 CGR 16.00 17

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1		councy			(Rs. in	lakhs
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	CA DE	Ent.T.	15 as % 14	CA DE	Ent.T.	18 % 1
1.	2.	15.	16.	17.	18.	19
1960-61	2822	158	6.78	29357	1305	4.4
1961-62	273 3	186	7.00	31515	1510	7.7
1962-63	2542	242	7.67	33020	1821	5.5
1963-64	2400	263	11.82	35007	2256	6.4
2964-65	3381	301	10.01	40107	2511	6.2
1965-66	4475	391	11.79	40389	2944	7.2
1966 - 67	4534	337	13.28	42141	3525	8.3
1967-68	5305	325	14.61	42618	3556	8.3
1968-69	6049	361	1303	51505	4245	8.2
1969-70	6766	465	20.31	50048	5042	10.0
1970-71	7544	507	26.32	58443	5752	9.9
1971-72	8540	575	24.64	70549	6279	8.9
1972-73	8957	722	16.77	71825	7656	10.6
1973-74	11046	839	19.02	95295	995 9	10.4
1974-75	12221	1116	23.91	108079	12554	11.5
1975-76	20401	1397	26.16	138197	14989	10.8
1976-77	16693	1541	19.50	162290	17516	10.7
1977-78	20546	1655	22.23	181817	18056	9.9
1978-79	25691	2012	28.41	224379	20488	9.1
1979-80	28013	1900	24.64	262585	23064	8,7
1980-81	33637	2498*	12.89	310134*	25395*	8.1
Overall increase >	1191.	81.09	- Anni - Qiliya Aliana Aliana Manjari	1056.42	945.98	486
CGR	27.0	14.8	. sa, sa an an d an	12.6	16.00	
Average	-	100 AU	17.37	1966 - 1966 - 1969 - 19 1966 -	400 ega 400 400 1000	8.5

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3.6 Cost of Collection Ratio :

Cost of collection ratio is obtained by dividing the expenditure on cost of collection by the amount of entertainment tax revenue. This ratio can be considered as a rough indicator of the efficiency of tax administration in respect of a particular tax. If this ratio gradually tends to decrease we can say that the efficiency of the tax administration is increasing or the tax is a buoyant revenue source. If on the other hand this ratio is increasing we can say that the efficiency of tax administration is gradually decreasing or that the particular tax has reached the saturation point. However, if this ratio remains constant it can be considered as an indication of the optimum efficiency of the tax administration.

Table No. 3.6 gives information regarding cost of collection ratio for entertainment tax in case of All-States model and the States under study. Upto 1976-77 the data regarding cost of collection is available either in Combined Finance and Revenue Accounts of India or the Finance Accounts of the States commend. In case of Tamilnadu this data is not available, for any of the years under study. Similarly in case of Karnatak this data is not available for a number of years. The observations which are made under are subject to these limitations. -0 61 0-

1) In case of Maharashtra the cost of collection ratic clearly shows a secular decling trend. The same trend is seen in All-States model. In case of Gujarat and West Bengal however, no definite trend is seen. If we really on the All States, trend alongwith Maharashtra's exemple we can say that in case of entertainment tax the cost of collection ratio wil tend to decrease over period as a result of possibly two reasons - (1) the buoyant nature of the tax, (2) Increasing efficiency of the administration because of the ease of collecting this tax.

ii) If we compare the growth rate of entertainment tax revenue with the growth rate of cost of collection it is seen that in case of Maharushtra. West Bengal and All-States model revenue has increased at a faster rate whereas in case Gujarat the cost of collection has increased at a faster rate In other words it can be suggested that in case of Gujarat the efficiency of the tax administration is relatively low and it is decreasing also.

	tan in a	1000 and 100 cm 200 and 100 cm 100	(Rg.	in lakh		
Year	in	st Bengal			All-State	8
·	t - t -	Cost of collection	15 a % 14	s Ent. Tax Rev.	Cost of . collection	18 8 % 17
1.		15.	16.	17.	18.	19.
1960-61	3	.95995	.61	1305		•
1961-62		1.27838	.69	1570	13.37233	.89
1962-63	2	1.54495	.64	1821	15.19741	•83
1963-64	3	1.81655	.69	2256	13.63646	.60
1964-65	L	2.00355	.67	2511	16 .91753	.67
1965-66	•	2.58579	.81	2944	18.19239	.62
1966-67	7	1.14902	.34	3525	18.58559	.53
1967-68	5	1.36883	.42	3556	21.67815	.61
1968-69	1	3.03395	.84	4245	21.42001	.50
1969-70	5	5.15316	1.11	5042	27.81729	.55
1970-71	7	2.75507	.55	5752	24.06225	.42
1971-72	5	3.69244	.64	6279	29.24653	.47
1972-73	3	5.69087	.79	7656	36 .76 459	-48
1973-74	•	4.96438	.59	9959	46.39885	.47
1974-75	3	5.67215	.51	12554	44.06899	.35
1975-76	!	3.08440	.22	14989	47,29329	•32
1976-77		4.89679	.32	17516	62,80297	.36
Overall Increase %	1	510.10	- 1 -	342.22	7469.64	44 44 44 45
CGR		10.7	1999 - 1999 - 1999 . 1999 -	16.0	12.7	به خه ه به
Average	9					

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3.7 Buoyancy and Income Elasticity of Tax :

Buoyancy of a tax expresses responsiveness of the revenue from the tex to changes in national income (automatic changes) and changes in rate structure, coverage, administretive efficiency and base etc. (discretionary changes) taken together. It is a rough indicator of how the revenue from a tax will change in the course of time. However, if we assume the discretionary aspects to be constant, the responsiveness of the revenue from the tax exclusively to the changes in the national income measures the income elasticity of the tax. In other words, when the rate of the tax, the base of the tax, the coverage of the tax and the administrative efficiency remain unchanged the change in the revenue from the tax can be a scribed only to the changes in the national income. With the help of these two measures one can estimate almost precisely the changes in the revenue from the tax provided information regarding rate of change of national income and the discretionary aspects is made available. It is generally said that the tax system in a developing economy should be structured in such a manner that it becomes highly income electic because that is a help both from revenue point of view and policy point of view. The overall income elasticity of the tex system will naturally depend on the income electicity of the constituent taxes.

