

# CHAPTER - I

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## *CHAPTER – I*

# **INTRODUCTION AND REVIEW OF LITERATURE**

Entertainment tax is one of the main sources of own tax revenue of Maharashtra State. In Maharashtra the entertainment industry is well developed with the film industry of India having its major base in Mumbai. Hindi film industry and film production is mainly based in Mumbai and contributes major share of entertainment tax in addition the Marathi film industry also is well developed. In Maharashtra have other entertainment mode which are growing Theatre, Cable network, Video parlour, Stage shows, Exhibitions, Water parks, games, etc. are other major entertainment institution from which the government of Maharashtra earns entertainment tax revenue. This tax can lead to more revenue augmentation with proper widening of the tax base, introduction of graded tax rate policy and better efficient tax administration and recovery of arrears. In recent years the State Governments has increased the entertainment tax rates in an effort to mobilize more own tax revenue. It is against this background that the present study attempts to analyze the entertainment in Maharashtra for the period 1980-2002.

## **1.1 MEANING AND BRIEF HISTORY OF ENTERTAINMENT TAX**

Before, we start the study it is necessary to understand the exact meaning of the term entertainment. The dictionary of English language defines entertainment as a source of means of amusement a diverting performance especially a public performance as a concert drama or the like'. According to Bombay Regulated Act 1923, price for admission to any place of entertainment know as entertainment tax. A tax on entertainment was first time introduced in Bengal in 1922. In Maharashtra this tax is regulated by the Bombay Regulated Act, 1903 in Bombay Province. With Bengal and Maharashtra other states also regulated entertainment tax i.e. In Madras an act was passed in 1926, But it was only after the beginning of provincial autonomy consequent upon the enactment of the government of India Act, 1935 that this tax gradually became a regular item of the provincial tax system. At present all the state levied this tax.

## **1.2 OBJECTIVE OF THE STUDY**

The following are the main objectives of the study.

1. Study the Revenue significance of entertainment tax in Maharashtra.

2. Study the Growth, composition and rate structure of entertainment tax in Maharashtra.
3. To present an analytical view about the view of entertainment tax
  - Growth revenue of entertainment tax
  - Level of entertainment tax
  - Rate structure of entertainment tax
  - Per capita tax burden of entertainment tax
4. Attempt to analyse the growth and composition trends in revenue pattern of Maharashtra state Tax Revenue, Own Tax Revenue, Direct Tax Revenue and Indirect Tax Revenue.
5. To make policy suggestions on the basis of conclusion derived from study regarding the entertainment tax.

### **1.3 REVIEW OF LITERATURE**

In the present section of our study, we shall undertake a review of some of the important studies of state finance in India.

Reserve Bank of India publish annually summary article of the finances of State Government. These articles present description of the position of the state government.

Dr. Rajendra Jain represent a coherent and ingrated picture of state finance in India for the period 1951-52 to 1976-77 they explained the aggregate public receipts its composition and the relative position of

various financial resources. He explained the resources transferred from the Centre to the States and concluded that the loans and advances from Centre represent a meager source.

Dr. J. F. Patil undertake a detail analysis of taxation in the context of planned economic development with special reference to Maharashtra ; study covered the period since 1961 to 1976. He highlighted the changes in the aggregate level and composition of states own taxation and to explain the nexus between taxation and economic development. He studies the level of own tax revenue of Maharashtra. According to him the larges contribution to the total own tax revenue was from indirect taxes. He examined the importance and level of direct and indirect taxes.

Amarish Bagachi and Tapas Sen have examined overall budgetary trends and plan outlays and its financing in the states. There is also same analysis of trend on revenue and expenditure side.

S. A. Jadhav highlighted in his Ph. D. thesis 'Review of state finance in India' under guidance of Dr. A. A. Dange represent a picture of Budgetary operations, state government. Revenue and State expenditure of all States in India for the period 1970 to 1994-95. They have drawn picture of State finance in India.

K. L. Bajaj and D. P. Aggarwal analysed the finance of the state of Uttar Pradesh (1965-1990 in their paper. They mainly concerned the

major aspects i.e. revenue growth and composition, tax structure composition, expenditure analysis, debt finance analysis.

K. Vankatraman for the first time studied state finance in India for the period 1951-52 to 1965-66, his broad framework of study provided a new ground for studying the problems of finance of state Governments in India.

#### **1.4 SCOPE OF THE STUDY**

This study is micro level study of public finance related with public revenue. The present study attempt to try to study the structure of entertainment tax, along with the structure of tax revenue in Maharashtra State only. Twenty-two years period has taken for the study from 1980-81 to 2001-02, it is very long period. Therefore, dissertation covers all aspect and indicates the trend of entertainment tax in future.

#### **1.5 RESEARCH METHODOLOGY OF THE STUDY**

The major part of this study relies on the analytical examination of the data available from secondary sources on various aspects of state finance individual Maharashtra state was collected from the following source :

1. Reserve Bank of India : Monthly bulletin, Issue related to states finance 1980 to 2002.

2. Economical Survey of Maharashtra : Annual report – State Government of Maharashtra.
3. C.M.I.E. Report of Public Finance – Economic Intelligence Survey – March 2002.

Similarly, the relevant data and literature published in Government Reports, Book, Journals, Newspapers and entertainment tax office of Kolhapur districts and is duly acknowledged, whether reference of the same is incorporation in the study.

Making use of the following library and institutions collected the necessary data from the above sources.

The following statistical techniques were used for data analysis.

1. Average
2. Percentage
3. Compound Growth Rate
4. Ratio Analysis

## **1.5 CAPTER SCHEME**

The dissertation is divided in to five tentative chapter scheme include with this introductory first chapter.

The second chapter focused on the financial structure and constitutional provisions of collecting revenue trough taxation. It also discuss with growth and composition of tax revenue in Maharashtra state.



The third chapter deals with growth profile of entertainment tax. Simultaneously, it compares with State Domestic Product, total tax revenue, own tax revenue, indirect tax revenue. In short this chapter draws the picture of significance of entertainment tax Maharashtra State.

Fourth chapter deals with the policy of entertainment tax of Maharashtra Government and details about the form of entertainment institutions. It also gives the information about the rate structure of entertainment tax in every place of entertainment.

Fifth chapter draws the summary, conclusion and suggestions of this study. It also indicates the limitations of the entertainment tax and makes some suggestions for increasing and reforming of entertainment tax in future.