CHAPTER 2

RESEARCH METHODOLOGY
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2.1 Introduction:

Sales Tax has been defined by Prof. J.F. Dues as "a levy imposed upon Sales or elements incidental to the Sales, such as receipts from them, of all or a wide range of commodities, excluding taxes imposed at fractional rates upon gross receipts in the form of business occupation or license taxes". 1

As pointed out in the preceding chapter, Sales Tax occupies a dominant position in the state tax structure, both, in terms of revenue and cost of collection. The growing importance of Sales Tax has been rightly pointed out by Shri. R. K. Bhargava. He observes that, "Apart from the primary importance of Sales Tax among the indirect tax of the state governments, it may be emphasised that it has been and will continue to be the mainstay of the state tax revenue".

The data presented by him in support of his argument is self-explanatory which has been reproduced below in table 2.1


TABLE NO. 2.1

Importance of Sales Tax in the total revenue from state taxes
(Crores of Rs.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Tax</th>
<th>All States Taxes</th>
<th>As percentage of (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>54.9</td>
<td>222.1</td>
<td>27.0</td>
</tr>
<tr>
<td>1955-56</td>
<td>81.6</td>
<td>282.4</td>
<td>28.9</td>
</tr>
<tr>
<td>1960-61</td>
<td>158.7</td>
<td>456.2</td>
<td>34.8</td>
</tr>
<tr>
<td>1965-66</td>
<td>367.8</td>
<td>842.0</td>
<td>43.7</td>
</tr>
<tr>
<td>1970-71</td>
<td>755.1</td>
<td>1527.8</td>
<td>49.4</td>
</tr>
<tr>
<td>1975-76</td>
<td>1943.1</td>
<td>3456.2</td>
<td>54.8</td>
</tr>
<tr>
<td>1980-81</td>
<td>3794.1</td>
<td>6505.1</td>
<td>58.3</td>
</tr>
<tr>
<td>1985-86</td>
<td>8428.1</td>
<td>14550.9</td>
<td>57.9</td>
</tr>
<tr>
<td>1989-90</td>
<td>14545.6</td>
<td>25120.2</td>
<td>57.9</td>
</tr>
</tbody>
</table>

The analysis of the above data clearly indicates the growing importance of Sales Tax in the state revenue. As a percentage of all taxes the percentage of Sales Tax has increased from 27 to 57.9 during 1950-51 to 1989-90. It is also interesting to note that the period after 1960-61 recorded significant rise and the rate of increase between 1960-61 and 1965-66 is considerably high. It may be pointed out that Sales Tax being a tax on consumption, its contribution increases with the economic development of the state. As economy develops income levels of people are expected to rise. The rise in income ultimately results in better consumption and higher consumption expenditure. This explains the inter relations between Sales Tax and economic development. The revenue generation capacity of
Sales Tax depends on the system of levy assessment and collection. Hence the role of a system deserves important consideration.

2.2 Role of Sales Tax system:

By Sales Tax system is meant the mechanism and procedure designed for levy, assessment and collection of tax. The system assumes importance mainly due to the reason that this is an indirect tax to be collected by members of distribution channel and paid to the Government. The burden of this tax ultimately goes to the customers though in many cases they are not aware but such a tax is being collected from them. The importance of Tax system has been very aptly pointed out by John F. Dues. He observes "the levying of the tax is at the manufacturing or wholesale levels. If a single point tax is levied at some state prior to the final retail sale the pattern of burden distribution will be somewhat different from that of a retail tax. If the tax is imposed upon manufacturers, these firms are likely to make upward adjustments in prices (under the assumptions of competitive conditions and typical average cost reaction to price charges). The price increase will be transmitted forward into the retail prices, under usual make up method of wholesale and retail pricing. But several difference arise as compared to retail Tax ".

Distributors send goods to the retailers. Margin of distribution vary widely in difference lines. Thus the ratio of tax to retail price and also to consumption expenditure will vary
on different commodities. The effect of this will be the burden of the tax will not be distributed uniformly in relation to all consumer expenditure. There will be dis-proportionate share concentrated on those persons spending relatively high percentage of their income on low margin goods.

When Sales Tax is levied on all stages in production and distribution, the pattern of distribution of this burden is obviously modified. There will be number of problems to the initial firm to shift the differential burden and it will remain for long period on the owners of the firm.