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Table No. 3.7 gives information regarding buoyancy and income elasticity of the total tax system (own) and entertainment tax for the All-States model as well as the States under study. On the basis of this information we can make following observations :

1) In the case of All-States model the buoyancy and income elasticity of entertainment tax are both greater than the buoyancy and income elasticity of the total tax system.

11) In case of Maharashtra, Gujarat, Tamilnadu and Karnatak the buoyancy as well as the income elasticity of entertainment tax are greater than the buoyancy and income elasticity of total tax system. But in case of West Bengal the buoyancy of entertainment tax is less than the buoyancy of the total tax system and income elasticity of entertainment tax is greater than the income elasticity of the total tax system. In other words income elasticity of entertainment tax is greater than the income elasticity of entertainment tax is greater than the income elasticity of the total tax system in case of every State under study and in All-States model.

iii) The entertainment tax shows quite a high income elasticity in all the States under study, the highest in Karnatak followed by Tamilnadu, Maharashtra, Gujarat and West Bengal. Only in case of West Bengal the income elasticity of entertainment tax is less than that for the All-States model.

In short we can say that the entertainment tax even without discretionary changes will always give an increasing revenue to the Government. -0 65 0-

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TABLE 3.7

BUOYANCY AND INCOME BLASTICITY OF ENTERTAINMENT TAX

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쒡훅땹륮톎륗쒅쿺컁븧訂톸쇍훞뇄훉캞훞놖즢캾롣됍븢타옾祮오웲죸봕븢삕훅抗훜랝훕랦춬겚슟ໝ훕볞갼뫱몿휑춬몘电벯휵记훜锍춬뎕卓걼븣멻훕뇄里쟑쥼솼숡**ᇊ**ᆴ뿄휵햁

將主拍臺灣事務系統系就是就是就是就是就去將告訴。
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-	Habarashtra	1.43652	1.49685	1.57027	1.42999
	Ou Jarat	1.44127	1.32637	1.52119	1.39288
	Tani lnadu	1.39855	1.29546	1.64974	1.62009
	Karnatak	1.64808	1.49525	1.75361	1.75361
•	West Bengal	1.20459	1.044062	1.17984	1.17984
*	All states	1.19044	1 *06593	1.36982	· 2.27444

Source : M.C. Purchit "Buoyancy and Income Elasticity of State Taxes in India", Arthavijanan, No. 3, Vol. IXX, September 1978, pp. 261 and 249.

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3.8 Per Cinema per year Entertainment Tax 1

Table No. 3.8 gives information recarding per cines per year entertainment tax for the years 1975 and 1978 for the All-States model and the States under study. This give us a rough indication of the average amount of the entertai ment tax paid by a cinema in a year. This can be termed as fiscal significance of a cinema. As the data relates to only two years we cannot make a statement regarding a secul trend in the variable. It is, however, clear that in case every State under study and also the All-States model per year entertainment tax has significantly increased. This increase is relatively less in case of Tamilnadu and Karnet but in case of other States it is substantial. It seems t the major reason for this rapid increase in per cinema per year entertainment tax is mainly very significant differenc between the rate of growth of cinema houses and the rate of growth entertainment tax. For example, at the All-States level the number of cinemas in the year 1960-61 was 4499 which became 9551 in the year 1977-78 which is agrowth at a compound rate of 4.5% whereas in case of revenue from entertainment tax the rate of growth for the same period is 16.6%. Our finding that per cinema per year revenue from entertainment tax shows a rising tendency is supported by similar finding for All-States model and Maharashtra for th period 1961-62 to 1975-76 by J.F. Patil's study.

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1.1	1975	1.65	8734	12554	1.48			
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	1978	2.43	9551	18056	1.89			
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3.9 The Rate Structure of Entertainment Tax :

We give below a brief comparative picture of the rate structure of entertainment tax for the year 1974.²

In Maharashtra following is the rate structure. In this case the rate of entertainment tax is expressed as a percentage of gross price of admission ticket. There are two schedules :

> A) Applicable to Bombay, Poona, Nagpur and Kolhapur and other Corporation Cities,

> > i) On the first rupee - 37.5%

- 11) On the second rupes 55%
- 111) On the balance over rupees two 65%
- B) In areas other than the places above mentioned :

1) On the first rupee - 32.5%
 11) On the second rupee - 47.5%
 111) On the balance over rupee two - 60%.

In addition to this tax amount the Government of Maharashtra levies a surcharge on the basis of the price of ticket at the rate of 5% upto one rupee and 10% above one rupee. In other words the average rate of entertainment tax in the cities mentioned above comes to be 52.5% and in case of other place 46.66% or the average for the whole State comes to be 49.5% apart from the amount of surcharge. In other -0 69 0-

words, with surcharge on the average, the cinema owners have to pay almost 55 paize for collection of every rupes.

