

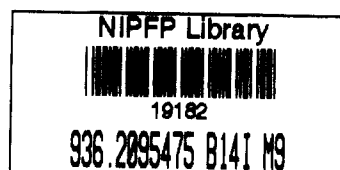


INFORMATION SYSTEM RELATING TO PROFESSION TAX IN GUJARAT

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1. INFORMATION SYSTEM FOR STATE TAXES IN GUJARAT

1.1 Background

1.1.1 In 1978, the Government of Gujarat constituted the Gujarat Taxation Enquiry Commission under the Chairmanship of Dr. R.J. Chelliah for reviewing the existing taxation structure in the State and suggesting rationalisation and modification of the existing taxes as well as proposing new taxes, if needed, for raising additional resources for the development programme of the State. The Commission was also, inter alia, required to suggest ways and means of improving tax administration in the State with a view to expediting assessment, appeal and other procedures under the various laws so as to ensure maximum satisfaction and least inconvenience to the taxpayers, keeping in view the need for economy consistent with efficiency.

1.1.2 After a comprehensive inquiry, the Commission furnished a detailed report to the Government on July 17, 1980 suggesting a number of reforms to the tax system in the State¹.

1.2 Need for a Scientific Information System

1.2.1 In the course of its inquiry the Commission also considered the need for an efficient information system for the State taxes as modern management theory

considers the building up of an information system essential to scientific management and administration. The object of building up an information system on taxes are:

- (a) to enable an analysis of the economic impact of the taxes concerned;
- (b) to provide the basis for policy formulation (e.g., finding out on the basis of collected data what would be the revenue and other consequences of proposed changes or what changes are indicated to achieve given objectives); and
- (c) to make possible evaluation of actual operation and enforcement of the taxes.

Keeping these broad objectives in view, the Commission examined as to what kind of information system should be built up and what was the best means of doing it.

1.2.2 As the Commission was primarily concerned with suggesting structural reforms in respect of the several State taxes, it could only briefly indicate in its Report the aspects on which information needs to be collected and maintained up-to-date. The Commission suggested the following approach to reforming the information system:²

- (i) In respect of each tax the information to be collected may be divided into two major heads: the base of the tax and its structure and operations.
- (ii) It is important to devise the forms in which returns are submitted in such a way as to enable the tax department to obtain the

needed information without placing undue strain on the taxpayers. It is essential to place adequately trained statistical personnel in the unit and divisional offices whose main duty would be to collect and collate information which would then be passed on to the headquarter or the computer centre.

- (iii) In course of time the greater part of the information collected on various taxes could be put on the computer. It would be necessary for the tax departments to work closely with tax economists or institutions which have built up expertise in the economics and policy aspects of taxation for deciding on the magnitude of the data to be stored, the nature of the data and the kind of results that are expected.

1.3 Genesis of the Present Study

1.3.1 In May 1981, the Government of Gujarat approached the NIPFP enquiring whether it would be able to assist the State Government in designing a suitable information system for the State taxes and also in undertaking a survey to determine the extent of evasion of entertainment tax in the State, in the light of the recommendations of the Commission³. A proposal in this respect was submitted to the Government of Gujarat in July 1981⁴.

1.3.2 The proposal, however, remained dormant for certain reasons till a revised proposal was sent in July 1987⁵. In accordance with the revised proposal, the present study aimed at designing an information system for the following taxes was taken up.

1. Profession tax
2. Entertainment tax
3. Stamp duty and registration fees
4. Electricity duty
5. Motor vehicles, passengers and goods tax

These taxes taken together account for about 26 per cent of the States' own tax revenue in the financial year 1986-87 (Table 1). More disaggregated revenue figures pertaining to these selected taxes and their shares in the States' own tax revenues for the years 1980-81 through 1986-87 are given in Table 2.

1.4 Scope and Methodology of the Present Study

1.4.1 We have not gone into the structure of the above taxes as that has been done in detail by the Gujarat Taxation Enquiry Commission and the present study is merely an offshoot of one of their recommendations. We have, accordingly, confined our attention to the designing of information systems tailored to the needs of the existing tax structures. We have also dealt with each of the above taxes independently as, they are not all administered by one and the same department and further have little in common in regard to their nature and incidence and hence in regard to their information generation or needs. Of course, there are certain meeting points. For example, dealers under the Sales Tax Act form a separate sub-category for the levy of Profession Tax. Similarly, permit

holders under the Motor Vehicles Tax form another distinct sub-category for Profession Tax. Hence, information relating to evasion under one tax can be useful for detecting evasion under another. Even then, the information systems can be kept distinct with adequate arrangements for exchange of relevant information between officers administering different taxes. We have kept this aspect in view while designing the proposed system.

1.4.2 We have studied in detail the type of information that is being generated under the existing system and redesigned some of the inputs with a view to making them more easily amenable to data processing. To the extent possible, we have refrained from suggesting entirely new or additional inputs as that would be resisted by taxpayers and tax administrators alike. The cost-benefit link has also been kept in mind. In regard to some of the taxes where the tax potential per tax payer is limited, there will be no purpose in inducting additional manpower either for administering the tax or for operating the information system.

1.4.3 While designing the system, we have kept in view the use of the computer for operating it. While the system may be worked manually initially, there will be no difficulty in inducting the computer in one or more areas of operation without any change in its scheme. We are indicating later the priorities for computerisation.

1.4.4 We have not examined the manpower needs - qualitative or quantitative - for working the information system which we have designed. We consider that this is best left to the Department itself which only knows the potentialities of and gaps in the existing manpower resources. Any additional staff recruited for operating the systems manually in the initial stages may be rendered surplus when computers are inducted; and that would create problems. There can be not only numerical redundancy but also redundancy of skills in the wake of technological improvements. For instance, in some States punch card operators recruited a decade back are reported to be sitting idle as they can neither be retrenched nor diverted to other jobs. We have also taken care in designing the information system so as not to create any substantial additional workload calling for any major augmentation of the existing staff. We feel that with suitable redeployment of the staff and elimination of unproductive work, it should be possible to introduce a scientific information system without taking on additional staff. In fact, some of our suggestions are aimed at reducing the manpower needs.

1.4.5 For reasons mentioned earlier, namely, that there is little direct link between the different State taxes, we thought it proper to furnish the report in respect of each tax separately in the shape of an interim report as soon as the particular study is completed. That would also help early implementation. The First Interim Report deals with information system for Profession Tax.

TABLE 1

**Revenue From State Taxes in Gujarat
(1980-81, 1984-85 and 1986-87)**

(Rs lakh)

	1980-81	1984-85	1986-87
Profession tax	793 (1.49)	1597 (1.63)	2152 (1.70)
Land revenue	1292 (2.43)	1702 (1.74)	2114 (1.67)
Stamp duty and registration fees	2948 (5.55)	4387 (4.48)	5284 (4.18)
State excise	345 (0.65)	455 (0.46)	647 (0.51)
Sales tax	35385 (66.64)	60943 (62.18)	86450 (68.40)
Taxes on vehicles	2226 (4.19)	3908 (3.99)	5340 (4.22)
Taxes on goods and passengers	3401 (6.40)	6719 (6.86)	5392 (4.27)
Taxes and duties on electricity	3622 (6.82)	10821 (11.04)	11392 (9.01)
Entertainment tax	2101 (3.96)	4070 (4.15)	3777 (2.99)
Other taxes and duties	989 (1.87)	3401 (3.47)	3856 (3.05)
Total of State taxes	53102	98003	126404

Note: Figures within parentheses are percentages of total taxes. Source: Government of Gujarat, State Budget Documents.

TABLE 2

**Revenue From Selected State Taxes
(Gujarat)**

(Rs Lakh)

Years	Non judicial stamp duties	Registr- ation fees	Total (2+3)	Electri- city duty	Profess- ion tax	Enter- tainment tax	Motor vehicles tax	Passen- gers tax	Goods tax	Total (8+9+10)	Total revenue from sele- cted taxes	Own tax revenue of the State
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1980-81	2594 (4.88)	164 (0.31)	2758 (5.19)	3622 (6.82)	793 (1.49)	2125 (4.00)	2218 (4.18)	3152 (5.94)	480 (0.90)	5850 (11.02)	15148 (28.52)	53102
1981-82	3271 (4.95)	211 (0.32)	3482 (5.27)	5127 (7.76)	915 (1.39)	2806 (4.25)	2594 (3.93)	1197 (1.81)	634 (0.96)	4425 (6.70)	16755 (25.37)	66062
1982-83	3355 (4.40)	205 (0.27)	3560 (4.67)	6240 (8.18)	1079 (1.41)	3191 (4.18)	3140 (4.12)	4639 (6.08)	726 (0.95)	8505 (11.15)	22575 (29.59)	76303
1983-84	3404 (3.87)	235 (0.26)	3639 (4.14)	8090 (9.20)	1307 (1.49)	3813 (4.34)	3587 (4.08)	7528 (8.56)	805 (0.92)	11920 (13.56)	28769 (32.73)	87905
1984-85	3703 (3.78)	308 (0.31)	4011 (4.09)	10127 (10.33)	1547 (1.58)	4070 (4.15)	3944 (4.02)	5861 (5.98)	862 (0.88)	10667 (10.88)	30422 (31.03)	98002
1985-86	3764 (3.50)	264 (0.25)	4028 (3.75)	9941 (9.25)	1808 (1.68)	4010 (3.73)	4133 (3.84)	5124 (4.77)	1065 (0.99)	10322 (9.60)	30109 (28.01)	107500
1986-87	4483 (3.55)	341 (0.27)	4824 (3.82)	11321 (8.96)	2938 (2.32)	3777 (2.99)	5343 (4.23)	4278 (3.38)	1121 (0.89)	10742 (8.50)	33602 (26.59)	126404

Notes: 1. In certain cases figures reported in this Table may slightly vary from the corresponding figures quoted in Table 1 due to difference in the sources of data.

2. Figures within parentheses are percentages of the States own tax revenues.

Sources. 1. Government of Gujarat, Various Departments and Budget Documents.

