

CHAPTER IV

MAIN FINDINGS AND SUGGESTIONS

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4.1 INTRODUCTION -

In this chapter an attempt is made to bring out the significance of Turnover Tax in Maharashtra State with the help of secondary data. While doing so, we have shown the revenue significance of the turnover tax in the total and tax revenue of Maharashtra State for a period of three years. The chapter then presents the results of the sample survey.

4.2 TURNOVER TAX AND OTHER STATES -

It is surprising to note that out of total twenty two states of Indian Union, Maharashtra is the only state levying the turnover tax. No other state has even introduced this tax. As such the tax has not justification in the state.

4.3 REVENUE SIGNIFICANCE OF THE TAX -

The Turnover Tax, as mentioned earlier, was introduced in the state from July 1, 1986. The figures of receipts of the tax for 1985-86, revised estimates for the year 1986-87 and the budget figures for the year 1987-88 were obtained from the RBI Bulletin Oct. 1987. for making the comparison of those figures with the figures of total revenue, total tax revenue states own tax revenue, and revenue from taxes on commodities these data are given in the following table.

TABLE NO. 4.1

TAX REVENUE OF MAHARASHTRA (Rs. in lakhs)

Year	Total Revenue	Tax Revenue	States own Tax Revenue	Taxes on Commodities	Turnover Tax
1985-86	417415	287682	237715	217062	3363
1986-87	479169	334281	474953	251292	2686
1987-88	538383	380283	317211	291875	2100

Source - RBI Bulletin Oct. 1987 p. 876.

The observations that could be made on the above table is that, the tax receipts of turnover tax have decreased despite a continuous increase in the total revenue and tax revenue of the state over the three years.

In order to make some more valid and meaningful observations, the percentage significance of those figures was calculated. The results have been given in the following table.



TABLE NO. 4.2
PERCENTAGE SIGNIFICANCE

Year	Turnover Tax Receipts as percentage of			
	Total Revenue	Tax Revenue	States own Taxes	Taxes on Commodities
1985-86	0.81	1.17	1.41	1.55
1986-87	0.56	0.80	0.56	1.07
1987-88	0.39	0.55	0.66	0.72

Following observations can be made on the above table.

1. In absolute terms, as also relatively the contribution of Turnover Tax Receipts to Total Revenue Receipts has continuously declined and it is extremely insignificant. The contribution of the turnover tax revenue in the total tax revenue of the state has also declined over the last three years and it is also less than 1%.

2. In respect of the share of turnover tax in states own tax revenue, also it has significantly declined.

3. More significantly, its share in the receipts from the taxes on commodities has declined from 1.55% in 1985-86 to 0.72% in 1987-88.

4. It is pertinent to note that the actual collection of

the turnover tax was highest in the beginning which subsequently declined.

The Revenue Significance of the turnover tax, thus, is not only negligible but it has declined over the last three years.

4.4 PER CAPITA BURDEN OF TAX 6

The per capita burden of the turnover tax has been calculated to measure the real impact of the tax on the entire population.

For calculation the population of Maharashtra for the year 1985, 86 and 87, the population of 1981 census has been taken as base and then applying 2.5% annual growth rate population has been estimated. The relevant figures are given below in table 4.3.

TABLE NO. 4.3

POPULATION OF MAHARASHTRA

Year	Population '000'	
1981	62784	- Actual *
1982	64354	- Projected
1983	65962	- "
1984	67611	- "
1985	69301	- "
1986	71034	- "
1987	72810	- "

Source * Statistical outline of India 1986-87 Tata services
Ltd. Bombay p. 37

After calculating the population, the per capita burden of the tax has been calculated. These estimates are given in the following tabel.

TABLE NO. 4.4
PER CAPITA BURDEN OF TURNOVER TAX

Year	Population (000)	Tax collection (Rs. in lakhs)	Per Capita Burden Rs.
1985-86	69301	3363	4.89
1986-87	71034	2686	3.78
198 1987-88	72810	2100	2.88

& The above figures show that the per capita burden of the turnover tax has declined from Rs. 4.89 to Rs. 2.88 ^{over} ~~over~~ the three years.

4.5 RESULTS OF SAMPLE SURVEY 6

For estimating the burden of the turnover tax upon the taxpayers i.e. the dealer; a sample survey was conducted of dealers in kolhapur city.

4.6 DISTRIBUTION OF SAMPLE -

The sample selection was made on the basis of the list of dealers in various business activities who are the members of

the Chamber of Commerce and Industries, Kolhapur, and those who are the members of Shirolī Manufacturers Association, Kolhapur (SMAK). Fifty dealers belonging to different trading activities were selected by following a simple random method. It would not be out of place to record that, originally the questionnaire - cum - schedule was so designed as to obtain the information relating to the various aspects of business of the dealers such as their assets and liabilities, total turnover taxes paid, profits earned etc. However, since it was experienced that most of the dealers were reluctant to give the information relating to their business, it was decided to collect only the data relating to their annual turnover and the tax amount paid by them. These data have been used to arrive at the figures of per trader burden of the tax,

7 The sample, thus included 50 different dealers belonging to various trading activities. The distribution of this sample is shown in the following table.

TABLE NO. 4.5
DISTRIBUTION OF SAMPLE

Trading Activity	No. of Traders	Percentage to Total Sample
a. Foundry spares	10	20%
b. Automobile Resaler and Spares	11	22%
c. Oil Mills	07	14%
d. General Merchant	10	20%
e. Piston Dealer	05	10%
f. Tea Traders	05	10%
g. Oil Engine Parts	01	2%
h. Sugar Spares Manufacturing	01	2%
Total -	50	100%

The above table thus shows that the sample included a wide variety of dealers from the Kolhapur City.