Indirect tax of any form is recovered on transfer of commodities and has got to be very systematic. Levying Sales Tax at the manufacturers level would ensure maximum recovery and provide the benefits of simplicity in administration. However identification of burden and control over evasion would be rather difficult in this system. If levied at all stages it would result into heavy burden on customers and departure from the principle of ability to pay. It levied at the last stage, i.e. at retail level administratively it may create number of problems, particularly in a country like India and therefore may lead to inefficiency and low productivity in tax recovery. Like administrative problem issues like cooperation of dealers and general public sentiments need to be considered. Much depends on the system of Sales Tax levy and collection. It is thus very clear that the system plays very important role and its choice is a multidimensional problem. The variation in economic status of different regions coupled with political dimensions add to the
complexity of the problem, making its choice very difficult and demanding a very balanced approach on the part of states administration.

Economic conditions have dynamic nature and they place heavy demands on the system to accomplish economic objectives. A system therefore has to be responsive to state demands. Whether it is so? Whether it needs some improvement? Whether it needs replacement to meet challenges in future? are some of the questions with which the state administration is always concerned. As pointed while dealing with the history of Sales Tax in Maharashtra state it is seen that from 1946 till today five different systems worked in the state. It is well accepted that the state is progressive in nature and would need more money to finance its welfare programs in future. Sales Tax being the major source of revenue the capacity of system need to be evaluated in the light of future requirements. The task is more complicated as the state has exhausted most of the alternatives available for this purpose. Bambawala committee has very correctly identified the problem and observed that, "Thus Maharashtra has traversed the full gamut of the different systems of Sales Tax levy form a single point last stage levy initially to multipoint levy followed by a two point levy which gave way to a composite system of levy and finally to single point first stage levy ".

This explains the complex nature of the problem and hence the need for research addressed to working of various Sales
Tax systems in Maharashtra state. Prior to that in order to gain insight in the subject matter a review of related literature will be useful.

2.3 Review of Literature:

The review of research and relevant literature is presented below in two sections. Firstly research conducted by individual researchers is reviewed and then reports of various committees appointed by Government have been reviewed. Though Sales Tax offers number of researchable issues unfortunately it could not attract individual researchers. This is clearly evident from a survey of research in this area. However those who opted to work in this field have done commendable work. One such work worth mentioning is a Ph.D thesis of N.K. Sharma entitled "OPERATIONS OF SALES TAX IN RAJASTHAN" submitted to Rajasthan university in 1964. It is clear from the title that its scope is limited to the state of Rajasthan. Shri Mahesh C. Purohit of National institute of public finance studied structure and administration of Sales Tax in India. Shri Dr. J.K. Godha studied the subject and submitted his thesis entitled, "THE WORKING AND ADMINISTRATION OF SALES TAX IN BOMBAY/MAHARASHTRA STATE 1946 TO 1964. Dr. Godha's works deserves special mention as it represents the pioneering effort in this field of study. Sales Tax was introduced in the state in the year 1946. That time it was Bombay state. In 1956 bilingual Maharashtra state come in to existence and then in 1960 the present state of Maharashtra was born. Thus during the period covered by Dr. Godha's study administrative set up of the state changed in 1956 and 1960 Dr.
Godha has attempted to trace the history of Sales Tax right up to ancient period. His work is rich with data. As the title indicates its focus was on administrative aspects of Sales Tax department. After analyzing the administrative mechanism of the state Dr. Godha has made very useful suggestions pertaining to administrative structure and also better management of the department.

No specific studies on Sales Tax in Maharashtra, are available with the exception of Dr. Godha’s study. Institutes like chamber of commerce however studied occasional problems as and when they arose for presenting their case to the Government. Such studies can not be considered as fullfledged research. But at the same time its importance can not be denied as it provides clues for research. One such study was undertaken by Shri S.D. Kulkarni retired deputy commissioner of Sales Tax Maharashtra state. He came out with a scheme known as "Simplified system of Sales Tax" which he presented to Indian Merchants Chamber in the year 1973.