2. Reserve Bank of India, Reserve Bank of India Bulletins (for figures of own tax revenue).

2. INFORMATION SYSTEM RELATING TO PROFESSION TAX

2.1 Structure of the tax

2.1.1 A tax on professions, trades, callings and employments is being levied in Gujarat from 1.4.1976 under the Gujarat State Tax on Professions, Trades, Callings and Employments Act, 1976 (President's Act 11 of 1976) (PTA for short). The tax falls under entry 60 of List II (State List) of the 7th Schedule to the Constitution of India and, under Article 276, the aggregate liability in respect of such tax on any taxpayer is limited to Rs.250 in a year. This limit is however, sought to be raised to Rs 2500/- by the 60th Amendment to the Constitution.

(i) Categories of taxpayers and rates of tax

2.1.2 The structure of the tax is fairly simple. Taxpayers are grouped into two broad groups, namely (i) those in employment, who are not required to pay the tax directly but their employers are required to deduct the tax at source and pay it on their behalf in a representative capacity and (ii) others engaged in professions, trades and callings who have to pay the tax directly¹. Employers thus are required to pay the tax in dual capacity - in a representative capacity on be-

half of their employees and directly in respect of their own profession, trade or calling.

2.1.3 For those in employment, there is a graduated scale of tax according to the monthly salary or wages drawn by them. Employees whose monthly salaries or wages are less than Rs.1000 do not have to pay any tax. Those in the monthly salaries/wages range Rs.1000 to Rs.1500 are required to pay Rs.10 per month; those in the Rs.1500 to Rs.2000 range, Rs.15 per month and those drawing Rs.2000 or more Rs.20 per month². For this purpose salary or wage includes pay or wages, dearness allowance and all other remunerations received by any person on a regular basis, whether payable in cash or kind and also includes perquisites and profits in lieu of salary as defined in section 17 of the Income-tax Act, 1961³. Thus, what is relevant for profession tax is the gross salary. None of the deductions and exemptions allowed under the Income-tax Act while computing salary income or total income have any relevance.

2.1.4 For the second category, that is, taxpayers other than those in employment, tax is levied more or less on a presumptive basis. What determines the scale of tax is not their actual incomes but an assumed potential linked to their standing in the profession or occupation or the size and location of their venture. The second category is divided into eight sub-categories for such grouping.

2.1.5 The first sub-category consists of persons engaged in the learned professions, namely, legal, medical, engineering, accountancy, etc., and also insurance agents and the like and plumbers. Tax is payable only by persons whose standing in the profession or calling in a city, municipal borough or local area with a population exceeding 50,000 is more than 5 years. The tax payable by persons of 5 to 10 years standing is Rs.150 a year while those of more than 10 years standing are required to pay Rs.250 a year, that is, the maximum permitted under the Constitution⁴.

2.1.6 The second sub-category comprises Stock and Commodity Exchange members, petrol pump owners, licensed vendors of foreign liquor, hotels and theatres, companies, banks, chit funds, cooperative societies, partners of firms registered under the Partnership Act, estate agents and building contractors. They all pay the maximum permissible tax of Rs.250 per annum irrespective of their location or standing or the size of their venture⁵.

2.1.7 The third sub-category consists of occupiers of factories as defined in the Factories Act. Where the average number of workers employed in a year is not more than 25, the tax payable is Rs.150 per annum. Where the number exceeds 25 but does not exceed 100 the tax payable is Rs.200 per annum. Where the number exceeds 100 the tax payable is Rs.250 per annum⁶.

2.1.8 The fourth sub-category consists of employers of establishments as defined in the Bombay Shops and Establishments Act who employ on an average more than 5 persons on any day. The scale of tax is linked to the location - Rs.250 if located in a city, Rs.200 if located in a municipal borough with a population exceeding 1 lakh or in an agglomeration extending to 3 km from its limits and Rs.150 if located in a specified area. Specified area covers district or taluq headquarters, cantonments and municipal boroughs with population exceeding 20,000. This means that shops and establishments in rural areas are excluded from the levy⁷.

2.1.9 The fifth sub-category covers dealers under the Gujarat Sales Tax Act wherever located. Their liability is fixed according to their turnover. Those with turnover not exceeding Rs.50,000 do not have to pay any tax. Those in the turnover range Rs.50,000 - Rs.2,50,000 pay a tax of Rs.150 per annum; and those whose turnover exceeds Rs.2,50,000 pay tax at the maximum of Rs.250 per annum⁸.

2.1.10 The sixth sub-category consists of transport permit holders wherever they may be operating. Single-vehicle permit holders are not liable. Those with permits for more than one vehicle have to pay tax at the rate of Rs.50 per vehicle per annum subject to a maximum of Rs.250 per annum⁹.

2.1.11 The seventh sub-category consists of money lenders licensed under the Bombay Money Lenders Act. They pay tax according to their location, irrespective of the size of their business: Rs.250 per annum in a city, Rs.200 per annum in a municipal borough with a population exceeding 1 lakh or in an area within 3 km of such area and Rs.150 in a specified area¹⁰. As in the case of shops and establishments, persons in essentially rural areas are not liable.

2.1.12 The eighth and last sub-category is a residuary one comprising all other professions not falling within any of the other sub-categories. Liability to pay tax will, however, arise only if the profession, trade, calling or employment has been notified by the Government¹¹. So far only one such notification has been issued (at 29.3.1984) making stamp vendors liable to profession tax.

2.1.13 The structure of the tax as applicable to different categories of taxpayers has been set out in some detail above as it has an important bearing on the design of an information system for the planning and enforcement of the tax.

2.2 Information Inputs

(i) Implementation machinery

2.2.1 The PTA is administered by the Commissioner of Profession Tax (CPT). The Commissioner of Sales Tax functions as the CPT and the levy and collection of PT has been assigned to 30 Sales Tax Officers designated as Profession Tax Officers (PTOs). The CPT reports to the Finance Department of the State Government which lays down policies. The functions of the administrative machinery and the procedures are regulated by the Gujarat State Tax on Professions, Trades, Callings and Employments Rules, 1976 (PTR for short). The organisation and functions of the PT administration are depicted in Chart 1.

2.2.2 In April every year the CPT is required to issue a public notice by publication in the newspapers, directing all persons liable to pay PT to get themselves registered or enrolled as the case may be, (unless they are already registered or enrolled) and to furnish returns and pay tax as provided under the PTA and PTRs.

(ii) Documentation procedure

2.2.3 In respect of tax on employment which is required to be collected at source by the employers, there is a system of registration of employers.

Departments of the Central and State Governments are, however, not required to register¹³. Private employers have to register themselves with the PTOs by making an application in Form 1 within 60 days from the commencement of the profession, trade, calling or employment of the employer. If the application is in order, the PTO will grant a certificate of registration (RC) on Form 2¹⁴.

2.2.4. There is a system of enrolment of persons who are engaged in any profession, trade, calling or employment otherwise than as employees and who have to pay profession tax directly. Such persons are required to apply on Form 3 to the PTO for enrolment within 60 days of commencement of liability. A certificate of enrolment (EC) will be given to them on Form 4. The amount of tax will be mentioned by the PTO on the certificate itself, as also the date by which it will have to be paid each year. Thus, the EC serves the purpose of a one-time demand notice to be complied with every year¹⁵. A person with more than one place of work within the State will be given only a single EC by the PTO having jurisdiction over his principal place of work. However, an additional copy will be given for each additional place of work.

2.2.5 Where an employee is employed also with another employer or is engaged in any profession, trade, calling or employment on his own he is liable to pay tax at the maximum scale of Rs.250 per annum, and may under-

take to pay the tax directly. He may then file a declaration on Form 4A with his employer so that the latter may stop deducting the tax at source¹⁶.

2.2.6 The RC and EC are permanent documents and constitute the basic source record for taxpayer identification. They are required to be displayed at a conspicuous place in the premises of the taxpayer. They may be amended¹⁷ from time to time whenever there is a change in the category warranting a revision of the scale of tax, or cancelled when there is cessation of liability¹⁸. Giving false information in an application for RC or EC attracts a penalty not exceeding Rs.1000 which may be imposed by the PTO after giving the applicant an opportunity of being heard¹⁹.

(iii) Periodical information inputs

2.2.7 Departments of the Central and State Governments who are not required to register are also not required to furnish any formal return monthly or annually. They have merely to deduct the tax at source from salaries paid to their employees each month and remit the same to the Government treasury by the 15th of the following month. The drawing and disbursing officers have to certify to the CPT by 30th April each year that the requirement of deduction at source and payment into the treasury of the tax due from the employees during the preceding financial year have been

duly complied with. The PTRs do not prescribe any specific form for this purpose²⁰.

2.2.8 A registered employer (that is, a private employer liable to deduct tax who has obtained a RC) is required to furnish a monthly return to the PTO on Form 5. This form requires, apart from information concerning the employer himself, data regarding number of employees, rate of tax per month and amount of tax deducted separately for each of the four gross income categories for whom different rates apply, namely, below Rs.1000 (nil), Rs.1000 - Rs.1500 (Rs.10 p.m.), Rs.1500 - Rs.2000 (Rs.15 p.m.) and Rs.2000 or more (Rs.20 p.m.). The return is required to be furnished within 15 days after the expiry of the relevant month²¹.

2.2.9 The employer has, however, the option to apply to the CPT on Form 5B for permission to file an annual return instead of monthly returns. If permission is granted, tax payments have to be made monthly but the formal return on Form 5A may be furnished within one month of the expiry of the relevant financial year. Form 5A is more detailed than Form 5 as it incorporates additional information in respect of employees who have opted to pay tax direct on the ground that they are concurrently engaged in some other employment, profession, trade or calling, information regarding monthly variations in the rate of tax (e.g., on account of increment, promotion etc.), information regarding ap-

plication of enhanced rates on account of payment of arrears and information regarding monthwise payments of tax during the year²².

2.2.10 Both Form 5 and Form 5A require interest to be added on to the tax payment in respect of delays in deducting the tax or, having made the deduction, in remitting it into the treasury, calculated on the amount involved at the rate of 2 per cent for each month or part thereof²³.

