PREFACE

The revenue receipts of the state consist of transfers from the Central Government in the form of transfers of taxes and grants. The second source includes revenue generated within the state from different sources. Sales tax is one of the sources of revenue for the state. In India Maharashtra ranks one in terms of Sales tax revenue and in Maharashtra the contribution of Sales tax to the state revenue is highest. In terms of cost of collection Sales tax is the most productive source of revenue. The state Government naturally therefore considers it as highly dependable tool for financial management. The growing share of sales tax in the revenue structure of the state clearly shows its dominant position. While accepting the importance of sales tax, it becomes necessary to find out ways and means of most productive exploitations of this source. This becomes more important in the light of growing financial needs of the state.

In sales tax administration the system of sales tax plays key role. The system represents a vehicle employed for getting desired contribution of sales tax. In Maharashtra the sales tax was introduced in the year 1946. Since then various systems of sales tax were given trial in the state. Though the contribution in terms of revenue has been increasing, the need for broad based system has been felt by the Government. This need has found clear expression in the appointment of the sales tax enquiry of committee in 1986.

Even before the appointment of 1986 committee (Bombawala committee) the Government had appointed several other committees to study the problems related to sales taxation.
Surprisingly the academic world appears to have remained way from this challenging field, as very few researches are available in the area of sales tax. The present research is the outcome of professional inquisitiveness and zeal to contribute something in real terms to the policy matters in the form of improvement in the sales tax system.

The researcher being a tax consultant by profession could very clearly see the functioning of the sales tax system. Having seen its weaknesses and at the same time having convinced about its capacity, the researcher could not resist the inner feeling of conducting an independent study in this field. In the beginning the researcher thought of concentrating on the administrative aspects. Finally he decided to concentrate on sales tax systems and their role in the field of commerce and industries as it is this field from which the sales tax originates and flows to the public life through the mechanism called sales tax system. Once convinced about the system and their role the study procedure was contrived to fit into the requirements of a research process. Thus it began with acquiring conceptual clarity and came out with a model scheme for the consideration of policy matters. This study has in all seven chapters. The first chapter provides conceptual input followed by the description of research methodology in the second chapter. As a background to understand the working of systems the chapter three deals with sales tax administration in the state. The anatomy of a system and its working, factors leading to change over from one system to the other and the performance of various
systems over a period from 1946 to 1989-90 represent the policy discussed in the fifth chapter. The research of this type remains incomplete without considering the experiences and opinions of people related to the system under consideration. Such an enquiry helps in clear diagnosis and proper prescription to the problem. In view of this the fifth chapter is devoted to field survey, and analysis. Any system has its field of operation.

In the same manner, Sales tax system operates in a field called the state which comprises of various geographical and administrating regions. A study of the effect of the system addressed to a particular region helps in understanding the state wide trends. It is on this background that the effects of sales tax system on trade and commerce in Vidarbha was studied. The whole exercise culminated in the development of a scheme titled as model for reforms.

This model scheme, after stressing the need for a new scheme, prescribes a model requiring introduction of a two point sales tax system, redesigning of sales tax schedule and reorganising the rate structure. The model suggested, as the analysis shows satisfies the criteria of broad base, cost effective and more flexible system. The researcher would feel rewarded if this model receives due consideration of policy makers. The utility of any research of this type lies in its application. Knowledge is valuable and it becomes more valuable when it is put to use.