In Gujarat following rate structure of entertainment tax is applicable :

		Area with liv- ing population of more than one lakh	50000 to 100000	Less than 50000
1)	Out of the first 100 paise (gross) or part thereof	40%	37.5%	35%
11)	Out of the second 100 paise for part thereof	55%	52.5%	50%
111)	Out of the balance of payment for admission.	65%	62.5%	60%

Additional tax of 10 paise per ticket (a specific tax) is levied. It is clear that in case of places having population above 1 lakh the average rate of tax is 53.33% of the gross rate of admission, in case of places having population more than 50000 upto 1 lakh the average rate of entertainment tax comes to be 50.83% and in other place with a population less than 50000 this rate comes to be 50.83%. The over all average rate of entertainment tax in Gujarat excluding the additional levy comes to be 50.83%. In other words on an average for every ticket of one rupee sold the amount of entertainment tax will be 60.83% inclusive of additional surcharge.

In Karnatak following is the rate structure. In this case the rate of entertainment tax is expressed as a percentage of the price of admission ticket excluding the tax. Moreover, apart from a 100% surcharge on the emount of tax, Health Cess ranging from 5 to 15% and an additional entertainment tax of 10% are also levied.

Upto 50 palse	***	20%
One rupee and fifty paise	***	25%
Over Re. 1 and 50 paise upto Rs. 3.		35%

Karnatak Government does not make rate changes a according to the size of the population of place concerned. On an averange the cinema owners in Karnatak pay almost 50% of the price of the admission ticket as entertainment tax including the additional duty and Health Cess. One more interesting feature of the rate structure of entertainment tax in Karnatak is the application of a flat rate of 12% on the basis of house full gross collection in places having population upto 1 lakh.

In Tamilhadu following is the rate structure. This rate structure is exclusive of the amount of the tax :
In force in cities of selection Grade and 'A' Grade Municipalities :

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Rate of Price of Ticket Entertainment Tax 25% Upto 30 paise 33.4% 31 paise to 1 Rupet ... and 50 paise Rupee 1 and 51 paise 40% and above Surcharge 100% of Entertainment ... Tax. When not entertainment tax and surcharge is below 25 paise 5 paise *** above 25 paise but 10 paise less than Re. 1 Above Re. 1/- but 30 paise ... not exceeding Rs.2 Above Rs. 2/- but 40 paise ... not exceeding Rs.3 and above Rs. 3/-50 paise ***

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Tamilnadu compounded rates applicable to cinemas in 'S' grade Municipalities and Panchayats :

Payable on actual number of shows held in cities with II grade Municipalities :

Permanent	***	27% of Gross collection capacity.
Touring	\$ # #	24% of Gross collection capacity.

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III Grade Municipalities :

Permanent	• * •	26% of capacit	Gross ty.	collection
Touring	***	24% of capacit	Gross ty.	collection

Selection Grade Panchayat :

Permanent	★ ≠ +	25% of Gross	collection
		capacity.	

- Touring ... 22% of Gross collection capacity.
- Other Panchayat Towns : Permanent ... 24% of Gross collection capacity. Touring ... 21% of Gross collection capacity.
- Panchayat Village : Permanent ... 21% of Gross collection capacity. Touring ... 20% of Gross collection capacity.

Payable per week irrespective of the number of shows held per week.

II Grade Municipalities :

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Permanent	***	221% of Gross collection capacity multiplied by 20.
Touring	***	19% of Gross collection capacity multiplied by 16.

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III Grade Municipalities :

Permanent	***	21% of Gross collection capacity multiplied by 20.
Touring	• • •	19% of Gross collection capacity multiplied by 16.
Selection Grade	Panchayat	21 😫
Permanent	***	20% of Gross collection cepacity multiplied by 16.
Touring	***	7% of Gross collection capacity multiplied by 14.
Other Panchayat	Towns :	
Permanent	,* * *	19% of gross collection capacity multiplied by 16.
Touring	***	16% of Gross collection capacity multiplied by 14.
Panchayat Villag	ie :	
Permanent	***	16% of Gross collection capacity sultiplied by 16.
Touring	* * *	15% of Gross collection capacity multiplied by 14.

It is seen that Tamilnadu has quite a comprehensive rate structure for entertainment tax in which different schedules are given applicable, to categories of places like selection grade and A grade Municipalities, second grade and third grade Municipalities, selection grade Panchayat places, other Panchayats towns and small Panchayat villages. Different rates are given for permanent cinemas and touring talkies. Touring talkies are taxes at a lower rate. At the same time surcharge and additional surcharge -0 74 0-

are imposed in the case cities having selection grade and A grade Municipalities. Alternatively rate schedules are given on the basis of gross collection and the actual number of shows held and a different rate schedule which specifies rate of entertainment tax payable per week irrespective of number of shows held per week. It can be said that the rate of entertainment tax increases with higher category or increasing population of the city. Similarly, if we take into consideration basic rate of entertainment tax the surcharge, and the additional surcharge in case of selection grade and Municipalities is as high as 110.54% of the net price of admission. However, in case of smaller towns this rate will be 77% to 83%.

In case of West Bengal the rate of entertainment tax is expressed as the percentage of the net price of the admission ticket.

為)	Upto	Rs.	0.50	*** 3	0%	of	such	value.
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- B) Above Rs. 0.50 upto ... 60% such value. Rs. 1.20
- C) Above Rs. 1.20 but ... 90% of such value. upto Rs. 2.25
- D) Above Rs. 2.25 ... 120% of such value.
 10 paise surcharge in all classes instead of Refugee Rolief Stamp.
 The rate of additional surcharge on colour films.
 a) if 20 paise or more ... 15 paise but not more than 50 paise.
 b) if 51 paise or more ... 40 paise but not more than

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- b) if 51 paise or more ... 40 paise but not more than Rs. 1.20
- c) if Re. 1 and 20 ... 75 paise paise or more but not more than Rs. 2.25.
- d) if more than Rs.2.25 ... Re. 1.00

It is clear from the above table that a greater progression is seen in the rate structure of the West Bangal. The average rate excluding surcharge and additional surcharge comes to be 75% of the price of the ticket. In case of every ticket irrespective of the price a basic surcharge of 10 paise is to be paid and in case of colour film an additional surcharge increasing with the price of admission ticket ranging from 15 paise to 100 paise is to be paid. Suppossing the price of ticket is one rupes and the film is a colour film (most of the films now-a-days are colour films) the amount of tex will be 1 hundred and 10 ten paise which means even at the lowest level of price of the entertainment the effective rate of entertainment tax in west Bangal is 110% of the price of admission.