2.2.11 The return has to be accompanied by proof of payment of the tax due. This means that the tax due has to be remitted into the treasury before filing the monthly return. The remittance has to be made on a 4-foil challan (Form 10). One foil remains with the treasury, one is sent by the treasury to the PTO and two are given to the taxpayer who retains one for his own record and encloses the other with the monthly return. Where only an annual return is filed, the taxpayer sends one foil of the challan to the PTO month after month, enclosing the foil for the 12th month with the annual return giving particulars therein of the earlier 11 payments. Government Departments have to use the same challan for payment, send the challan foil to the PTO in the usual way, and give particulars of all the payments made in the course of the year with the annual certificate only if they do not obtain their funds from the treasury²⁴.

2.2.12 In the case of private employers, when the return is not accompanied by the relevant challan foil, the return is considered as invalid and the employer is considered as not having filed the return²⁵.

2.2.13 Where an employer has wilfully failed to file the return within the time allowed, a penalty not exceeding Rs.5 for each day of delay may be levied by the PTO after giving the defaulter an opportunity of being heard²⁶.

2.2.14 An EC holder is required to pay the tax by 30th September each year if he has been enrolled on or before 31st August and within one month of his enrolment in other cases. EC holders pay tax only once a year and do not have to file any formal returns. The payment is to be made on challan Form 10 and one foil sent to the PTO as in the case of RC holders. As mentioned earlier, the EC itself serves the purpose of a permanent demand notice and an EC holder has merely to intimate any change in particulars affecting his tax liability to the PTO whenever such a change occurs²⁷. If an EC holder fails to pay the tax, the PTO may impose a penalty on him not exceeding 50 per cent of the amount of tax due after giving the defaulter an opportunity of being heard²⁸.

2.2.15 The returns and challans filed by RC holders, the challans and certificates filed by Government Departments and the challans filed by the EC holders, thus constitute the periodical information inputs.

(iv) Information generated by assessment, etc.

2.2.16 In the case of RC holders who have to file returns, the PTO may make an assessment accepting the return if he is satisfied that the return is correct and complete. Otherwise, he may issue a notice to the RC holder to produce evidence and make an assessment after scrutiny. The PTO may make a `best judgement assessment` if there is non-compliance with the notice or the evidence is unsatisfactory. He may also make a `best judgement assessment` if no return has been filed or the employer had failed to get himself registered, after giving the defaulter in either case a reasonable opportunity of being heard²⁹. If the assessment (which is required to be made on Form 8) results in a demand, a notice of demand will be issued on Form 9, requiring the RC holder to pay the tax within 15 days of the receipt of the notice³⁰. The law does not lay down any time limit for making assessments on RC holders.

2.2.17 In the case of EC holders who do not have to file returns, the question of making assessments in the regular course does not arise. Only when a person has failed to get himself enrolled or having been enrolled has failed to make full payment of tax as required under the law, the PTO may make a `best judgement assessment` after giving the defaulter a reasonable opportunity of being heard and making such enquiry as may be necessary and raise a demand and issue a notice of demand for payment within 15 days of the receipt of the

notice³¹. For such assessments also, the law does not lay down any time limit.

2.2.18 The law authorizes recovery of PT demands as arrears of land revenue but the powers under the Bombay Land Recovery Code are exercised by the CPT, PTO and other officers on PT work themselves³².

2.2.19 The law requires the net PT collections to be transferred to the State Employment Promotion Fund to be utilised for implementing measures for removal of unemployment and underemployment in the State. The manner of withdrawal from the fund is laid down in the PTR³³.

2.2.20 The law provides for the rectification of mistakes apparent on the face of the record in any order of an authority under the PTA. The power of review can be exercised only upto 3 years from the date of the order. If the order affects the taxpayer adversely, he is to be given a reasonable opportunity of being heard before it is made³⁴.

2.2.21 Assessing officers are required to report to the CPT the progress of assessments and collections every month.

2.2.22 The law provides an appeal against an order of assessment, rectification or penalty to the Assistant Commissioner (AC) if the order is passed by a PTO, to

the Deputy Commissioner (DC) if it is passed by an AC and to the Tribunal constituted under the Sales Tax Act (AT) if it is passed by the CPT. An appeal has to be filed within 60 days of the order and full payment of tax has to be made as a precondition. The appellate authority may, however, dispense with this condition if it is satisfied that the requirement will cause undue hardship to the appellant. An appellate authority may confirm, annul, reduce, enhance or otherwise modify the order under appeal or set it aside and direct a fresh order to be made. The appellant or his representative has to be given a reasonable opportunity of being heard. Where the AT is the appellate authority, an opportunity of being heard has also to be given to the officer who passed the order under appeal³⁵.

2.2.23 There is no provision in the PTA for any second appeal or any reference to the High Court. Provision, however, exists for the revision of an appellate order on an application by the aggrieved person by the DC if the order is passed by an AC and by the AT if the order, including an order in revision, is passed by a DC or the CPT. The application for revision has to be made within 60 days of the receipt of the order sought to be revised. The CPT has also the power to revise suo moto any order passed by an authority under the PTA except the AT before the expiry of 3 years from the date of the order³⁶.

2.2.24 Provision exists for the refund of tax, penalty, interest or fee paid in excess. A refund order is issued on Form 17³⁷.

2.2.25 Appellate and revisionary authorities (except AT and CPT himself) are required to report to the CPT the progress of appellate/revisionary work.

2.2.26 The law also contains certain anti-tax evasion provisions. Certain accounts are required to be maintained by employers. The CPT may also direct any employer to maintain books and documents in a specified manner under power of a penalty of Rs.5 for each day of delay in complying with the directive³⁸. The authorities under the PTA have the powers to inspect and search premises and to seize books, documents, etc³⁹. Special modes of recovery from recalcitrant tax payers also exist⁴⁰. RC holders are required to report to the PTO any shifting of their work premises. Some PTOs are earmarked for carrying out survey on a continuous basis for checking non-compliance or unsatisfactory compliance.

2.2.27 The information compiled on the basis of data generated in the course of the above operations is presented in Tables 3 to 5.

2.3 Deficiencies in the Information System

2.3.1 The need for and the essentials of a scientific and efficient information system have now come to be fairly well recognised. The existing information system in Gujarat in relation to PT does not measure upto the requirements indicated therein. There are some reasons for this. As the revenue potential has so far been rather limited, not much attention seems to have been given to the design of the system. The manpower deployment is minimal and the tax mainly operates on voluntary compliance. The stakes being quite small in view of the ceiling of Rs.250 per person per annum laid down in the Constitution, the level of compliance may possibly be quite satisfactory as assumed by the Department. Evasion may probably exist only in those cases where there is evasion of all taxes, particularly direct taxes, or non-compliance with regulatory laws like the Factories Act, Shops and Establishments Act, etc. But that can be no reason for not giving attention to the information system relating to PT. In the case of EC holders, the system itself is such that no formal assessment is needed except where non-compliance has been detected. In the case of RC holders who employ less than 10 persons, no efforts are made to formalise the assessments through orders. Even in regard to others no serious efforts are made to complete the assessments. That seems to be the reason why assessments are shown as in heavy arrears, the number increasing substantially each year. This complacency

is doubly compounded by the absence of any time limit for making assessments. Disputes are not many and appeals are understandably few in view of the low stakes. Proceedings rarely ever go beyond the level of the AC. Hardly any matter goes before the AT. The CPT sends a quarterly statement of appeals and assessments pending, with some analysis, to the Finance Department. But these do not seem to provide information regarding inflow of work and its disposal though this data should be available in the progress reports furnished by the PTOs.

2.3.2 Table 3 presents the number of taxpayers separately as EC holders and RC holders. Both have shown a steady growth. The increase in the latest year (1986-87) for which data are available in absolute terms was 1946 for RC holders and 19355 for EC holders. As against this, Table 5 shows that survey resulted in an addition of 3495 to the number of professionals. The number of entries collected was 31750. This would again show that the level of voluntary compliance is not very unsatisfactory or it may be that the survey has not been very effective. As mentioned earlier, RC holders are only representative taxpayers paying tax on behalf of their employees. No data is compiled about the number of employees on whose behalf the employers pay tax even though the information is there in the returns furnished by the employers. As Government departments have neither to register nor to furnish returns, no information is available about the number

of Government employees who pay PT. The absence of disintegrated data regarding the number of taxpayers is one of the shortcomings of the existing information system. The necessary information is available in the returns but is not processed and utilised.

2.3.3 As regards EC holders, though their total number is available, no analysis is available either according to the sub-category⁴¹ or according to scales of tax applicable to them. The data are very much there in the applications for ECs and the ECs themselves but no efforts are made to compile the information. Shortage of manpower and the unimportance of the tax itself are the reasons for this.

2.3.4 Yearwise analysis of PT arrears are available. The total arrears as on 31.3.1987 stood at Rs.17.19 crore, more than 95 per cent of which related to the four years from 1983-84 to 1986-87 though PT has been operating from 1976-77. The growth of tax arrears seems to be a recent phenomenon. Realisations from PT spurted from Rs.18.08 crore during 1985-86 to Rs.29.38 crore during 1986-87. The growth in revenue and the growth in arrears may be linked; as also the increase in the pendency of appeals which stood at 225 at the end of 1986-87. But the exact reasons for the increase in arrears of tax are not available as reasonwise analysis of tax arrears is not made separately for PT.