The salient features of the scheme are as follows :-

1) **Basis of Taxation** :- A major portion of the tax (5 percent is suggested for a bulk of the items) will be levied at the first stage, i.e. at the stage of manufacture, imports, etc. Tax at a nominal rate (1/4 percent is suggested for a bulk of the items) will also be levied at all subsequent stages. The tax will be collected on the sales turnover.
1A. *Rebate to manufacturers and processors:* Manufacturers and processors except hoteliers will be given a rebate of 3 to 4 percent on their purchase from registered dealers, one or two percent being retained as is being done now. The manufacturers at present pay 2 percent out of 6 percent on 'E' schedule goods. 3 to 4 percent rebate is therefore, suggested here as the rate prescribed is 5 percent.

2. *Dealerwise lists of purchase and sales:* All dealers will have to submit to the Sales Tax officers concerned dealerwise list of purchase and sale (instead of chronological lists of such purchase and sales) along with their registration numbers and values of purchase and sales with dates and these will be immediately cross-checked. If in the course of such checks, the listed dealers prove to be bogus or not traceable, the exemption claim will not be allowed at all.

Four copies of details of sales and purchases dealerwise will have to be prepared, one copy will act as Register, two copies will be submitted to the STC and the remaining one will go to the assessee's buyer. Out of the two copies sent to the STC, one will be kept on record and the other will be used for cross verification.

3. No exemption to be allowed without cross-examination of lists Unless the lists are cross-verified and tax payment is verified, the expansion will not be allowed. If 'A' is the first stage sell in the state, he will submit his purchase and sales lists along with the annual return and the Chalan in proof of payment of taxes as per the returns. The STO will immediately take out the
list of 'A's sales to 'B'- the second stage dealer in the state and after verifying the payment attach his certificate of payment to this list and sent it to the STO having jurisdiction over 'B'. The latter Sales Tax Officer will verify this sales list with the purchase list of 'B' received by him and in his turn forward 'B's sales lists to 'C'- the third stage seller with his certificate that 'B's purchase have borne first stage stage tax and so the sales to 'C' are exempted from list first stage tax to the STO having jurisdiction over 'C', and so on.

4. Verification to start immediately on receipt of lists in Sales Tax Office:- The process of forwarding lists with necessary certificates will start right from the day these lists are received in the Sales Tax Office. The verification of Sales Tax list with the purchase list will also be simultaneous. At the time of assessment, the verification of purchase and sales will have also be simultaneous. At the time of assessment, the verification of purchase and sales will have been completed. It is expected that within three to six months from the date of receipt of the return, the whole cross-verification will have been completed in the Tax Office.

5. Annual return in addition to Quarterly Returns:- The scheme envisages annual return in addition to the quarterly returns as at present. The return will be just one page return. The author states that the prime requisite of the success of the system is that within six months from the date of filing of the annual returns, the lists will have to be cross verified and the dealers
informed of the results and directed to pay the taxes, if the result proves to be otherwise then the claim made in the return.

6. **Statutory provision for completing cross-verification in a specified period** :- It will be statutorily incumbent on the assessing officer to cross verify claims within six to eight months from the date of filing the returns and the lists by the dealers.

7. **Provision for grant of refund for exports outside the state**:- For dealers exporting goods overseas or outside the state provision will have to made for granting refunds within three months from the date of filing the return and also for allowing them interest at 5 percent on such sums as are delayed beyond three months. The department should have a special refund section for verification of purchases of such dealers which have borne tax (first stage and subsequent stage taxes if any) and grant refunds to such dealers within three months of their filing returns and lists. They should also be given concession of filing returns every months, if they so desire. Alternatively, declaration about proof of dispatch countersigned by STOs after verification can be prescribed to avoid locking of money even for a day.

8. **Registration limits**:- The registration limits prescribed under the present Act may be adopted under this system also. But the turnover of purchase when it is not meant either for resale or manufacture of goods for sale, may not be the criterion of filing liability under the Act. Building contractor and such type of
dealers are unnecessarily being registered at present. Government does not gain anything by getting them registered.

Shri Kulkarni's scheme was discussed by Indian merchants chamber Bombay. They found it unsuitable and hence did not approve. Though kulkarni's efforts did not gain acceptance it has to be admitted that he was the first individual to understand the importance of the system and to study it systematically.

2.4 Committee reports:-

Though the Individual researchers did not show much interest in the area of Sales Tax the Government could not remain indifferent. In order to look into the problems faced by various constituents of Sales Tax system the Government appointed committees from time to time. The reports of these committees are reviewed briefly in the following paragraphs.