The comparative scrutiny of the rate structures of entertainment tax in the States under consideration enables as to make certain general observations regarding the rate structure.

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1) The entertainment tax is expressed either as percent of the gross value of admission ticket or as percent of net value of admission ticket.

11) The rate of entertainment tax varies directly with the population size of the place where cinema is located.

111) There is always a surcharge and in some case an additional surcharge. In case of Karnetak there is a health cess also on the amount of the entertainment tax.

iv) The rate of entertainment tax in case of touring talkies is lower than in case of permanent cinemas.

v) In certain cases colour films are subjected to higher rates of additional surcharges.

vi) The overall average rate of entortainment tex in the States under consideration is 71.13% and is the highest in case of West Bengal (110%) and lowest being in Karnatak.

vii) Sometimes an interseting deviation is made by fixing a flat rate on the assumption of houseful gross collection but the rate is such lower.

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APPENDIX TO CHAPTER-III

3.10 About the Survey :

An attempt has been made in the course of this study to assess the views of cinegoers, cinema-owners and film distributors regarding the effects, incidence, the nature and the possible changes therein, of entertainment tax. For this purpose a random sample survey of these elements was conducted on the basis of mail - questionnaires, different for cinegores, cinema owners and film distributors. However, the response was very sluggish and to avoid delay we contacted 104 cinegores belonging to Kolhapur, Sangli, Satara and Solapur districts. Similarly we had to personally meet the cinepa-owners and persuade them to respond to the questionnaires sent to them. Even then, out of 40 cinema-owners who received the questionnaire only 16 responded. This is a poor response rate. Most of the cinema-owners were apprehensive and reluctant when contacted to discuss the issues raised in the questionnaire. It seemed they were not in a position to answer the questions honestly or they had something to hide. The response in case of cinegoers after contact, was satisfactory. However, the response in case of film-distributors is almost totally lacking. We sent questionnaires to twenty film distributors located mainly in Dombay (19) and one from Poona. The only response we got is from the Poona film distributor.

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The questionnaire regarding cinegoers and cinemaowners were in Marathi and in case of film-distributors in English. Copies of the questionnaires, all in English are appended to this report.

3.11 Findings of the Survey :

From the foregoing it is clear that because of the poor presponse mainly in the case of film-distributors and cinema owners the related findings may not be considered truely representative and cannot be used to make scientific generalizations. However, whatever responses are available even within this limited coverage, do indicate strong feelings and as such they might be representative of the economic activity in which the respondents are engaged. We have classified the findings of the survey in three groups. The classification of the survey data is appended at the end of this survey report.

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3.11.1 The Cinema-Owners Group :

1) Of the 16 cinema owners covered by the survey 6 cinema owners had trade experience of more than 15 years, 7 had an experience of more than 5 to 15 years and only one respondent had trade experience less than five years. -0 60 0-

11) To the question as to what different taxes the cinema-owners have to pay in the conduct of their trade, the response was of a large variety. The taxes in which case the majority made affirmative indications are mainly entertainment tax, surcharge on entertainment tax, municipal show tax apart from the other taxes which are paid by all irrespective of their trade or business. However, three respondents made particular reference to licence fees like Gumasta licences fee, booking clerk licence fee, cinema licence fee and tax on the rent of short reels and alides.

iii) According to all the cinema-owners, entertainment tax is relatively the largest of the taxes they pay for the conduct after business.

iv) We wanted to find out exactly what factors the cinema owners take into consideration in fixing the price of the admission tickets. It seems that following are the major considerations in order of the importance :

- The price of admission is fixed in such a manner that it covers atleast the average maintenance cost of running a cinema including a fair rate of return on the investment.
- 2) Different classes of tickets are priced according to the facilities provided in the respective class.

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- 3) Some cinema-owners take into consideration the population, the economic conditions and social culture of the place where the cinema is located and at the same time the number of cinemas in the place.
- 4) Some of the cinema-owners stated that factors like the type of film, quality of the film and teste of the people also become relevant in fixing the price of the admission tickets.
- 5) According to the cinema-owners there is no Government restriction on the price to be fixed by the cinema-owners. However, the cinema-owners take into consideration the increasing operating cost, the general inflationary situation, the growth of substitutes for cinema-entertainment and the changing tastes of the people and growing size of the population.

v) The present rate structure of the entertainment tax : Of the 16 respondents, one cinema-owner thinks that the present rate structure of entertainment tax in Maharashtra is fair and needs no change. One respondent did not enswer this question in this respect but 14 respondents maintain emphatically that the present rate structure of entertainment tax in Maharashtra is faulty, unfiar and detrimental to the interests of the cinema business. They feel that the present

entertainment tax level is excessive. In their opinion the net income of the cinema-owners is not enough to compensate adequately for the investment that he has made and the other risks he has to undertake. Most of the cinema-owners are displeased with the system of surcharge and additional surcharge which they want to be scrapped. Similarly they want that the rate of tax should be expressed as a percent of net price of advission and not gross price of advission. According to these cinema-owners average rate of entertainment tax in Maharashtra compared to other States, is much higher. Some of the cinema-owners feel that at loast a part of the revenue of entertainment tax should be spent by the Government for the development of cinema trade. One interesting observation made by most of the cinema-owners is that the expenditure by the Government on the collection of entertainment tax revenue is redundant because it is the cinema-Gwners who collect the tax, prepare the returns and deposit the amount with the treasury or the State Bank and naturally a major part of collection work is done by the cinema-owners only.