2.3.5 The record keeping systems are also not conducive to easy retrieval of information. There is no scientific numbering system which will facilitate categorywise classification of the taxpayers. There were 5,56,318 EC holders and 20,930 RC holders at the end of March 1987. The Department seems to have fixed a norm of maintaining 1500 files of EC holders and disposing of 60 assessments per month of RC holders for each PTO. But there were only 20 whole-time PTOs and some Sales Tax Officers doing PT work in addition to sales tax work. An EC holder pays a maximum of only Rs.250 in a year. An RC holder will pay much more as he is a representative taxpayer paying tax on behalf of all his employees. It is stated that about 55 per cent of the revenue (which was Rs.25.84 crore for 1987-88) comes from RC holders, implying that, on an average, each RC holder pays about Rs.6000 in a year by way of tax. The limitations on the potentialities of the tax itself will have to be kept in mind while devising a system for its administration. It will be highly unproductive to deploy more staff on this work or to devise complicated systems of taxpayer identification and assessment or a sophisticated information system. The aim has to be to have systems which will make minimum demands on the manpower and material resources of the administration and at the same time meet the important needs of tax administrative control, policy making and budgetary forecasts. With the enhancement of the Constitutional ceiling from Rs 250 to Rs 2500 as mentioned earlier, it will be possible to increase the

revenue potential of profession tax substantially. But that would necessitate a structural reform of the tax itself. For the employment category the ceiling rate is now almost reached for persons drawing salary or wages of Rs 2000 per month or more. Obviously it will be too harsh to make them pay tax as per the enhanced ceiling. Raising the maximum limit would call for creation of more slabs with a reasonably gradual progression. For other professions, vocations and callings also the categorisations may have to be changed if hardship and resulting resistance have to be avoided. Once the structure of the tax itself is altered, corresponding changes in the information system will have to follow as a corollary. It is, however, beyond the scope of the present study to suggest changes to the structure or the consequential changes in the information system. We, therefore, proceed to devise an information system on the basis of the existing structure of the tax. As and when any changes are effected in the structure of the tax, corresponding changes can be made in the information system suggested by us as the broad principles on which our suggestions for building up a scientific information system are based, will still hold good. As the tax potential will then increase, it may be possible to deploy additional staff and have more elaborate systems.

2.3.6 As mentioned earlier, there are three broad sectors of taxpayers with different tax potentialities and problems and which are governed by different proce-

dures. These sectors are (i) Government employees sector; (ii) private employees sector; and (iii) business, professional and vocational sector. Any contemplated reform has to be tailored to suit the special needs of each of these three sectors.

2.4 Directions of Reform

(i) Government employees sector

2.4.1. As mentioned earlier, the drawing and disbursing officer (DDO) in each Government Department is required to deduct PT as per item 1 of the 1st Schedule applicable to employment category in respect of each employee according to his salary range. Departments which obtain funds from the treasury make the payment of PT through book adjustment while others have to make payments through challans in the same way as private employers. Pay for February is not permitted to be drawn unless the tax due for the period March to February has been fully deducted and a statement showing such deduction has been enclosed with the pay bill. Government Departments are not required to register; nor are they liable to be subjected to any formal assessment. Negligence and tardiness apart, there is no scope for any leakage of revenue in the Government employees sector. Hence, this system may continue. However, this system does not generate any information about the operation of the tax in this sector. We would, therefore, suggest two modifications which while

not requiring up any additional work, will help the PT Department to be better informed about the tax potential of this sector. The first is that a sort of informal registration may be introduced for Government Departments. DDOs may be required to furnish certain minimum particulars that are essential for closing the present gap in the information system in a standard form in duplicate to a Central Statistical Unit (CSU). The CSU may allot a number out of a separate series meant exclusively for this sector and return one copy of the form to the DDO. This need be done only once. A suggested format for this is given as Form GS-1 in Appendix I of this report. The information can be collected and stored centrally at the CSU without casting any load on the PTO. Computerisation will be of great help in handling this job.

2.4.2 Our second suggestion relates to payment of tax. As of now, the treasury figures constitute the sole source of this information and that is not analytical. In fact, the Department is not in a position even to furnish the figures of aggregate tax collections from the Government employees sector. The rules⁴² provide that the Commissioner may, if he considers necessary, require a DDO to furnish him with a statement relating to the payment of salary made to the Government servants during any specified period, showing the name of the employee, the details of salary drawn, the amount of tax deducted therefrom and the period to which the tax relates. This, however, is

rarely done. Employee-wise details are not really necessary for meeting the information needs of the Department. What is needed is only the tax deductions made during the year, analysed according to the pay-range groups of employees. It would suffice if the salary payments for the last month of the financial year (February) is taken for this purpose. The variations in the course of the year may be ignored. We shall discuss this problem in some detail while dealing with private employers and their returns. The statements in a standard form may be required to be furnished by the DDOs to the CSU in April every year. Those DDOs who do not obtain funds from treasuries may also be required to enclose one set of challan foils in respect of the payments of tax made from month to month with this statement. A suggested format for the statement is given in Form GS-2.

(ii) Private employees sector

2.4.3 The private employees sector constitutes the most important segment of the taxpayers as, according to estimates, it accounts for about 55 per cent of the total tax. As explained earlier, private employers have to register and furnish monthly or annual returns. There are prescribed forms for this purpose but their design is not scientific and the information is not compiled and stored regularly. The Department is able to furnish only the bare number of employers registered and not even the total number of employees who are

the real taxpayers, let alone any analysis according to pay ranges and revenue yield.

2.4.4 To facilitate the building up of a scientific information system which may, if not now, at least eventually, be put on the computer, it is necessary to have a good numbering system separately for this sector.

2.4.5 Employers are serviced by 28 PTOs located all over the State. They obtain their RCs from them and file their returns with them. Considering the fact that RC holders provide the bulk of the PT revenue and their number is not unmanageable (about 20,000), this practice may continue. Each PTO will be having about 700 RC holders. As the basic operation consists of watching inflow of returns and tax payments, the manpower deployment seems to be adequate. In fact, even the norm laid down by the Department is 60 assessments per month. The monthly returns can not really be regarded as separate `assessments`. In reality, formal assessments are hardly ever made.

2.4.6 At present, an application for registration is made by an employer on Form 1 while the RC is granted on Form 2. By combining the two and requiring the employer to file the form in triplicate, the process of disposal of applications for RCs can be speeded up. As filing of an application is a one-time operation, no one would grudge having to file it in triplicate. The

application should cover all places of work within the jurisdiction of different PTOs which should be enumerated on the application form. The forms may be sent to the PTO having jurisdiction over the principal place of business, who will enter the RC number allotted by him in all the three copies, and send one copy each to the applicant and the CSU. The PTOs can be allocated `blocks` of RC numbers for allotment so that the number will remain unique for each employer all over the State. It can be a speaking number incorporating a location code and taxpayer category code. Modifications and cancellations of RCs will also have to be similarly intimated to the PTO and CSU. The CSU will then be able to maintain a master register of RC holders without having to depend on any periodical reports from the PTO and this can be easily done by a computer. The advantage of this procedure will be that only the CSU need have a computer for PT work. A standard format for the application/allotment/modification form is given in Form RC-1 in Appendix I.

2.4.7 The next important statistical input which an RC holder provides is the return. As of now this is utilised mainly for administrative control and is not put to any worthwhile statistical use. The return contains valuable statistical information which can be easily compiled by devising a suitable system. For this, some schematic hurdles have to be overcome. At present, while RC holders generally file monthly

returns, some are allowed to file returns annually. Similarly, while generally returns are filed by branches separately before the local PTO having jurisdiction, some employers are allowed to file consolidated returns in respect of all their establishments within the State. Without some measure of uniformity, it will be difficult to devise a scientific information system.

2.4.8 The scheme of the tax itself is that its incidence is in monthly cycles, the rate depending on the salaries and wages of each month. Unlike under income tax, the annual salary paid has no relevance. The return will therefore have to show the number of employees in each salary group separately for each month.

2.4.9 When an employee gets an increase in salary or wages in the middle of the year, the tax liability for the earlier months is not in any way affected. If the increase is effective from an intermediate date in a month, the incidence of tax for that month may be partially affected. The full incidence may be felt only in subsequent months. This presents no problems except where the increase is operative from a back date and arrears of salaries or wages are paid. As under income tax, there are two alternative possibilities: one, to relate the increase backwards to the relevant months and collect the additional tax, if any due, for the earlier months; the other is to go by the gross amount

including arrears actually paid in any month and attempt no spreadover. Unlike under income tax, the spreadover will be advantageous to the revenue and detrimental to the taxpayer. For example, if an employee drawing a gross salary of Rs.1400 p.m. from 1st April in any year is allowed an increase of Rs.200 in October but effective from 1st April preceding and is paid arrears for six months amounting to Rs.2400 also in October, the position will be that tax would have been deducted at the rate of Rs.10 per month for each of the six months from April to September. The payment during October will be Rs.1600 towards salary and Rs.1200 towards arrears. From November to March the monthly payment will be Rs.1600 and the tax to be deducted will be Rs.15 per month. For October, there are two ways of deducting tax. For that month's salary alone the tax liability will be Rs.15 or, if the gross amount of Rs.2800 including the arrears is taken, the tax will be Rs.20. That is, he will pay Rs.5 more than what is really due for October but will not have to pay anything extra for the past six months for which he has paid Rs.10 per month only. However, if spreadover is allowed, the liability for October will be Rs.15 as for the later months but additional tax of Rs.5 per month amounting to Rs.60 will have to be recovered for the period April to September. The liability resulting from spreading over the increase to the appropriate months will be Rs.55 more than what would result from including the entire arrears in one month. What is being done at present is to spread over the arrears and

collect the additional tax and this cannot be called unfair. Taking all the arrears in one month, though beneficial to the taxpayer, is not strictly correct and may encourage petty manipulations for getting minor benefits. The form of monthly return has therefore to provide columns for showing payment of arrears and recoveries towards back dues for tax.

2.4.10 The question then arises whether the present option to file annual returns should continue to be allowed. There is no escape from having to deduct and pay the tax every month. For that the employer has necessarily to list out and group employees according to the salary ranges. To put down the figures compiled on a formal return does not entail much of additional labour. The practice of allowing some employers to file annual returns creates discord in the information system. We suggest that the practice be discontinued.

2.4.11 The other problem referred to earlier is that of an employer filing separate returns for each branch. Of course, salaries will have to be disbursed locally by each branch separately but that is no reason why separate returns should be filed. Option is now given to the head office to file a consolidated return. We would suggest that the practice of accepting separate return from each branch may be given up and the head office required to file a single monthly return for the entire establishment. This will also help to reduce the number of returns to be handled.

