

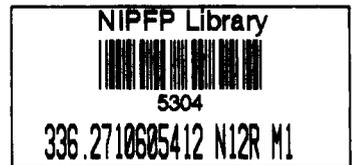
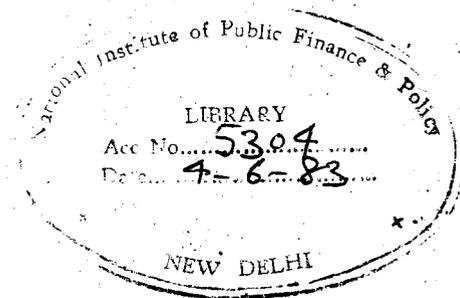
NIPFP



**Report on the Entertainment Tax the Passengers
and Goods Tax and the Electricity Duty in Bihar**

October 1981

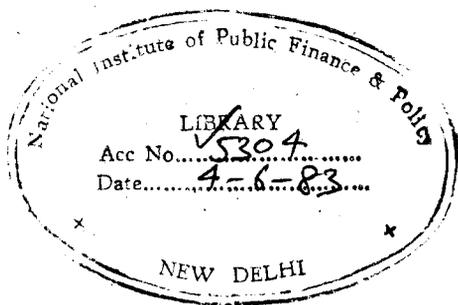
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**NATIONAL INSTITUTE OF PUBLIC
FINANCE AND POLICY
NEW DELHI**

Report on the Entertainment Tax the Passengers
and Goods Tax and the Electricity Duty in Bihar

October 1981



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P R E F A C E

This Report was prepared on behalf of the Institute by members of the study team listed in the facing page. As per agreement with the Government of Bihar, the study was guided and supervised by Dr R.J. Chelliah. However, the major part of the field work and analysis of data was carried out by Dr. M.G. Rao. Shri C. Gopalakrishnan, besides rendering research assistance in relation to the project as a whole, also carried out part of the analysis relating to the electricity duty.

The final draft of the Report was jointly prepared by Drs. Chelliah and Rao.

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I. INTRODUCTION

1. The Study and Terms of Reference

1.1.1 The Government of Bihar in its resolution No. 3827 of May 8, 1980 entrusted the National Institute of Public Finance and Policy (NIPFP) with the task of undertaking a study with a view to rationalising the structure of three taxes levied under the State Acts, namely, (a) the Bihar Taxation on Passengers and Goods (carried by Public Service Motor Vehicles) Act, 1961; (b) the Bihar Entertainment Tax Act, 1948; and (c) the Bihar Electricity Duty Act, 1948.

1.1.2 The terms of reference for the study of the three taxes are as follows:

(a) The Bihar Taxation on Passengers and Goods Act, 1961:

- (i) To make a comparative study of the present rate structure of Bihar Passengers and Goods Tax (PGT) on Public Service Motor Vehicles vis-a-vis that of other States and suggest such rate schedule as would ensure the maximum collection without adversely affecting the trade and business;
- (ii) To study the administrative set-up of check-points established in the State for the collection of Passengers and Goods Tax and to suggest improvements in their working;
- (iii) To study the present provisions regarding compounding of tax and suggest such amendments as may be necessary;

- (iv) To study the different forms and registers prescribed under the Act and Rules and executive instructions and suggest such changes as may be necessary;
 - (v) To study the present system of levy of tax and suggest such improvements in their working as to ensure prompt assessment and collection of tax;
 - (vi) To conduct selective studies to know the potential PGT revenue in comparison to actual yield; and
 - (vii) To study and report on any other related and connected matters.
- (b) Bihar Entertainment Tax Act, 1948:
- (i) To study the present system of levy of Bihar Entertainment Tax Act and to suggest such improvement as to plug the loopholes and check evasion;
 - (ii) To make a comparative study of the present rate structure vis-a-vis other States, and to suggest such rate structure as would ensure optimum revenue to the State without adversely affecting trade and industry;

- (iii) To study the present system of compounding of tax and suggest such amendments as may be necessary in this regard;
- (iv) To study the present provisions for exemptions from Entertainment Tax and to suggest such amendments in the existing provisions as may be necessary;
- (v) To study the structure of Entertainment Tax administration in the State and to suggest such improvements as may be necessary;
- (vi) To study the registers and forms prescribed under the Act and suggest such improvements as may be necessary;
- (vii) To conduct selective surveys so as to know the potential entertainment tax revenue in comparison to actual tax yield; and
- (viii) To study and report on any other related and connected matters.