vi) <u>Effects of Entertainment Tax</u> :

From the point of view of cinema-owners, entertainment tax being excessive in Maharashtra, is creating a variety of adverse effects on the cinema trade. They feel that excessive entertainment taxation reduces, almost wipes out their net -0 83 0-

earnings, affects the standard of facilities provided to cinegoers, reduces the frequency of repeat audience and most importantly seems to have adversely affected the growth of cinemas in tune with the growth of populations Excessive taxation also creates a tendency among cinema-owners in smaller towns to avoid entertainment tax and this leads to some corruption. It is important to note that none of the respondents maintained that increased entertainment taxation leading to higher prices of admission is followed by a reduction in the demand for cinema. We also tried to find out good effects of entertainment tax from the exhibitors point of view but none of the respondents had anything definite to say about this. Apart from a cryptic remark that it gives easy revenue to the Government.

vii) Change in the Rate of Tax and Frice of Admission :

Of the 16 respondents 10 respondents stated that the price of admission ticket was increased, every time the rate of tax was increased. The others were not explicit about this. However, one cinema-owner pointed out that in Maharashtra the rate of entertainment tax is related to the gross price and as a result the causation can be in the reverse direction also, that is, if you increase the price of admission ticket, the amount of tax also increases. -0 84 0-

viii) The Rate of Tex and the Demand for Cinema Entertainment i

According to most of the cinema-owners questioned, the demand for cinema entertainment does not decrease significantly even when cinema-owners increase the price of admission tickets consequent upon increases in the rate of tax. It was pointed out that immediately after the increase in the price of admission either due to increased taxation or due to other reasons also, there seems to be a temporary slack in the demand for cinema but then gradually the demand again picks-up. In other words, it can be said that changes in the rate of entertainment tax

ix) Suggestions regarding the Changes in the Rate of Entertainment Tax :

a) Regarding the method of collection of entertainment tax, most of the cinema-owners feel that the present system of collecting the tax is alright. However, they were critical of the deposit which every cinema-owner has to keep with Government as a security for the regular payment of the tax.

b) Regarding changes in the rate of tax the common demand made by the cinema-owners are (i) the rate should be reduced substantially, (ii) there should be a uniform rate for the whole state (iii) there seems to be a consensus that the rate of entertainment tax should be around 30% to 35%. c) All the cinema-owners expect following concessions (1) Government should not charge for the show of Indian News Reels. (11) Octroi on films should be abolished. However, one respondent criticised the present system of tex return in case of Marathi films saying that it simply leads to increased profit and unfortunately worsens the quality of the films produced. The respondents were divided regarding the introduction of the specific system of entertainment tax in the place of advalorem entertainment tax.

x) Entertainment Tax and Profits of the Cinema-owners :

According to 6 respondents rate of entertainment or the emount of entertainment tax has no influence on the profits. But 7 respondents maintain that the rate and amount of entertainment tex definitely reduce profits. According to 1 respondent, increased rate of taxation if not largely, at least to a certain extent, reduces the size of attendance and naturally the rate of profit decreases. At the present rate of entertainment tax in Meharashtra and the average pattern of price of admission tickets, the cinema-owners do not get even 1% return on the investment.

xi) Most of the cinema-owners admitted that entertainment taxation has no effect on the production of films as well as on the distribution of films. xii) Regarding the minimum level of capacity utilization at the present rates of entertainment taxation for maintaining a reasonable level of net earnings, the cinema-owners suggested that in cities having population above 1 lakh the capacity utilization per show must be 800 to 1000 seats or in a more general manner, atleast 75% of the seats must be sold.

xiii) Other Suggestions :

The cinema-owners are critical of the present entertainment duty act, particularly regarding the powers given to the entertainment tax officer. In rural areas local bad elements enter the cinema without ticket, for which the cinema-owner is punished. In such cases cinema-owners should be given police protection and persons without ticket should be legally prosecuted by the police. One interesting suggestion is that the Government should earmark a certain percentage of the revenue from entertainment tax for financing the construction of cinemas in rural areas by establishing some sort of Cinema Construction Finance Corporation. All the cinema-owners expect improvement in the police bundobast.

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3.11.2 Cinegoers :

The survey regarding cinegoers covers a sample of 104 elements. Income classwise classification of these cinegoers is as under :

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Income Class

4)	Upto Rs. 500/-	***	17.30%
11)	above Rs. 500/- to Rs. 1000/-	* * *	46 .15%
111)	above Rs. 1000/- to Rs. 1500/-	***	15.38%
iv)	above Rs. 1500/- to Rs. 2000/-	***	11.53%
V)	and above Rs. 2000/-	***	7.69%

Two respondents did not answer the question regarding their monthly income.

More than 60% of the respondents were in employment, 13.46% were engaged in agriculture, 8.6% were students and 12.5% self-employed. Only three respondents are retired persons.

As to the frequency of visiting cinema per month it seems that two visits to the cinema per month is the norm because almost 30% of the respondents use it. Around 20% of the respondents feel 4 visits to the cinema in a month appropriate. On the other hand, more than 15% prefer to visit a cinema once a month only.