1) Gadgil Committee:- Immediately after the introduction of Sales Tax in the state in the year 1946 a sort of unrest was generated among the public. Since it took the form of public agitations the then Government of Bombay state appointed Bombay Sales Tax inquiry committed under the chairmanship of D. R. Gadgil vide financial department resolution no 6491/33 dated 12th Oct. 1946, to study the problems of Sales Tax and suggest majors for improvement to the Government. At the time single point last stage system was in operation the committee recommended its replacement by a new system which was known as multi point tax system. The system requires payment of tax at all the stage in
distribution channel and also provided for set off. The Government accepted these recommendations.

2) Babubhai Committee:— As mentioned earlier the then state of Bombay was converted into Bilingual Maharashtra state in the year 1956. To review the situation pertaining to Sales Tax and to suggest a system appropriate to the newly formed state the Government appointed Sales Tax inquiry committee with shri. Babubhai Patel as its chairman vide Government resolution no. STA/1057 G1 dated 3rd Dec. 1957.

The committee recommended composit system in place of two point system which was in operation in old Bombay state. The unique feature of the new system was five types of taxes and five different schedules. The Government accepted the report of the committee. The system suggested by the committee was in operation up to 30-6-81 i.e. for more than twenty years.

3) Yeardi Committee:— This committee was appointed vide Government resolution no. STA-1075/4/M-1 dated 10th July 1975 with shri M.R. Yeardi as its chairman. The main part of the Government resolution says, "In view of the importance of the problem of avoiding evasion of Sales Tax and in the context of development since the introduction of the Bombay Sales Tax Act 1959, The Sales Tax advisory committee has recommended to Government immediate appointment of a committee of inquiry to report in the matter as also on such other items including reforms made by other states in their Sales Tax system and to make recommendations to Government as quickly as possible." The committee recommended single point first stage system in which
tax is payable at first stage only. i.e. manufacturer level. With this major recommendation the other suggestion of pertaining to administration received acceptance of the Government. Thus the single point first stage system come into existence in the year 1981. Since then this system is in force in the state of Maharashtra.

4) **Bambawala committee**:- The period after 1981 saw some resistance to the Government policy relating to Sales Tax and also public unrest. In view of this and also to suggest reforms, if necessary the Government vide resolution no. TEA-1086/CR-93/REF-1 dated 19-9-1986 appointed Sales Tax inquiry committee. Under the chairmanship of Shri A.T. Bambawala. The committee reconsidered removal of multiplicity of taxes. Improvement in the set off and systematization of notification. The report of the committee is not published and its recommendations were not fully considered by the Government.

In addition to above committee report of some other committees appointed by central Government and Governments of other states need special mention. The Government of India had appointed Saraya committee in the year 1963. The report of the committee deals with the incidence of Sales Taxes, state and central on commodities entering the export trade of India.

In the year 1983 the Government of India has appointed a committee on replacement of Sales Tax this committee was headed by Shri. Kamlapati Tripathi. The committee recommended additional excise duty on vanaspati, Drugs, and medicines,
cement, paper and paper Board and petroleum products in place of Sales Tax. The recommendations of committee however did not receive favourable consideration of the Government.

Recently i.e. in Dec. 1991 a committee on tax reforms was appointed by the Government of India with Dr. R.J. Chelliah as its chairman. This committee considered both direct as well as indirect taxes and has made a number of suggestion relating to improvement to tax system of the country. The committee has outlined the following as guiding principles of tax reforms.

a) The tax system and its burden must be acceptable to the citizens i.e. the potential taxpayers.

b) Given our past experience and the present totality of circumstances affecting the tax system and its operation, it is better to have moderate rates with broader bases.

c) While the tax structure should be progressive, it should not be such as to induce the generation of unaccounted income and wealth.

d) The tax system must be rational from the economic point of view. For this purpose, the structure once established must remain stable unless and until the economic conditions undergo a radical transformation. Ad hoc changes from year to year will undermine rationality and reintroduce complications.

e) The tax system and law should be as simple as possible; it should have the strictly limited objectives of raising revenue for the government in a fair and efficient manner, achieving redistribution and discouraging some industries and the use or
consumption of some products as well as granting a reasonable degree of protection to domestic industries. A simple system will have only a limited number of rates and exemptions or deductions and give the least possible discretionary power to the tax officials for interpreting the law.

f) Method of tax administration should be modernised and tax enforcement should be visibly improved.

g) The tax reforms suggested should be fully, or at least nearly, revenue neutral in their totality; however the system should become more income elastic.