2.4.12 The monthly returns are meant primarily for watching compliance. It is unnecessary to make monthly compilations for statistical purposes. It would suffice if the data are aggregated once a year. The data to be compiled in relation to employees are simple: (i) number of employees in each salary group, and (ii) tax deducted in a year. Of course, certain basic data relating to the employer himself must be included and therefore to be compiled. There is, however, one problem. An employee may be moving from one salary group to another in the course of a year and the monthly returns will therefore show varying numbers under each salary group. No refinement need be made in the statistical presentation to depict this variation. For all purposes for which statistical compilations are needed, it would be adequate if the salary grouping as given for the last month of the year is adopted. The monthly statement for February/March may therefore be slightly adapted to serve as the annual statistical return. While the monthly returns would be furnished in duplicate, those for the last month of the year may be required to be furnished in triplicate to the PTO, the PTO may be required to send the 3rd copy forthwith to the CSU where the data compilation can proceed independently of the operational functions in the office of the PTO. A format for the monthly-cum-annual return is given in Form RC-2 in Appendix I.

2.4.13 The system we have suggested above would make an extra copy of the monthly return for the last month of the year the statistical input, thus delinking statistics from the administrative procedures of watching filing of returns and making assessments. This is a kind of tax in which formal assessments are unnecessary except in rare cases. The Department cannot afford to fritter away its manpower on unproductive work. That is the reason why assessments are allowed to fall into heavy arrears. But when there exists neither the need nor the intention to clear these arrears, depicting the returns not checked as arrears of assessments gives a distorted picture of the working of the Department. We would suggest that a provision may be made in the law deeming an assessment to have been completed on the basis of the return as soon as the return is filed and acknowledged. If an additional copy of the return is obtained, that copy may be stamped and returned to the RC holder as acknowledgment-cum-assessment order. A safety valve may, however, be provided in the form of a provision enabling the PTO to put any return to scrutiny and raise additional demand at any time, say, within four years from the end of the year in which the return is filed. As of date, there is no time limit for making an assessment. There need be no time limit for calling for returns from defaulters or even for making an assessment as an assessment would be deemed to have been made as soon as a return is filed and acknowledged. Under this system it is necessary to show only the returns received in the progress report of the

PTO. There will be no arrears of assessments except in regard to a few cases specifically taken out for scrutiny. A format for the monthly progress report is given in Form RC-3 in Appendix I.

(iii) Profession, business and vocation sector

2.4.14 As outlined earlier, persons engaged in any profession, trade, calling or employment other than those receiving salaries or wages from employers, are required to enrol themselves with the PTO and pay tax directly every year. The tax liability is on presumptive basis, depending on the standing in the profession or the location of the activity, the size of the concern or the nature of the activity or one or more of these, the particulars of which are recorded in the RC itself. Only in the case of dealers as defined under the Gujarat Sales Tax Act who constitute a separate sub-category (item 6 of the 1st Schedule) does the tax liability depend on the turnover, which can possibly involve "assessment" in the usual sense. Even here, the rate groupings have been reduced from 5, ranging from Rs.50 to Rs.250 per annum during 1976-77, to just 2 (Rs.150 and Rs.250) from 1.4.1981. The EC dealers do not, therefore, have to file returns. No formal assessments are made except where proceedings are started under section 7A of the Act against defaulters. In other cases, the RC itself serves as a permanent assessment order-cum-demand notice.

2.4.15 As nothing much turns on adopting highly refined systems for grading taxpayers for profession tax purposes according to their capacity to pay, there seems to be some further scope for simplifying the various sub-categories in the profession, business or vocation category. The sub-category on which the Department has even otherwise direct control is the one of dealers under the sales tax law falling under entry 6 in the 1st schedule. There are turnover limits for their registration under the Sales Tax Act. There seems to be no reason why all registered dealers should not be made liable to pay a tax of Rs.250 per month and unregistered dealers left out altogether. That will eliminate the need for even the two existing classifications according to turnover limits and make monitoring of this sub-category easy. Under the present scheme, dealers whose turnover is, say, Rs.60,000 do not have to register under the Sales Tax Act but have nevertheless to pay profession tax. This group would even otherwise be avoiding the tax and it is not worthwhile for the Department to chase it.

2.4.16 Among the other sub-categories also, some further simplification may be possible in regard to the population criterion for the determination of the tax rate as under entry 5 and entry 8. Similarly, where an establishment falls under more than one entry, some clear-cut rule may be formulated for finding out under which entry it will fall. Under the present schedule, a cooperative society with a turnover of, say, less

than Rs.2,50,000 in a year will pay a tax of Rs.150 in a year if it is put under entry 6 and Rs.250 in a year if it is put under entry 3. The same problem may arise in the classification of companies, firms, building contractors, etc. These difficulties can be easily avoided.

2.4.17 The number of EC holders has risen from 1,61,334 in 1976-77 to 5,56,318 in 1986-87 and the annual growth in recent years has been about 20,000. The maximum tax that any one of them will pay in a whole year is only Rs.250. What is required of a system for handling these cases is bulk processing with minimal outlay of time on each case. As of now, enrolment is done by the PTOs. 28 PTOs all over the State will find it hard to handle about 20,000 new enrolments every year. In addition, they have to monitor 5.5 lakhs of challans annually. It is virtually impossible for them even to have these filed properly, let alone compile any analytical statements. This is clearly an area where a computer is called for.

2.4.18 We would suggest that the enrolment and servicing of the profession, business, vocation group be fully computerised at the CSU. The experience of Maharashtra and West Bengal in computerising PT work may be found useful. The application for enrolment certificates may be received at the CSU and enrolment numbers designed in a scientific manner allotted there and communicated to the applicant. As this is a one-

time operation, there should be no problem in requiring RC applicants all over the State to apply to a central office. In fact, as an encouragement to this category the postage charges (including registration and acknowledgment) may be borne by the Department. Tax will, of course, be paid locally on a different series of challans to distinguish the payments from those made by RC holders. This challan need be only in triplicate, the taxpayers getting only one copy as they do not have to file any returns. The treasuries may be required to send one copy to the CSU instead of to the PTO as at present. That will eliminate the need for individual EC holders to be in contact with the Department (PTO) even once a year. The CSU will also receive challans from fewer points. The entire records of an EC holder will be maintained at the CSU and the PTO will disappear from the picture altogether in regard to normal operations. Only when the CSU finds that the tax has not been paid, it will have to alert the local PTO to get in touch with the defaulter. Similarly, proceedings under section 7A of the Act which are few and far between will have to be commenced and completed by the PTOs but, once a taxpayer has been brought into the stream, his records can move to the CSU and dealt with thereafter.

2.4.19 There will be only two main statistical inputs in respect of EC holders, namely, the application for enrolment and the challan. Formats for these are given in Forms EC-1 and EC-2 in Appendix I. In those limited

number of cases where recovery or assessment under section 7A is referred to the PTOs, the PTOs will have to provide a third input in the shape of a progress report on Form EC-3, given in Appendix I. As such proceedings will not be too many it should suffice if the report is made out annually in April in triplicate, one copy going directly to the CSU for statistical work and another to the supervising office responsible for administrative control.

(iv) Exemptions

2.4.20 The law provides for a limited number of full or partial exemptions⁴². The full and regular exemptions are:

- (a) Members of the armed forces of the Union serving in any part of the State;
- (b) Partners of firms which are not dealers under the Sales Tax Act and whose annual income, as certified by the prescribed authority, does not exceed Rs.10,000;
- (c) Employers of residential hotels situated outside a city or municipality with population exceeding 50,000 or its agglomerations;
- (d) Handicapped persons;
- (e) Conductors of fair price shops with turnover not exceeding Rs.1,00,000.

2.4.21 Partial exemption is allowed to partners of registered firms. This is somewhat in the nature of a double tax relief as the firm is also required to pay tax. Ad hoc exemptions of a temporary nature are sometimes allowed to provide relief. Thus, for the year 1979-80 profession tax exemption was allowed to persons affected by floods in the river Machu in August 1979. Employees paying tax by deduction at source were, however, allowed exemption only from September to February to avoid refund of tax already deducted and paid.

2.4.22 No change in the scheme of exemptions seems to be necessary in the context of building up an information system. It is also unnecessary to seek to cull out information regarding the tax sacrifice involved in these exemptions.

(v) Other administrative reports

2.4.23 In regard to PT, administrative or statistical reports other than those discussed above are not of much consequence. Appeals and revisions or rectifications are few and far between. There are no separate appellate or revisionary authorities for PT alone. No separate reporting systems are therefore necessary for PT. What is needed is only that an appellate or revisionary authority may be required to furnish a break-up, once a year, of the pendency, institution, disposal

and balance separately for the various taxes including PT, dealt with by them.

2.5 Statistical Outputs

2.5.1 The inputs, the design of which is set out in the foregoing paragraphs, contain comprehensive information on the incidence, levy and collection of profession tax. A variety of outputs can be generated from these, according to the needs of the users. These outputs can be brought out as part of the Department's annual statistical survey. Some useful specimen outputs are given in Appendix II. The annual survey should be adequate to meet the normal requirements of the Finance Department for budgetary and policy purposes. More detailed information regarding specific categories or sub-categories can always be requisitioned from the CSU.

2.6 Tackling Tax Evasion through Information System

2.6.1 An information system helps curb tax evasion in two ways. First, it has considerable deterrent value. When a person knows that his dealings will, by and large, come to the notice of the tax Department, he will normally report them himself. The very existence of an efficient information system helps to improve the level of compliance. Second, by bringing to the notice of the tax office specific cases of delinquency, it helps detection and punishment of tax frauds. Of

course, there can be no ideal information system which will ensure either total compliance or detection of every case of non-compliance.