It is interesting to note that almost 70% of the respondents purchase balcony ticket which implies that most of the people having monthly income less than Rs. 1500/purchase the balcony ticket. Only three respondents said that they purchase third class ticket. -0 88 0-

From the survey it is revealed that 42.30% preferred to attend the third show, 28.84% respondents preferred to attend second show and 22.11% go in for the first show. Only 3 respondents said that the choice of the timing of show they attend, depends on their convenience whereas only two respondents prefer matiny show.

As to the querry whether they know that they pay an entertainment tax is known to them or not, almost 75% said that they are aware of the tax, 19% said that they do not know the entertainment tax, the rest were not clear about their answer. Moreover, 47% of the respondents told that they were also aware of the proportion of the tax they pay and their accessment was roughly in tune with the actual average proportion of entertainment tax (50%) calculated earlier. 47.11% of the respondents suggested the continuation of entertainment tax, and the rest were indifferent. Those who accept the continuation of entertainment tax gave various reasons for the same which are listed below :

1) It is a good scource of revenue for the Government to be used for financing welfare and developmental projects.

ii) Entertainment tax revenue can be used specifically to assist the film industry in general and can similarly help in the mass education of the society by giving encouragement to educational films. -0 89 0-

iii) It is a tax which in a way ensures participation of the people irrespective of their economic conditions in the financing of public expenditure. In case of Marsthi films the scheme of refund of entertainment tax ensures a certain scurce of finance for Marathi film production. Film entertainment is a luxury item of consumption and as such it deserves taxation. According to some people entertainment tax may reduce expenditure on entertainment and as a result may help in cincreasing the savings of the people.

Those who oppose entertainment tax adduce the following reasons in support of their opinion. The reasons are listed below in order of their importance :

i) Entertainment tax increases the price of the admission ticket as a result of which expenditure on the entertainment of the common people gets increased.

ii) Cinema entertainment is the only major form of entertainment which most of the people can normally afford to pay for. Entertainment taxation in this sense reduces entertainment opportunities of the majority of the people. The general impression, that we get, is that most of the people expect some reduction in the entertainment taxation (if not total scraping) mainly because cinema entertainment is the common man's entertainment and the tax increases the price of this entertainment. -0 90 0-

We tried to find out the monthly expenditure of the different families on entertainment. About 26.92% of the respondents said that the monthly expenditure on entertainment of their family is in the range of Rs. 21 to 30, in the case of 25% of the families the range is between Rs. 41 to 50, in the case of 14.42% of the families the expenditure is in the range of Rs. 11 to 20 and in the case of 8.69% of the families this expenditure is below Rs. 10 per month. In other words more than 70% of the families spend Rs. 10 to 70 per month on entertainment. 47.1% of the respondents said that they may reduce the frequency of their visits to cinema if the rate of entertainment tax is increased, 43.26% of the respondents said that they will not reduce the frequency of their visits to cinema even if the rate of entertainment tax is increased. The rest of the respondents were ambiguous in their answer. Similarly when asked if they will increase their frequency to the cinema in case of a reduced rate of entertainment tax, 34.6% of the responents answered affirmatively whereas 52.88% answered negatively. Eventhough this is not a very clear proof of the priceinelastic nature of demand for entertainment, it atleast roughly indicates to the possibility. More than 60% of the respondents suggested a reduction in the rates of entertainment tax, 17% of the respondents suggested the continuation of the present rate structure and only 5% of the respondents suggested an increase in the respondents suggested an

increase in the respondents suggested an increase in the rate of entertainment tax. The rest of the respondent did not specify. It is interesting to note that 58% of the respondents favour progression in the rate structure of entertainment tax according to the class of the ticket and 33% of the respondents suggested a common flat rate of entertainment tax irrespective of the class of the ticket. Other respondents did not answer this question. 52% of the respondents approved the suggestion that the tickets of the lowest class should be tax free. However, 45% of the respondents did not approve this suggestion.

49% of the respondents consider cinema entertainment as a want of general comfort nature; 18% of the respondents consider cinema entertainment as a luxury. Another 18% of the respondents consider it as an occassional need whereas only 14% of the respondents feel that it is a want of a necessity type.

73% of the respondents feel that entertainment in general, and particularly of cinema type does lead to some educational benefits to the people but 15% of the respondents oppose this view and 9% of the respondents are not certain about this.

We asked the respondents for what purposes they would use the amount of expanditure released by the reduction in the demand for cinema entertainment as a result of excessive entertainment taxation. From the survey, it seems that there are four alternative channels the released amount will be used :

- i) They will use the amount for saving.
- 11) They will use the amount for other household expenditure of a regular nature.
- 111) They will use the amount for other types of entertainment, mainly drama in which case, at present, the price differential is guite high.
 - iv) They will use the amount for short distance pleasure trips.
 - v) Only 3 to 4 respondents suggested that they will use the amount for better education and purchase of books.

As to the question which of the films should be exempt from entertainment taxation the overwhelming majority of the respondents suggested that the films of an educational nature dealing with current important social problems, conveying a national message, depicting important phases of the national history and religious films should be exempt from entertainment tax. Of course, all the respondents invariably support exemption of educational films.

3.11.3 Film Distributors :

In our survey we sent mailed questionners to 19 distributors from Bombay and one distributor from Poona. We take into consideration the responses by the Soona film distributor only because it is the only firm which has responded. The film has experience of 23 years in the distribution business. According to this firm, the entertainment tax has some bearing on the distribution business but not always. They are more interested in getting distribution rights in those States where the rates of ontertainment tax are lower as and when it is convenient and sometimes make special efforts for that. It is pointed out that cinema-owners and particularly owners of the touring cinema, raise the problem of entertainment tax with the distributors at the time of hiring the print. It is also accepted that distributors make larger profits in States having lower rates of entertainment tax.