The government of Kerla had appointed a committee on commodity taxation in the year 1979. Shri I.S. Gulathi was its chairman the committee made several recommendations. One of the important observation of the committee was, "As for as goods subject to single point are concern the policy is to tax essential commodities at low rates, the less essential items at higher rates and luxurious items at the higher rate". 11

2.5 RESEARCH PROBLEM :-

The review of literature clearly shows that very few individuals undertook research in the area of Sales Taxation. It is also observed that most of the researchers have focused on Sales Tax administration as a whole. The committee appointed by the government studied the problem within the limits set for them by the government. Thus, an exhaustive study of Sales Tax system has not been attempted so far. Such comprehensive and comparative study is needed to guide policy decisions for future. The need
to develop a system capable of generating revenue for financing development schemes in future has already been recognised by the Government of Maharashtra. Considering the fact that the state has tried most of the known alternatives of Sales Tax system, the need for a comparative study becomes apparent for devising a system to suit the requirements of the state or suggesting ways and means for minimising the weakness of systems experimented so far. In the light of this discussion the research problem may be defined as a comparative study of Sales Tax systems in Maharashtra state. The scope of the problem has been further extended to study the impact of Sales Tax systems on trade and commerce. It is important to study, whether the system has any impact on trade and commerce in order to design a system for the future.

2.6 Research Objectives and Methodology :—

In the light of the problem as stated above the following were set as the objectives of the study.

1) To study the evolution of Sales Taxation in India and Maharashtra.

2) To study Sales Tax administration in Maharashtra state.

3) To examine the role of a Sales Tax system and to study its functional aspects.

4) To examine the performance of various Sales Tax systems adopted by the state since the inception of Sales Tax.

5) To study the effect of Sales Tax system on trade and commerce.

6) To suggest model for reforms.
2.7 Scope of the Study :-

The scope of the study is limited to Sales Tax systems in Maharashtra state. Further, the analysis of its impact on trade and commerce is limited to trade and commerce in Vidarbha region only. The study covers the period from 1946 i.e. the inception of Sales Tax to 1989.

2.8 Nature and Sources of Data :-

On the basis of the analysis of the objectives, the data required for the study were grouped under two heads:-

1) Data pertaining to the working of various Sales Tax systems. In Maharashtra state.

2) Data pertaining to the Sales Tax system to be designed for future.

In addition to above, it was also necessary to get details regarding evolution of Sales Tax in India and Maharashtra state. All these details were obtained from various library sources. Thus the study is based on secondary as well as primary data.

A) Secondary Sources :- Secondary sources include both published as well as unpublished literature on the subject. Various libraries were consulted for developing conceptual base. Similarly the working details of various Sales Tax systems were obtained through a detailed study of reports of Sales Tax enquiry committees appointed by state as well central government form
time to time. Some reports are unpublished and they were available only in concerned department of the state government. These reports were consulted with the due permission of authorities. Thus the secondary sources include various libraries of repute in Maharashtra state. The offices of the state government as well as the chamber of commerce in the state. The appendix I to this chapter gives details of these sources.

B) Primary Sources :- The information obtained through secondary sources enabled the researcher to develop conceptual base. It also helped him to develop research frame at this stage, since the period involved noticed a number of changes in the Sales Tax system, the researcher felt it necessary to discuss the matter with people concerned with Sales Tax matters. Thus people included office bearers of chamber of commerce, Sales Tax professionals and officers of the Sales Tax department. Preliminary discussion with these people helped immensely in finalising the research scheme.

As pointed out earlier this research has clearly two distinct phases. The first phase deals with the analysis of the past, for which secondary sources provided a necessary input. The second phase aimed at improvement or re-designing the system. The researcher thought it necessary to get directions for the improvement from the people concerned and develop model for reform. Accordingly for this purpose a field survey was conducted. This field survey was conducted twice during the entire research process. As stated above the first survey aimed at getting clues regarding the working of various Sales Tax
systems in the state. This enabled the researcher to develop a model which was discussed with the concerned people during the second survey. On the basis of this further refinements were introduced in the model.