2.6.2 Information systems help tax enforcement by helping the administration to detect non-compliance. In the complex world of today, economic activities are subject to numerous fiscal, restrictive, regulatory, enabling and beneficial laws and regulations. They also involve dealings with numerous public authorities for securing the necessary infrastructures or facilities and transactions with a number of different authorities and the public. In this process a variety of information is generated which also often gets recorded. There is today no dearth of sources of information or of even ready information in usable form. In fact, their variety and volume has been increasing. But in the absence of any machinery to help put this information to purposeful use, even in a limited way, the standards of compliance with and enforcement of laws have been steadily deteriorating. Persons receiving payments for goods or services even from public authorities do not always report them for tax purposes. Persons complying with regulatory laws such as the Factories Act, Shops and Establishments Act, Employees Welfare legislations etc. do not always comply with fiscal laws. Similarly, persons seeking benefits of facilities and infrastructures such as land, electricity, water, licences for goods, etc., from the Government or other public authorities, do not often show the same initiative or

promptitude in fulfilling their obligations under tax laws. In fact, instances are not wanting where persons registered under one tax have been found to be defaulters under another. It is here an efficient information system can help enforcement and improve compliance. There are severe limitations on the capacity of the tax administration to handle this task manually. Only computers will be able to help.

2.6.3 In the case of profession tax, dealers under the Sales Tax Act with gross turnover exceeding specified limits are specific categories required to obtain enrolment certificates. Both sales tax and profession tax are administered by the same department. The department has already acquired a computer and has initiated a programme of computerisation. With a specifically designed information system and a common identification or link code for the taxpayers, it can easily be ensured that dealers registered for sales tax fulfill their obligations under the Profession Tax Act, both in respect of their own liability as also in respect of the liabilities of their employees, if any. This can be taken up in the first phase of computerisation.

2.6.4 Similarly, holders of permits under the Motor Vehicles Act are required to enrol themselves under profession tax if they hold a permit for more than one vehicle. The State Government administers the Motor Vehicles Act and the information needed to ensure com-

pliance in respect of profession tax is already there. Similarly, the Shops and Establishment Act, Factories Act, Money Lenders Act, etc. are also administered by the State Government. By designing a suitable format for registration under these Acts which can be put on the computers and by providing, as mentioned earlier, a common or linking identification code, there should be no difficulty in ensuring that those registered under these Acts also get enrolled under the Profession Tax Act. This can be taken up in the second phase of the computerisation programme.

2.6.5 As regards persons registered under various commercial laws such as the Companies Act or persons enrolled under laws regulating professions (e.g., doctors, lawyers, architects, engineers, etc.), the State Government may not have any direct access to the information. But even here, it is not too difficult to have regular arrangements with the concerned bodies or institutions for securing updated information and have these data computerised. Of course, this can only be a long term objective.

2.6.6 Then there will always be some who manage for the time being, to keep out of the reach of all fiscal or regulatory laws. But even they cannot go without facilities like telephones, electricity, etc. Utilising this information for spot checking or survey, it may be possible to detect non-compliance under various fiscal and regulatory laws. But this can be done only on a

selective basis and in a limited way manually.

2.6.7 Pending full-fledged or large-scale computerisation, the department should go ahead, paving the way for this by streamlining its information inputs and procedures. We make certain specific suggestions in this behalf in the following paragraphs.

2.6.8 In designing any information system for tax purposes, a cost-benefit assessment is a must. Tax departments do not have unlimited resources. Where the stakes are small, non-compliance may not be extensive and, in any case, seeking to improve it beyond a certain level will not produce any commensurate return. A line has to be drawn somewhere to make sure that the effort put in is not disproportionately large for the expected benefits.

2.6.9 The compliance level in the Government employment sector may be safely assumed to be satisfactory. Of course, there can be negligence, mistakes or delays. There is even now a provision in the PTR which authorises the Commissioner to require a DDO or treasury officer to furnish him with a statement relating to the payment of salary made to the Government servants during any specified period showing the name of the employee, the details of salary drawn, the amount of tax deducted therefrom and the period to which the tax relates⁴³. This is adequate.

2.6.10 As regards private employment sector, the information system suggested by us may generally be regarded as adequate. However, some vigilance needs to be exercised by bringing to bear on voluntary compliance certain independent checks through survey. A certain amount of survey is being done even now but, looking to the revenue potential of the tax as such, it will be hardly worthwhile to introduce any system of survey with general or universal coverage. Survey has to be planned selectively. Where non-compliance has been detected in income tax, sales tax, entertainment tax, motor vehicles tax, etc. it is very likely that the obligations under the PTA would also have been ignored. Similarly, where non-compliance with the requirements under various regulatory laws has been detected, it can be assumed almost as a corollary that there would have been non-compliance with the requirements of the PTA as well. The main thrust of survey programmes for PT purposes should therefore be by coordinating with the survey/intelligence units under other laws. No special design for such a system is necessary. However, while reporting, the accent should be on the results achieved rather than on the ground covered, which may look extensive but might yield poor results. The present survey reports show that, while the number of entries checked is very large, the results achieved are negligible. The reporting system should, apart from depicting the results, show the selectivity of the system adopted. A suggested format for this is given in Form PTS in Appendix I. The

report may be a monthly one. The report for March, which will show the progressive totals for the whole year, may be prepared in triplicate, the third copy being sent directly to the CSU for statistical work.

2.6.11 As regards the profession, business, vocation sector, the level of compliance may be expected to be somewhat low for two reasons even though the smallness of the tax really provides no motive for evasion. First, non-compliance under PTA may be incidental to evasion of other taxes. Second, even where the requirements under the major tax laws have been complied with, the infrequency of the tax transactions, e.g., enrolment once in one's career and voluntary payment of tax without notice once a year, may induce defaults through forgetfulness. The system of survey suggested in relation to the private salary sector will be helpful here. In fact, out of the eight (seven, leaving out the dormant category), in respect of the major two - entry 6 relating to dealers under the Sales Tax Act and entry 7 relating to transport permit holders - the information needed for cross-checking is already with the department. The other categories are also subject to regulatory laws and the records of the concerned authorities or institutions will provide all the information needed for survey. It is practically unnecessary to seek any other sources of information. As regards reporting of survey results, there can be a common format for both the employment category and the profession, business, vocation category. In fact,

every employer who is liable to deduct PT on behalf of his employees will also have to pay PT on his own behalf, though the converse may not be true. A combined report will bring out defaults in both.

2.7 Summing Up

2.7.1 To sum up -

- i. The revenue potential of PT being comparatively limited, the aim should be to have simple systems for assessment, data generation and data processing which will not entail the need for additional manpower. As and when the tax rates are revised upwards, taking advantage of the recently enhanced ceiling, some elaboration and modification of the system may be necessary.
- ii. An informal or non-statutory registration system may be introduced for the Government employees by calling for information on Form GS-1 as otherwise it will not be possible to have any information regarding the tax potential of this sector. The information may be sent to the CSU which will allot each DDO a unique identification number.
- iii. DDOs of Government Departments may be required to send to the CSU once a year a statement on Form GS-2 showing PT deducted and the number of employees in each salary range as for the last month of the financial year. Where tax payment is made through challans they may also be required to enclose one set of challans with the statement.

- iv. Private employers may be required to apply to the PTO for registration as at present but the application on Form RC-1 may be sent in triplicate to the PTO who will allot an identification number. The number will be entered on all the 3 copies - one copy will be returned to the applicant as token of registration and one sent to the CSU for preparation of a master file.
- v. All RC holders may be required to furnish only monthly returns covering all their establishments or branches within the State. On Form RC-2 they may be required to furnish an extra copy of the return for the last month of the year which may be sent to the CSU for data processing.
- vi. Similarly, an additional copy of the progress report furnished by the PTO to his supervisory officer on Form EC-3 for the last month of the year may be sent to the CSU for processing administrative data.
- vii. The law may be amended to eliminate the need for formal assessment of RC holders except where there is default or scrutiny is considered necessary for other reasons. This would eliminate the large pendency of assessments that is now being shown.
- viii. Handling of the entire work relating to the professional class - enrolment, maintenance of master register and collection of tax - may be entrusted to the computer centre at the CSU. Applications for enrolment on form EC-1 may be handled by the CSU as also the challans relating to the annual tax payments. Only defaultees need be dealt with by PTOs, in respect of whom they may be required to send an annual statement to the CSU on Form EC.3.

- ix. No change in the scheme of exemptions is necessary. In view of their negligible impact, the data need not be processed either.
- x. A variety of statistical outputs can be generated by processing the suggested inputs.
- xi. The possibility of introducing a common identification or link code for taxpayers liable to fulfil obligations under sales tax, motor vehicles tax and other various laws regulating professions of different sorts need to be explored so as to improve profession tax enforcement and compliance.
- xii. Survey should be selective and confined to cases where evasion of other taxes or obligations under other laws has been noticed. The survey report on Form PTS-1 should emphasise the results obtained and the selective approach adopted rather than the extent of the ground covered.

TABLE 3

**Number of Taxpayers and Profession Tax Revenue
(1976-77 to 1986-87)**

Year	Enrolment certifi- cate holders	(2)/(6) x 100	Registr- ation certifi- cate holders	(4)/(6) x 100	Total (2)+(4)	Profession tax reven- ue (Rs. crore)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1976-77	161334	96.24	6310	3.76	167644	3.63
1977-78	180025	96.25	7005	3.75	187030	4.44
1978-79	427176	98.14	8095	1.86	435271	6.44
1979-80	443508	97.89	9566	2.11	453074	7.12
1980-81	456435	97.71	10714	2.29	467149	7.93
1981-82	465503	97.48	12015	2.52	477518	9.15
1982-83	478172	97.23	13608	2.77	491780	10.79
1983-84	493839	97.00	15267	3.00	509106	13.07
1984-85	512134	96.79	16996	3.21	529130	15.47
1985-86	536963	96.59	18984	3.41	555947	18.08
1986-87	556318	96.37	20930	3.63	577248	29.38
1987-88	-	-	-	-	-	25.84

Source: Office of the Profession Tax Commissioner,
Government of Gujarat.

TABLE 4**Assessment and Appeals Pending
(1976-77 to 1986-87)**

Year	Assessment pending	(2) as a percentage of returns filed by private employers
(1)	(2)	(3)
1976-77	9	Neg
1977-78	13	Neg
1978-79	21	Neg
1979-80	71	Neg
1980-81	117	1.09
1981-82	280	2.33
1982-83	1566	11.51
1983-84	3498	22.91
1984-85	7103	41.79
1985-86	13400	70.59
1986-87	13440	64.21

Source: Office of the Profession Tax
Commissioner, Government of Gujarat.