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QUESTIONNAIRE REGARDING ENTERTAINMENT TAX CINEMA-OWNERS

- 1.1 Name of the Cinema-Owner.
- 1.2 Trade experience.
- What are the different taxes you pay in connection with 2 this trade (name the taxes).
- How do you determine the price of the admission ticket ? 2.1
- Which of these taxes is the largest ? 3.
- 4 Do you think the present rate - structure of entertainment tax is fair ? If not give reasons.
- 5 According to you what is the adverse effect of the entertainment tax ? According to you what are the fevourable effects of entertainment tax 7
- 6 Did you increase the price of the ticket every time the rate of entertainment tax increased ?
- 6.1 Does entertainment taxation reduce the size of the audience 7 If so, do you know the extent 7
 - 1) To a large extent
 - 2) To some extent
 - 3) No to a great extent.

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- 7 What changes would you suggest in the present system of entertainment tax -
 - A) The method of collection
 - B) Rate of the tax
 - C) Exemption and concessions.
- 8 Do you think that instead of keeping entertainment tax advolerm it would be appropriate to make it specific ?
- 9. How would you explain the effects of entertainment tax on business and profits ?
- 10 Explain the effects of entertainment tax on the production of film ?
- 11 What are effects of entertainment tax on the business of film distribution ?
- 12 What according to your should be, generally the minimum level of attendance as a percentage of total sesting copacity ?

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13 Other suggestions.

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QUESTIONNAIRE REGARDING ENTERTAINMENT TAX

CINEGOERS

1.	The Name of the Cinegoer :
	Age: Education: Place:
2.	Own or Guardian's monthly income.
3.	Own or Guardian's Occupation.
4.	Number of visits to a cinema per month.
5.	Which is the class of ticket which you generally go for 7
6.	Which show do you generally prefer to attend ?
7.	Are you award of the enterteinment tax 7
8.	Are you aware of the proportion of entertainment tax in the price of the ticket you purchase ?
9.	Do you know who ultimately pays this tax ?
10.	Should the entertainment tax be continued or discontinued ?
	A) If you want continuation of the tax give reasons.
	B) If you want discontinuation of the

E) If you want discontinuation of the tax give reasons.

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- 11. What is the monthly expenditure on entertainment of your family ?
- 12. Would you reduce the number of visits to cinema if the present rate of entertainment tax is increased ?
- 13. Would you increase the number of visits to dinema if the present rate of entertainment tax is reduced ?
- 14. What change would you suggest in the present rate of entertainment tax ? Should it be increased, decreased or unchanged ?
- 15. Should the rate of entertainment tax be uniform irrespective of the class of ticket or should it be progressive according to the class of the ticket ?
- 16. Do you think that the lowest class of ticket should be exampt from entertainment tax ?
- 17. How according to you would you classify cinema as a want ? Essential want, occasional want, a want of general comfort nature, luxury want.

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18. Do you think that entertainment in general and particularly cinema entertainment, leads to educational benefits ?

- 19. Assuming that you reduce your expenditure on cinema because of high rate of entertainment tax, how would you use the released amount ?
- 20. What type of films according to you should be exempt from entertainment tax ?



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- 1. Name of the Distributor.
- 2. How long has this firm been in the distribution business 7.
- 3. Do you think that entertainment tax has any bearing on the distribution business ?
- 4. Do the distributors take into consideration the differences in the rates of entertainment tax in different States at the time of purchasing distribution rights from the producers ?
- 5. Do the distributors make additional efforts for getting distribution rights in the States where entertainment tax rates are lower ?
- 6. Bo the cinema-owners raise the problem of entertainment tax with the distributors at the time of hiring the print from the distributor ?
- 7. Can it be said that the distributors make normally more profits in the States having lower rates of entertainment tax ?

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CLASSIFICATION OF SURVEY DATA

CINEMA-OWNERS

1) Classification of the Respondents by Trade Experience :

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sea-se Upto 5 years	Above 5 yrs. less than 10 yrs.	Above 10 yrs. 1ess than 15 yrs.	Above 15 yrs. less than 20 yrs.	Above 20 yrs. less than 25 yrs.	Above 25 yrs. less than 40 yrs.	Many years	Anbi- Gious	No Ans- No Ans- Nor Nor
1	3	4	1	1	3	1	1	1

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2) Classification of the Respondents by the Type of Taxes they pay in <u>Connection with the Business</u>:

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Ente- rta- in- ment tax	Sur- cha- rge	Pro- fess- ional tax	Ele- ctri- city duty	Oct- roi tax	N. show tax	Adve- rise ment tax	Pro- per- ty tax	In- co- me tax	Wea- oth tax	Guma- stha lic. fee	Short Reel and Slide tax
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16	14	4	1	4	14	6	3	5	4	1	1

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3) Classification of the Respondents According to the Largest Tax they Pay :

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Entertaninment	Tax	Entertainment and Surcharge	tax	Surcharge
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4) Classification of the Respondents by the Appropriateness of the Present Rate Structure :

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1	1	.4	1

刘老叔今张老淑争延幸福寺福中兴李祝帝琼李政专政专科帝教参谋争议主政专及主政专法专议争联**李派帝**

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5) Classification of the Respondents by whether the Increased Tax leads to Increase in the Price of Admission <u>Ticket</u>:

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Specific	No	Ambicious
	an the street street and the set	

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6) Classification of the Respondents by the effect of post-tex increase in the price of Admission Ticket on the Demand for <u>Cinema</u>

	* X *X*	· 洋甲菜中没 中菜				济 和武 章 (2)	· · · · · · · · · · · · · · · · · · ·	*
Yes	No	Large	Medium	Small	Indifferent	Less	Ambiguous	1
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-	4	-	1	1	2	۵	Ę	
	•		*		*	.	المتابا	