2.9 First Field Survey:

The survey conducted in the state aimed at a comparative evaluation of Sales Tax systems. The researcher adopted personal interview method for this purpose.

The sample

Sales Tax is collected and paid to the government through registered dealers. The government machinery, and the dealers, therefore represent principal parties involved in Sales Tax operations. This being a matter requiring proficiency in legal and financial aspect, the profession of Sales Tax consultant play an important role. Similarly various bodies representing trade and commerce have direct or indirect influence on matters pertaining Sales Taxation. Eminent people from masses also exert their influence as ultimately they are the tax payers. Thus, the entire community becomes the universe for the purpose of the study. However, the specific population includes the Government people, professionals and Intellects. Taking into consideration the vast coverage of the state, sample survey was considered as the best alternative. A sample consisting of one hundred thirty, three persons representing the government, the professionals and the society was selected for the survey. The profile of the respondents and the rational
behind their selection is discussed below:-

Table no 2.2
Profile of Respondents

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Tax consultants</td>
<td>27</td>
</tr>
<tr>
<td>2) Officers</td>
<td>80</td>
</tr>
<tr>
<td>3) Intellects</td>
<td>26</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
</tr>
</tbody>
</table>

The intention of interviewing above three categories was very clear. The tax consultant represent his profession as well as his clients. The researcher had also selected some tax payers for interviewing. But the tax payers knowledge was found limited to his business only. Hence they were not interviewed further.

The second category of respondents included officers of the Sales Tax department. They come in contact with the assesses as well as tax consultants. Being persons involved in the execution of the government policy, they are well versed with the procedural aspects. Thus people from this category represent the government and also can share experiences while dealing with the assesses and tax consultants and also regarding procedural aspects. It is for this reason the sample of 133 consists of 80 government officers i.e. 60.15 percent of the total sample size.

The third category of respondents grouped under the head "Intellects", included members of legislative assembly, office bearers of trade associations and chamber of commerce.
academicians, editors of professional journals, and retired members of Sales Tax tribunals. Members of Sales Tax enquiry committee interviewed by the researcher are also included in this group.

**Place wise distribution of respondents:**

The above representation is from Eight places from Maharashtra state. These places are 1) Amravati. 2) Akola. 3) Aurangabad. 4) Bombay. 5) Khamgaon. 6) Nasik. 7) Nagpur. 8) Pune. Places wise distribution of respondents is given in table 2.3

<table>
<thead>
<tr>
<th>S.NO</th>
<th>PLACES</th>
<th>TAX CONSULTANTS</th>
<th>INTELLECTS</th>
<th>OFFICERS</th>
<th>TOTAL</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Amravati</td>
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<td>3</td>
<td>4</td>
<td>11</td>
</tr>
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<td>2</td>
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<td>1</td>
<td>1</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Bombay</td>
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<td>8</td>
<td>13</td>
<td>30</td>
</tr>
<tr>
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<td>Khamgaon</td>
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<td>3</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>6</td>
<td>Nasik</td>
<td>1</td>
<td>2</td>
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<td>Nagpur</td>
<td>7</td>
<td>1</td>
<td>28</td>
<td>36</td>
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<tr>
<td>8</td>
<td>Pune</td>
<td>2</td>
<td>7</td>
<td>13</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td></td>
<td>27</td>
<td>26</td>
<td>80</td>
<td>133</td>
</tr>
</tbody>
</table>

It is clear from the above distribution that respondents from major tax contributing centers were selected. Thus though the number is small it is representative in nature.

**Interview Schedule:** The interview schedule contained sixteen
questions. These questions were personally discussed with all the respondents and responses were recorded in their presence only. The questions pertained to system i.e. the defects in old systems, the defects in present system and remedies to improve the system, in addition to questions covering legal and procedural matters.

Main groups of the questions were 1) Relating to rate of taxes 2) Relating to complexity in assessments and payments 3) Speeding up assessment and smooth administration 4) Justice oriented system 5) Questions pertaining to tax evasion and 6) Double taxation. Appendix II give specimen schedule. It may also be added that lot of relevant issues were raised and discussed during interview, thus giving proper coverage and justice to the subject.