TABLE 5**Survey Results
(1976-77 to 1986-87)**

Year	Entries collected	Number of professionals liable to tax	(3) as percentage of (2)	Dues raised (Rs lakh)
(1)	(2)	(3)	(4)	(5)
1976-77	21895	6321	28.87	1.68
1977-78	17694	1682	9.51	2.21
1978-79	24902	4178	16.78	2.34
1979-80	59217	1341	2.26	2.43
1980-81	14964	1186	7.93	2.47
1981-82	31414	1027	3.27	1.86
1982-83	19473	1228	6.31	3.68
1983-84	24846	2775	11.17	10.62
1984-85	49489	4317	8.73	10.06
1985-86	35289	2855	8.09	12.03
1986-87	31750	3495	11.01	14.75

Source: Office of the Profession Tax Commissioner, Government of Gujarat.

CHART 1

ORGANISATION OF PROFESSION TAX ADMINISTRATION

Policy Unit: Finance Department

Implementing Unit: Office of
the Sales Tax Commissioner

One Deputy Secretary*

Sales Tax Commissioner who acts
as the Profession Tax Com-
missioner

One Under Secretary*

Deputy Commissioner, Profession
Tax (Headquarters) who is assisted
by a Personal Assistant who is a
Profession Tax Officer

Profession Tax Section

DIVISIONS

One Two One
Section Officer Assistants Clerk

(Ahmedabad I, Ahmedabad II,
Vadodara and Rajkot)

Deputy Commissioner

Assistant Assistant Assistant
Commissioner Commissioner Commissioner
(Administration) (Appeals) (Audit)

Profession Tax
Officers

* Not exclusively concerned with Profession Tax.

NOTES AND REFERENCES

1. PTA SS.3 and 4
2. Ibid. Sch 1, item 1
3. Ibid. S.2 (g)
4. Ibid. Sch 1, item 2
5. Ibid. Sch 1, item 3
6. Ibid. Sch 1, item 4
7. Ibid. Sch 1, item 5
8. Ibid. Sch 1, item 6
9. Ibid. Sch 1, item 7
10. Ibid. Sch 1, item 8
11. Ibid. Sch 1, item 9
12. PTR. R 10
13. Ibid. S.5 (1)
14. PTR. 23
15. PTA S.5(2), (3) and PTR R.3
16. PTA. S.4 2nd Proviso and PTR R 4A
17. PTR. R8
18. PTR. RR 5, 6, 7
19. PTA. S 5 (6)
20. PTR. RR 16, 17
21. PTA. S6; PTR. R 11(1)
22. PTA. S6(1) proviso; PTR R 11(2)
23. PTA. S.9
24. PTA. SS6(2), 9(1), R, 16,17
25. PTA. S 6(2)
26. PTA. S.6(3)
27. PTA. S.9(2)
28. PTA. S.10
29. PTA. S.7(1), (2)
30. PTA. S.7(3), (4), RRs 14, 15
31. PTA. S.7A and Forms 11, 12, 13, 14
32. PTA. S.11
33. PTA. S.11A effective from 1.4.1978; PTR. R22A
34. PTA. S.15
35. PTA. S.13,PTR. R23
36. PTA. S.14
37. PTA. S.19 PTR.R 25
38. PTA. S.16; R.19
39. PTA. S.18
40. PTA. S.17
41. As mentioned earlier, there are 8 sub-categories including a residuary one.
42. PTA S.26A and notifications thereunder
43. PTR. R.17

APPENDIX - I

INPUT FORMS
FORM: GS - 1

Annual statement to be Furnished by the
Drawing and Disbursing Officers (DDOs)
to the Central Statistical Unit (CSU)

1. Government(a) Central / _____ / (b) State/ _____ /
2. Department (State) / _____ /
3. Designation and Location of DDO / _____ /
- 4.* Number of Employees (a) Total / _____ /
(b) Liable to Profession Tax / _____ /
5. Whether obtaining Funds from Treasury (a) Yes / _____ /
(b) No. / _____ /
6. If 'Yes' Designation and Location of Treasury from which
Funds are obtained / _____ /
7. If 'No' Designation and Location of Treasury to which
Profession Tax Payments are made / _____ /
Name and Signature of DDO / _____ /
8. Identification Number Allotted / _____ /
9. Address to which Annual Statements are to be sent by the
DDO / _____ /
Name and Signature of Allotting / _____ /
Officer, CSU / _____ /

* This information may be given as at the time when the form is filled.

FORM GS 2

Annual statement to be Furnished by the Drawing and Disbursing Officers (DDOs) to the Central Statistical Unit (CSU) (By 30th April each year)

1. Identification Number of DDO Allotted by CSU / _____ /

2. Change in Designation/Location of DDO, If Any / _____ /

3. Particulars of Tax Deducted and paid

(a) Monthly Salary Ranges (as per February Pay Bill)	(b) Number of Employees	(c) Total Tax Deducted and Paid During March to February of Preceding Financial Year
---	-------------------------	--

(In Rupees)

i. Less than Rs. 1000	/ _____ /	/ _____ /
-----------------------	-----------	-----------

ii. Rs.1000 or more but less than Rs 1500	/ _____ /	/ _____ /
---	-----------	-----------

iii. Rs.1500 or more but less than Rs. 2000	/ _____ /	/ _____ /
---	-----------	-----------

iv. Rs.2000 or more	/ _____ /	/ _____ /
---------------------	-----------	-----------

4. Where payments are made through challan, particulars of challans.

(a) Sr. No.	(b) Months	(c) Challan Number	(d) Date of Payment	(e) Amount Paid (In Rupees)
-------------	------------	--------------------	---------------------	-----------------------------

1.	March 19	/ _____ /	/ _____ /	/ _____ /
----	----------	-----------	-----------	-----------

2.	April 19	/ _____ /	/ _____ /	/ _____ /
----	----------	-----------	-----------	-----------

3.	May 19	/ _____ /	/ _____ /	/ _____ /
----	--------	-----------	-----------	-----------

4.	June 19	/ _____ /	/ _____ /	/ _____ /
----	---------	-----------	-----------	-----------

FORM RC-1

(To be Furnished in Duplicate to the PTO Having Jurisdiction over Head Office for Employees Registration)

TO BE FURNISHED BY APPLICANT

1. Name / _____ /

2. Address: (a) Building / _____ /

(b) Street / _____ /

(c) Town/City / _____ /

(d) Pincode / _____ /

3. Status / _____ /

(State whether (i) Individual, (ii) Firm, (iii) Company, (iv) Corporation (v) Society, (vi) Club, (vii) Association and (viii) Any Other (Specify).

4. Name and Location of Branch Offices within the State

(a) Sr. No.	(b) Name of Branch	(c) Address	(d) Number of Employees
-------------	--------------------	-------------	-------------------------

1.	/ _____ /	/ _____ /	/ _____ /
----	-----------	-----------	-----------

2.	/ _____ /	/ _____ /	/ _____ /
----	-----------	-----------	-----------

3.	/ _____ /	/ _____ /	/ _____ /
----	-----------	-----------	-----------

4.	/ _____ /	/ _____ /	/ _____ /
----	-----------	-----------	-----------

5.	/ _____ /	/ _____ /	/ _____ /
----	-----------	-----------	-----------

5. Nature of Activity / _____ /

(State whether Industry/Trading/Others (Specify)

6. Number of Employees at the time of Application in all the Establishments within the State / _____ /

(a) Monthly Salary Range (in Rs.) (b) Number of Employees

i. Below Rs. 1000 / _____ /

ii. Rs. 1000 or above but below Rs. 1500 / _____ /

iii. Rs. 1500 or above but below Rs. 2000 / _____ /

iv. Rs. 2000 or above / _____ /

TOTAL / _____ /

7. EC Number if any Allotted / _____ /

8. Registration Numbers under other Acts where applicable

(a) Act (b) Registration Number

i. Sales Tax Act / _____ /

ii. Central Sales Tax Act / _____ /

iii. Factories Act / _____ /

iv. Shops and Establishment Act / _____ /

v. Entertainment Tax Act / _____ /

vi. Any other Law Governing Employees, Business, etc. / _____ /

(Specify: / _____ /)

Signature / _____ /

Name of Person Signing the Application / _____ /

Capacity in which Signing / _____ /

FORM RC-2

Form of Monthly Return to be Furnished by an RC holder to PTO.

1. (a) Month / _____ / (b) Year / ____ / ____ / ____ / ____ /

2. Name and Address of RC holder / _____ /

3. Registration Number / _____ /

4. Details of Tax Deduction in Respect of Salaries/Wages Paid During a Month.

(a) Monthly Salary Range	(b) Number of Employees	(c) Tax Deducted and Paid
Rs. 1000 or above but less than 1500	/ _____ /	/ _____ /
Rs. 1500 or above but less than 2000	/ _____ /	/ _____ /
Rs. 2000 or above	/ _____ /	/ _____ /

5. Details of Arrears of Salary, If Any Paid During the month

i. Number of employees to whom arrears are paid during the Month / _____ /

ii. Number of employees in respect of whom payment of arrears necessitates additional demand of profession tax / _____ /

iii. Amount of Tax Recovered and Paid in Respect of Arrears (Attach Working Sheet) / _____ /

6. (a) Amount of Tax Paid	(b) Tax on Arrears	(c) Interest	(d) Total Amount	(e) Challan Number*
/ _____ /	/ _____ /	/ _____ /	/ _____ /	/ _____ /

Attach 2nd copy of Challan.

I. / _____ / solemnly declare that the above particulars are correct and complete.

Signature

Name

Capacity (Proprietor/
Partner etc.)