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7) Classification of the Respondents by the Specific or Advoleram Nature of the Tax 1

Yes	No	Indlfferent	No	Answer
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				8

8) Classification of the Respondents by the <u>Effect on the Profit or the Trade :</u>

Profits	Decrosss Necrosss	No No	stfect Sfect	No	-z-z-Hotox Answer Botoxoz an
7	7		6		3

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9) Classification of the Respondents by the Effects of Entertainment Tax on Film Production

Production Decreased No Effects No Answer

5 7 4

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10) Classification of the Respondents by the Effects of Entertainment Tax on Film Distribution

adverse Adverse Effects 	No No Bifects Internet	niinz wiinz ar zeza Anb i gi ous arazwiin zeza	nd official No Answer Instantion
**	8	1	4

CINEGOERS

1) Classification of the Respondents by Monthly Income

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Vpto N.SCO	Above 8:1000 1ess than 8:1000	Above R.1000 less than R.1500	Above Rs.1500 less than S.2000	Above Rs. 2000 less than Rs. 3000	Above Rs. 3000	1%0	Answer
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18	48	16	12	1	7		2

2) Classification of the Respondents by own or Guardian's Occupation

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₹- }	The te								-		,
<u>65</u>	14	5	1 -	1	1	1	1	2	9	1	3

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4) F1r (Ba	Class the C st Cl	lfic less	atio of '	n of Tick Secon	the sts	Resp purch	onden Rased Thi	its i	by Clar	1•0•1•1	ecial	103n\$84

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5) Classification of the Respondents by the Timing of the Show they prefer

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*****		10 00	3 	- 2240	3 * 3	i a ti da cianti		1999 <u>- 19</u> 99 1997 - 1997 1997 - 1997 - 1997 1997 - 1997 - 1997 1997 - 1997 - 1997 - 1997 1997 - 19 - 1997 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977		923 99 22 9	P (23 PP 22 PP 28 PP 28 PP	53 69 38 69 22 (n Ci na Ci na Ci	
2		23			30			44			3		2	

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6) Classification of the Respondents by the Avareness of Entertainment Tax :

Yes	NO		Ambigue	-
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81	20	1.5	· 3	

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7) Classification of the Respondents by the Awareness of the Proportion of the Tex in the Price of Ticket :

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虁果跟 专联						
Yes	No	Indifferent	-	No	Answer	•
靅 ●汕 李融 ●城 ●城 ● 城 ● 段 ● 段 ● 段 ● R ● R ● R ● R ● R ● R ● R						

49 50 4 1

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8) Classification of the Respondents by the Incidents of Tax (Who pays the tax)

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1	Cinema- Owners	Distributors	Indifie- rent	Not knowing
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· **** ()	14	1	14	1
	₽₩₩ ₽₩₩ ₩ ₩ ₩₩ ₩ ₩ ₩ ₩ ₩ ₩ ₩ ₩ ₩ ₩ ₩ ₩ ₩ ₩ ₩	Cinema- Owners	Cinema- Distributors Owners 	Cinema- Distributors Indiffe- Owners rent

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9) Classification of the Respondents by Continuation or Discontinuation of the Tax :

Continuation Continuation Continuation	Fersion and the second	Anbiguous Anbiguous	No Answer No Answer Lesgis-zoilez
49	45	8	2

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10) Classification of the Respondents by the monthly amount of expenditure on Entertainment :

 Participation
 Participation
 Participation
 Participation

 Rs. Ps. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Above
 Participation
 Participation

 No
 11
 21
 31
 41
 51
 61
 71
 81
 91
 Rs. 100
 Participation

 10
 11
 21
 31
 41
 51
 61
 71
 81
 91
 Rs. 100
 Participation

 20
 30
 40
 50
 60
 70
 80
 90
 100

 9
 15
 28
 11
 21
 2
 1
 2
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 5
 2
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11) Classification of the Respondents by Change in the Demand for Cinema as a <u>Result of Increased Tax</u> :

Demand will defrease	Depand will increase		No chan in dema	ge No nd answer exected answer
49	45	6	2	2

12) Classification of the Respondents by the Change in the Demand for Cinema as a Result of Decreased Tax :

Demand will Increase Seventex-Main	Demani will decrease	-z-z-z-z-z-z-	No change in demand	Bagasiaficoni No GNSVAF Sector
36	955	5	5	3

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13) Classification of the Respondents by change in Entertainment Tax :

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should be increased	Should be decreased	Should be unchange	Should be changed	Ambigi- ous	Indi- fferent	No Ans- wer
5 5	63	19	. 2	9	6	1

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14) Classification of the Respondents by <u>Progression in the Tax Rate :</u>

Progressive according to class	Same for all the Classes	esessantes Anbigious	NO BR SVOL
54	47	2	1

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15) Classification of the Respondents by the Exemption for the Lowest Class of the Ticket :

Should be Should not Ambigious No answer exempted be exempted 随于最大调量的 医单环生活 电视电缆电路电路电路电路电路 电磁电影 电动电影电影电影电影电影电影 电转电路 电转

54 47 2 1

16) Classification of the Respondents by the Nature of the Entertainment Tax

Necessity	Cccasional	General Comfort	Laxury	Arbigi- Ous
14	17	51	19	3

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17) Classification of the Respondents by the Educational Benefit of Cinema Entertainment :

4 -7-7 Yes 2-2-2-	No No	Ambigioùs Ambigioùs Ambigioùs	Rarely Rarely	No Answer No Answer The The The Section of the Sect
76	15	10	1	2

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