In both A.P. Municipalities Act, 1965 and A.P. Gram Panchayats Act, 1964 - one of the tax powers given to these bodies relate to tax on professions. This tax, in the second list of the seventh Schedule of Indian Constitution, reads as "Tax on professions, trades and callings, and employment". But above Acts refer this tax as a profession tax.\(^1\) In describing this tax, the Municipal Act says that it is leviable on any person or company which/who "exercises a profession, art, or calling or transacts business or holds any appointment public or private"; the Gram Panchayat Act says that it is leviable on every person who and every company which, "exercises a profession, art or calling or transacts business or holds any appointment, public or private". From the wording of both the Acts it is apparent that they did not include "employment" which was the wording in the constitution.

Further it appears that distinction between one and the other is not properly drawn. All the three terms are grouped together and the awareness of subtle distinction has been lost. The distinction may be drawn as below.

'Profession is the way of making livelihood by practicing certain art which may require knowledge. Accordingly jobs like those of Doctors, lawyers and teachers come under this classifications. These are self-employed using their skill or art or knowledge. "Trades and callings". This refers to another group of persons who are making living by (1) purchase and sale of goods that are transferable (2) that produce marketable goods. These people may also be

\(^1\) In Municipalities Act it is referred as merely profession tax; while in Gram Panchayats Act it is referred as a "a tax on professions, trades or callings" (herein referred to as profession tax).
self-employed. Accordingly self-employed businessman, a owner, cultivator and similar persons may be included in this category.

Nextly the term "Employment" refers to deriving incomes by employing persons in the production or trade process. These people who employ persons and make their living are to be categorised under this group. Accordingly the contractors who employ labourers or big factory or company owners that employ large number of labourers are liable to tax.¹

Now having distinguished one from the other it would be worthwhile to know whether it has any practical relevance or utility. It may be understood that this tax, though it constitutes double taxation of income for which Constitution has provided a legal permission by prescribing limits to the amount of tax,² is a type of local Income tax. The very fact that maximum limit is fixed by the constitution and the minimum rates are fixed by respective Acts indicates that this tax is to be levied even on those sections that

1. Compare this with the viewpoint of Prof. I.M.D. Little when he suggests "that tax on employers should be used to increase the capital and employment in a more productive manner and that also taxes on employers should not be based on the amount of labour they employ". Vide his article "Tax policy and Third Plan"(p. 46) in Pricing and Fiscal policies Ed. by Prof. Rosenstein Rodan.
   It may be pointed that even though the employment tax is levied on the amount of labour employed, the tax is in fact, not to be paid ultimately by employer, but it should be allowed to be shifted forward on to the employees by way of deduction in the wages paid. This tax shiftability can be legally provided just as it was done in the case of Sales taxation on articles. The difference between ST and employment tax would be that in the former case consumer has got the discretion of avoiding the payment of tax by not purchasing the article taxed, but in the later case the employee has no other option than to accept the wage deduction by the amount of tax.

2. Indian Constitution Art. 276 (1) and (2).
do not contribute any amount to the Income tax directly. In this context, let us not forget that growth of employment does not always result in growth of large number of persons that directly contribute to Income tax. On the other hand idle and cheap labour is employed and profits are reaped by employers. The incomes of these labourers are much below the level of even this present "profession tax" such that large proportion of wage earning labour do not contribute directly to the coffers of the State. In such a situation it is imperative that these labourers are made to contribute at least to the local Govts., services directly. Under the rules and regulations of both the Acts mentioned above, taxing these labourers is not possible. But if "employment" is taxed this is possible. By taxing the employment, it is meant that persons who employ labourers may be taxed. But as this employment tax would constitute a triple tax on income((1) general income tax, (2) trade tax or profession tax or calling tax) provision in the Act may be made for its shifting on to the labourers. Probably it may be the intention of constitution makers that levy of poll tax may be inevitable to a local Govt. for augmenting its finances. In one way or other it has to form part of the structure of local taxation.¹ Therefore by making this employment tax a type of poll tax on persons who do not contribute anything at all to local exchequer directly. The local income tax can touch lower sections and economic groups, savings from whom is as important as from wealthy sections.

¹. It may be argued that it is regressive and hence it should be discarded. But the regressiveness of a single tax may be consistent with the progressiveness of the total tax structure. Refer J. Wiseman in his "Local Govt. in 20th Century" Lloyd's Bank Review - Jan. 1968.
The omission of the word 'employment', in the respective Acts, is therefore has significant loss in terms of local finances. This has to be rectified by including the word and asking Panchayats and Municipalities to levy tax on employment, which is shiftable like Sales Tax, on the employers. In this case, like a businessman, the employer is the collector of the Govt. tax which he can shift it forward to the employee. Annual collections of this tax will be more significant in highly labour intensive local Govts. areas like Guntur Municipality. (It was estimated the Tobacco labour itself was 26,000 or nearly one eighth of Guntur's population and a poll tax @ Rs. 1/- would fetch Rs. 26,000/- from Tobacco labourers every year to the Municipality.)