4.7 PER DEALER BURDEN OF TURNOVER TAX -

The figure of the turnover of the sample dealers were obtained through the schedule personally administered to them. On the basis of those figures, the figures of turnover tax paid by them were calculated first at the existing rate of 1.25% and then at the rate of 5% which is likely to be introduced subsequently. This was done with a view to

bringing out the difference in the tax burden at two different rates.

The figures relating to the turnover of the sample dealers, and the tax amounts are given in the following table No. 4.6.

TABLE NO. 4.6

TURNOVER AND TAX AMOUNT OF SAMPLE DEALERS

Serial No.	Types of Trading Activity	Total Turnover	Turnover Tax (Rs.) @ 1.25%	Turnover Tax (Rs.) @ 5%
1	2	3	4	5
1	Foundry Spares	2826252	35328.15	141312.60
2	"	2224300	27803.75	111215.00
3	"	1830000	22875.00	91500.00
4	"	3020254	37753.17	151012.70
5	"	1015330	12691.62	50766.50
6	"	1513660	18920.75	75683.00
7	"	2425350	30316.87	121267.50
8	"	3010400	37630.00	150520.00
9	"	1222244	15278.05	61112.00
10	"	2426262	30328.27	121313.10
11	Oil Engine Parts	3000000	37500.00	150000.00
12	Automobile Resaler and Spares	660000		

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1	2	3	4	5
13	Automobile Resaler and Spares	7 50500	9 381.25	37 525.00
14	"	860500	10756.25	43025.00
15	"	890000	11125.00	44500.000
16	"	1020000	12750.00	51000.00
17	"	870770	10884.62	43538.50
18	"	970990	12137.37	48549.50
19	"	1010200	12627.50	50510.00
20	"	1110300	13878.75	55515.00
21	"	1010500	12631.25	50525.00
22	"	16958029	211975.38	847901.00
23	Oil Mills	2500000	31250.00	125000.00
24	"	2320000	29000000	116000.00
25	"	2480000	31000.00	124000.00
26	"	2630000	32875.00	131500.00
27	"	2720000	34000.00	136000.00
28	"	2510000	31375.00	125500.00
29	"	2600000	32500.00	130000.00

1	2	3	4	5
30	General Merchant	139000	1737.50	6950.00
31	"	220000	2750.00	11000.00
32	"	135300	1691.25	6765.00
33	"	140000	1750.00	7000.00
34	"	20965306	262066.33	1048265.30
35	"	10505228	131315.35	525261.40
36	"	8405000	105062.50	420250.00
37	"	49664652	620808.15	2483232.60
38	"	750000	9375.00	37500.00
39	"	41366360	517079.50	2068318.00
40	Sugar Spares Manufacturing	2031600	25395.00	101580.00
41	Piston Dealers	71066389	888329.86	3553319.50
42	"	61863490	773293.63	3093174.50
43	"	52550575	656882.22	2627528.80
44	"	41070780	513384.75	2053539.00
45	"	80750500	1009381.30	4037525.00

1	2	3	4	5
46	Tea Traders	30000000	37500.00	1500000.00
47	"	40000000	500000.00	2000000.00
48	"	15055000	188187.50	752750.00
49	"	20010000	250125.00	1000500.00
50	"	31000000	387500.00	1550000.00

The above table obviously shows that a large amount of tax has to be paid by the dealers.

On the basis of these data the per dealer tax burden was calculated. The results of the same are given below.

Table Table No. 4.7

Per Dealer Burden of the Tax

	@ 1.25%	@ 5%
a. Total Tax Collection	8075937.80	32303751
b. No. of Sample Dealers	50	50
c. Per Dealer Burden	161518.76	646075.02

4.8 MAIN FINDINGS -

The important findings that stem from the above can be put as -

1. The Revenue Significance of the Turnover Tax is negligible for the Govt. of Maharashtra.

2. The tax collection of the Turnover Tax has declined over the year.

3. The per capita burden of the turnover tax is also insignificant and that it has fallen over the past three years.

4. The per dealer burden of the tax is quite significant and that it would be more pronounced if the rate is increased to 5%.

5. In view of the fact that, the traders are likely to shift the ~~traders~~ burden of the tax upon the ultimate consumers, the tax unnecessarily, without contributions significantly to the treasury, falls upon the consumers.

4.9 SUGGESTIONS -

We are now in a position to make concrete suggestions in respect of the turnover tax on the basis of the above findings.

a) The turnover tax is not in existence, in any other state in India and hence it has no justification in Maharashtra State.

b) The revenue contribution is almost insignificant in the state. and on that ground also, it has no justification.

c) The trading community is already overburdened with several taxes and hence they will try to shift the burden of the tax upon the consumers. On this ground therefore the tax needs to be outrightly cancelled or withdrawn.

d) Although the monetary burden of the tax upon the traders is not very significant, it has certainly created a psychological burden upon them and hence the tax be withdrawn.

e) The psychological burden of the tax upon the dealers may have ~~adverse~~ ~~adverse~~ adverse effects upon the economic activity in the state and hence it has a strong case for cancellation.

We therefore conclude by stating that there is no economic ~~rationale~~ ~~rationale~~ ^{rationale} behind the imposition of turnover tax particularly when the committees originally recommending this tax ~~are~~

had suggested it as a substitute for octroi. and hence, the turnover tax has a strong case for its withdrawal by the Government.

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