Second Survey: This survey was conducted during the final stage of the research. On the basis of conclusions obtained from a comparative study of various Sales Tax systems and in the light of conclusions drawn from the data collected during the first survey, the researcher had developed a model for reform. This model suggests two point system. A combination of single point first stage for all goods and two points (first and last stage) tax system for 54 goods. The model therefore suggested reorganisation of the schedule. The researcher thought it proper to pre-test the model before giving final shape. Therefore, the second survey was undertaken. The technique of indepth personal interview was adopted for this purpose. In all 27 respondents were interviewed. These 27 respondents included 10 officers of
Sales Tax department 7 intellects and 10 tax consultants. The interviews focused on revised schedules and the introduction of two point system. In course of personal discussion each respondent was first given a set of tax schedules developed by the researcher and also he was briefed about the two point tax system the researcher intended of propose. His view were obtained regarding the schedule the rate structure, set off declarations notifications and introduction of two point tax system. The feedback obtained during this survey enabled the researcher to refine the model.

2.10 Analysis of Data :-

The data collected from various sources were edited as per the requirements of the study, rearranged and have been presented in the form of tables, charts diagrams etc. For the purpose of comparison of various systems a scheme comprised of points listed below was adopted:-

1) Introduction.
2) Concept, period and background.
3) Characteristics of the system.
4) Strengths of the system.
5) Weakness of the system.
6) Working results.
7) Critical appraisal.
8) Experts opinion.
9) Conclusion.

For the purpose of analysing data collected during...
field survey, simple statistical techniques like percentages and comparison were used. Associations of different nature were indentified in the light of research objectives, for interpreting the data. The observation and conclusions obtained were checked and rechecked and finally a report has been prepared. The scheme of presentation of report is summerised below.

2.12 Organisation of the Report:

The report in hand consists of seven chapters. The first chapter of the report discusses the evolution of sales taxation in India and Maharashtra state. The roots of Sales Taxation are found even in the ancient literature. However, a theoretical base has been provided by thinkers in the field of public finance. The chapter therefore, describes the history of Sales Taxation under three heads namely during ancient period, historical period and in modern period. After discussing the canons of taxation and describing the origin of Sales Tax in India (in different states), the need for research has been discussed in this chapter.

The second chapter deals with research methodology. It examines the role of Sales Tax systems, the review of literature is also presented in this chapter. This discussion is followed by the statement of problems and sources of data, methods of data collection and analysis. This chapter presents in brief the organisation of this report.

The working of Sales Tax in Maharashtra forms the
subject matter of the third chapter. The year 1946 marks the beginning of Sales Tax in the state. The salient feature of Bombay scale tax Act 1946 (including rules). Bombay Sales Act 1959, C.P. and Berar Sales Tax Act. The Hyderabad Sales Tax Act are discussed here. The machinery created for the administration of Sales Tax has been discussed thereafter. This discussion covers both the dimensions that is the machinery and procedures including various schedules notifications for levying the Sales Tax and the collection mechanism and also machinery created for appeals and decisions. Sales Tax schedules from the core part of the system, therefore, systems in operation since 1946 and schedule thereunder have been briefly discussed here.

The fourth chapter is devoted the working and evaluation of various Sales Tax systems in Maharashtra state. The period from 1946 to date saw the following systems in operation:

1) Single point last stage system (1-10-1946 to 31-10-1952)
2) Multi point tax system (1-11-1952 to 31-3-1954)
3) Double point tax system (1-4-1954 to 31-12-1959)
4) Composite system as mixed system (1-1-1960 to 30-6-1981)
5) Single point first stage system (1-7-1981 to till today)

The functioning of each system has been discussed with the help of nine point criteria described earlier.

The results of the field survey have been discussed in the fifth chapter. The conclusions presented in this chapter served as input for reforms suggested in the last chapter.
The effect of Sales Tax on trade and commerce in general and in Vidarbha in particular has been discussed in the sixth chapter.

The findings of the study have been summarised in the seventh chapter, which is the last chapter of the report. A model for reform is suggested in the light of research findings. Success of any Sales Tax system is mainly governed by two aspects, namely tax schedule and tax rates. If the schedule are complicated tax administration tends to be equally complex and multiplicity of rates results into lower productivity of tax system. The research, therefore, concludes in favour of revision of the existing system, redesigning of the existing schedule and modifying the rate structure and suggest a mix of system with renewed schedule and tax rate structure.