/ _____ /

/ _____ /

/ _____ /

7. Additional particulars regarding tax payments to be furnished In the return for the last month of the year

(a) Sr. No.	(b) Month	(c) Monthly Tax	(d) Arrears	(e) Interest	(f) Total	(g) Challan Number	(h) Date
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							

TO BE FILLED IN AT THE PT OFFICE

PTO Code / _____ /

(To be declared in
all 3 copies)

Date of Returning II copy to RC Holder as Token of
Assessment (To be entered In 1st and 2nd copy) / _____ /

Date of sending III copy to CSU / _____ /
(To be entered in I & III copy)

FORM RC-3

Form of Monthly Progress Report

(One Copy to be Sent to Supervising Officers and One Copy Direct to CSU)

1. (a) Name of PTO / _____ / (b) PT Office Code / _____ /

2. (b) Month / _____ / (b) Year / _____ /

3. Number of RC Holders In The Circle / _____ /

4. Number of Returns Received and Acknowledged

(a) Number of Returns Received During the Month / _____ /

(b) Progressive Total of Returns Received up to End of the Month / _____ /

(c) Details of Payments (Challans Received)

(i)	(ii)	(iii)	(iv)	(v)
Number of Challans	Current Tax	Tax for Earlier Months	Interest	Total

I. During the Month / _____ / / _____ / / _____ / / _____ / / _____ /

II. Progressive

Upto End of Month / _____ / / _____ / / _____ / / _____ / / _____ /

5. Disposal of Returns Taken up for Scrutiny

(a) No. Pending at the Beginning of the Month (b) No. Added During Month (c) No. of Cases Disposed of (d) Balance of Cases (a+b-c)

/ _____ / / _____ / / _____ / / _____ /

FORM EC-1

Enrolment Certificate

(To be Furnished in Duplicate to the PTO Having Jurisdiction)

To be Filled in by Applicant

1. Name/ _____/

2. Address of Head Office

(a) Building / _____/ (b) Street / _____/

(c) Town/City / _____/ (d) Pin Code / _____/

3. Status / _____/

(Individual/Firm/Employer/Corporation/Society/Association/Any Other (Specify))

4. Name and Location of Branch Offices within the State

(a) Sr. No. (b) Name of Branch (c) Address

1. / _____/ / _____/

2. / _____/ / _____/

3. / _____/ / _____/

4. / _____/ / _____/

5. / _____/ / _____/

5. Profession/Business/Vocation Code / _____/
(See coding list attached)

6. Entry and Sub Entry Number in Rate Schedule

- (a) Entry No. / _____ / Sub Entry No. / _____ /
- 7.* Number of Employees in All the Establishments / _____ /
 * (At the time of application)
8. Whether RC Applied For / _____ /
9. RC Number If Any / _____ /
10. Registration Numbers If Any Under Other Acts:
- | (a) Act | (b) Registration Number |
|---|-------------------------|
| Sales Tax Act | / _____ / |
| Central Sales Tax Act | / _____ / |
| Factories Act | / _____ / |
| Shops and Establishment Act | / _____ / |
| Entertainment Tax Act | / _____ / |
| Any other Law Governing Employee's Business (Specify) | / _____ / |
- Signature of Person Signing Application / _____ /
- Capacity in which Signing / _____ /
- (State whether Proprietor/Partner/Secretary/Principal Officer/Director/Manager/Any other capacity (Specify))

TO BE FILLED BY PTO OFFICE

11. Location Code of PT Office / _____ /
12. EC Number Allotted / _____ /
13. Annual Tax Payable / _____ /

Code List for Form: EC 1

- 201 Legal Practitioners Including Solicitors and Notaries Public.
- 202 Medical Practitioners Including Medical Consultants and Dentists.
- 203 Technical and Professional Consultants, Including Architects, Engineers, RCC Consultants, Tax Consultants, Actuaries and Management Consultants.
- 204 Plumbers
- 301 Members of Associations Recognised Under the Forward Contract (Regulation) Act, 1952
- 302 Members of Stock Exchanges Recognised Under the Securities Contracts (Regulation) Act, 1956.
- 303 Owners of Oil Pumps and Service Stations and Where Any Oil Pumps and Service Stations Are Leased, the Lessees Thereof.
- 304 Licensed Foreign Liquor Vendors and Employers of Residential Hotels and Theatres as Defined in the Bombay Shops and Establishments Act, 1948.
- 305 Companies Registered Under the Companies Act 1956 and Engaged in Any Profession, Trade or Calling.
- 306 Individuals or Institutions Conducting Chit Funds.
- 307 Banking Companies Defined in the Banking Regulation Act, 1949.
- 308 Cooperative Societies Registered or Deemed to be Registered Under the Gujarat Co-operative Societies Act, 1961.
- 309 Partners of Firms Registered Under the Indian Partnership Act, 1932, Which Are Engaged in Any Professions, Trading and Callings.
- 310 Estate Agents or Brokers or Building Contractors.

- 401 Occupiers of Factories as Defined in the Factories Act, 1948 (Not being dealers covered by entry 6).
- 501 Employers of Establishments As Defined in the Bombay Shops and Establishments Act, 1948 (Not being dealers covered by entry 6 of the Schedule 1).
- 601 Dealers as Defined in the Gujarat Sales Tax Act, 1969.
- 701 Holders of Permits for Transport Vehicles Granted Under the Motor Vehicles Act, 1939, Which Are Used or Adapted to be Used for Hire or Reward.
- 801 Money-Lenders Licensed Under the Bombay Money-Lenders Act, 1946.
- 901 Persons, Other Than Those Mentioned in any of the Preceding Entries, Who Are Engaged in any Professions, Trades, Callings or Employments and In respect of whom a Notification is Issued Under the Second Provisio to Subsection (2) of Section 3.

Note: First number indicates the serial number of the item listed in Schedule I of the Act, second and third numbers indicate sub-items if any.

FORM EC 3

Annual Report Relating to EC Holders (Defaulters)

1. Name of PTO / _____ / PTO Code / _____ /

2. Year / _____ /

3. Proceedings Under Section 7A

a. Pending at the Beginning of the Year / _____ /

b. Commenced During the Year / _____ /

c. Completed During the Year / _____ /

d. Pending at the End of the Year / _____ /
(a+b-c)

4. Tax Collections From The Defaulters (in Rupees)

a. Awaiting Coll- ection at the Beginning of the Year	(i) Tax	(ii) Interest	(iii) Penalty	(iv) Others	(v) Total
/ _____ /	/ _____ /	/ _____ /	/ _____ /	/ _____ /	/ _____ /

b. Notified by CSU during the year	/ _____ /	/ _____ /	/ _____ /	/ _____ /	/ _____ /
--	-----------	-----------	-----------	-----------	-----------

c. Demands Cr- eated by Proceedings U/S 7A During the Year	/ _____ /	/ _____ /	/ _____ /	/ _____ /	/ _____ /
---	-----------	-----------	-----------	-----------	-----------

d. Recovery during the year	/ _____ /	/ _____ /	/ _____ /	/ _____ /	/ _____ /
-----------------------------------	-----------	-----------	-----------	-----------	-----------

e. Balance (a+b+c-d)	/ _____ /	/ _____ /	/ _____ /	/ _____ /	/ _____ /
-------------------------	-----------	-----------	-----------	-----------	-----------

Signature / _____ /
Date / _____ /

FORM PTS-1

Monthly Survey Report

1. Name of Survey Officer / _____ / Location / _____ /
2. Year / _____ /
3. Results of Survey Based on Information Relating to Other Laws

(a)	(b)	(c)	(d)	(e)	(f)
Sales Tax	M.V. Act	Factories Act	Shop & Establish-ment Act	Regn of Profe-ssion-als	Others

- a. Number of Cases Pending at the Beginning of the month
- / / / / / /
- b. Number of Cases Received
- i. During the Month
- / / / / / /
- ii. Up to the end of the the Month
- / / / / / /
- c. Number of cases disposed of
- i. During the Month
- / / / / / /
- ii. Up to End of the Month
- / / / / / /
- d. Balance (a+b-c)
- / / / / / /

e. Number out
of (e) Above
in Which:
Default
Noticed

I. During the Month

i. Registration
Liability

ii. Enrolment
Liability

iii. Both

II. Up to the End of the Month

i. Registration
Liability

ii. Enrolment
Liability

iii. Both

f. Additional Demand

I. During the Month

i. Tax

ii. Interest

iii. Penalties

II. Up to the End of the Month

i. Tax

ii. Interest

iii. Penalties

Signature
Date

APPENDIX II

Specimen Outputs

Data	Source of Information
1. Tax Remittance by the : Government Department	GS-1 and GS-2 submitted to CSU
2. Tax Remittance by the Government Sector Acc- ording to the Range of Monthly Salaries (Annual and Monthly Data)	Form: GS-2 submitted to CSU
3. Distribution of Private Employees by Salary ranges	Form: RC-1 submitted to PTO
4. Distribution of Private Em- ployees by (i) Status of the Employer (Individuals, Firms Companies, Corporations, Societies, Clubs, Associations and others) (ii) activity of employer (Industry, Trade etc.)	Form: RC-1 submitted to PTO
5. Tax deducted from Private Em- ployees by salary ranges	Form: RC-2, 3ed copy submitted to CSU.
6. Tax collected in Differ- ent Profession Tax Offi- cers from Private Employ- ees (Monthly collection and progressive totals)	Form: RC-3, 1 copy submitted to CSU.
7. Details of Pending Cases in Profession Tax Offices: I. Number of Pending Cases II. Number of Cases Disposed iii. Tax Demand Pending Collec- tion iv. Tax Demand Created	Form: RC-3; 1, copy submitted to CSU.

v. Tax Recovery
(Information available on
a monthly basis along with
progressive totals).

- | | | |
|-----|--|--|
| 8. | Annual Tax Liability of En-
rolment Certificate Holders
by type of professions, bus-
iness and vocation. | Form EC-1; copy submitted to
CSU |
| 9. | Details on pending cases of
EC Holders in PT Office under
Section 7A: (i) pending at
the beginning of the year,
(ii) Assessment commenced and
completed, (iii) cases pending
at the end of year, (iv) Tax
arrears pending collection at
the beginning of the year, (v)
Tax demand created during the
year, (vi) recovery of tax dur-
ing the year and (vii) arrears
outstanding. | Form EC-3; copy submitted to
PT Offices |
| 10. | Details on Monthly Survey
Report | Form: PTS-1, submitted to PT Offices. |