2.13 Limitations of the Study :-

This is a research of applied nature. The researcher believes that the outcome of the research i.e. the shortcomings of the Sales Tax systems identified by the researcher and the model suggested by the researcher would be helpful to policy makers.

The projection of tax revenue based on the model suggested by the researcher would have served the policy maker in a better way. However for want of relevant data such projections could not be given. Another important limitation is concerned with the study of effect of Sales Tax systems on trade and commerce. Though generalisation have been presented in this
regard no concrete measurement was possible for want of adequate data and methodological base. However the utility of the study lies with the fact that it suggests broad based, more flexible and cost effective system.
REFERENCES


2) Economic Times Bombay Dated 28-3-91.


5) Dr. Sharma N.K. This submitted to Rajasthan University in 1964. (Unpublished)


APPENDIX I

List of Libraries Visited:

1) Gokhale Institute of Politics and Economics, Pune
2) Maratha Chamber of Commerce Library, "
3) British Library, "
4) University Library (Jaiker Library), "
5) Kasyari Library, "
6) Brihan Maharashtra College of Commerce Library, "
7) Reserve Bank Library, Bombay
8) Indian Merchants Chamber Library, "
9) Legislative Assembly Library, "
10) Bombay Merchants Chamber, "
11) Maharashtra Chamber of Commerce Library, "
12) British Library, "
13) Sales Tax Practitioners Association Library, "
14) Maharashtra Statistical and Finance Department Library, "
15) Bombay University Library, Kalina "
16) G.S. College of Commerce Library, Nagpur
17) Amravati University Library, Amravati.
18) G.S. College of Arts and Commerce Library, Khargaon.
APPENDIX II
CONFIDENCIAL
QUESTIONNAIRE

1) Shall there be tax on all goods  yes/no
2) There shall not change for a year or two years at least in tax laws and tax rates  yes/no
3) Effect of court judgments are removed by amendment is it justifiable  yes/no
4) Till today four systems are over. How do you like this fifth system among suggestion.  good/bad
5) In the new system the rate of tax will be 1:588 what do you feel about multiplicity of rates  yes/no
6) Can we grant three months advance intimation about the change in the rate of tax  yes/no
7) Can there be conference conducted by government of tax payers areawise  yes/no
8) Can provision of set-off cancelled  yes/no
9) Interest, penalty and prosecution is it harassing in nature. What is your opinion about 1) Multiple penalties 2) Discretion 3) With return etc.  yes/no
10) Can there be a provision of star assesse for bifurcating good tax payer from tax evaders  yes/no
11) Industrial development whether thought Sales Tax concession or though industrial concession  industrial/Sales Tax
12) Shall there be a renewal of registration certificate every year or after some year  yes/no
13) Shall there be voluntary registration as in central Sales Tax
Act and when voluntary registration there will not be any deduction U/S 3(2).

14) How notification shall be? Can today's more than 300 notifications be cancelled?
   - yes/no

15) Can authorisation, permit and registration be cancelled?
   - yes/no

16) Can appeal be independent or today mixed system is worth one.
   - independent/ mixed.

NAME:

PLACE:

DATE:

TIME:
APPENDIX III

SCHEDULE ARE REARRANGED AS BELOW FOR YOUR OPINION

G. no. 1: - A schedule is of 47 goods. A schedule is proposed of 15 tax-free goods. A-1 is proposed of 32 essential goods. Rate of Tax on this will be less than 1 percent (1/2 % and 1%)

G. No. 2: - 'C' schedule is of 36 goods. C schedule is proposed of 84 luxurious goods. Now C schedule will be added by 48 goods of C-II schedule (some goods are reduced in Rate already by notification). Rate of tax will be less than 4% (2 and 4)

Gno. 3:- C-II schedule is of 102 goods. It is proposed to reduce to 54 luxurious goods. Rate of tax will be less than 10% (5, 8 and 10).

G.no. 4:- C-II schedule will be of 54 goods. Again on last stage rate of tax will be 1 percent (single point last stage system for reducing high rates) Because high rate leads to high evasion. 2) For curbing evasion 3) For avoiding T.O.T. and additional tax). Yes/no.

G.no 5:- For simplifying system 1) set off 2) Notifications
3) Declarations 4) Multiplicity of rates 5) Assessment process are main problems. These problems can be easily solved by rearranging schedule. 

yes/no.