(c) Bihar Electricity Duty Act, 1948:

- (i) To study the present system of levy of Bihar Electricity Duty and to suggest such improvements as may be felt necessary;

- (ii) To study the present rate structure for levy of Bihar Electricity Duty and to suggest such rate structure as would ensure the optimum revenue to the State;
- (iii) To study the present provisions for exemptions from Bihar Electricity Duty and to suggest such amendments in the existing provisions as may be necessary; and
- (iv) To study and report on any other related and connected matters.

2. Modalities of the Study

1.2.1 The work on the project started from the first week of July 1980. The study team including the Director of NIPFP visited Patna at different times in order to collect first hand information on the structure and operation of these taxes and to hold discussions with the officials of the Commercial Taxes Department, the Finance Department, and the representatives of trade and industry.

1.2.2 A questionnaire was canvassed among the officials of the Commercial Taxes Department and the representatives of Cinema Owners' Association, Transporters' Association, trade and industry and certain prominent citizens to elicit their views on the areas where simplification and rationalisation of the structure of these taxes should be attempted. A copy of the questionnaire is given in Annexure I. We are happy to state that the officials, organisations, and the public

volunteered to supply us information on various aspects of the taxes and to give suggestions on the areas of reform in the structure of these taxes. The names of persons/organisations who gave evidence before the Study Team and submitted written memoranda are given in Annexures II and III, respectively.

3. Acknowledgements

1.3.1 We wish to express our gratitude to the officials of the Government of Bihar, who extended to us their unflinching cooperation, but for which the study could not have been completed. The officials of the Finance and Commercial Taxes Departments helped us a great deal by providing information on the structure of the taxes. Besides, they allowed us to draw on their rich experiences of administering these taxes by enlightening us with their views on the areas of reform. We wish to place on record our deep appreciation of the help rendered to us by Shri J.C. Jetli, former Commissioner of Commercial Taxes, whose earnestness to rationalise the tax structure resulted in the entrusting of the study to us. Much of the work on the study was done during the tenure of Shri R.K. Sinha as the Commissioner of Commercial Taxes, who made our job easy by extending maximum cooperation to us. We are thankful also to Mr. B.P. Verma, the present Commissioner, who has continued to show the same keen interest in the study as evinced by his predecessors.

1.3.2 Among the officials of the Commercial Taxes Department, we were greatly helped by Mr. V.N. Vageesh, Deputy Commissioner of Commercial Taxes (Headquarters) who was the Liaison Officer with the NIPFP for the purpose of this study. Mr. Akhileshwar Prasad, Joint Commissioner of Commercial Taxes and Mr. R.R.V.P. Singh, Deputy Commissioner of Commercial Taxes also extended to us the benefit of their detailed knowledge of these taxes. We are also grateful to the officials of Transport Department and the Director of Statistics and Evaluation for making available to us a good deal of the information required for the study.

II. ENTERTAINMENT TAX IN BIHAR

1. Evolution of the Tax

2.1.1 The States are empowered to levy taxes on luxuries including taxes on entertainment, amusement, betting and gambling under Entry 62 of the State list in the Seventh Schedule to the Constitution. All State governments with the sole exception of Kerala levy the tax on entertainments. In Kerala, the power to levy this tax is delegated to the local authorities. Though the tax covers all forms of entertainment, the levy on cinematographic exhibition forms the most important source in all the States.

2.1.2 In Bihar, the taxes on admission to places of entertainments such as exhibitions, cinematographic exhibitions, stage plays, dramatic performances, musical performance, variety entertainment, circus and magic shows are leviable under the Bihar Entertainments Act, 1948. A tax on entertainments was levied under the Act at the rate of 25 per cent of the rate of fee charged for admission in any place of entertainment. Along with the equal rate of surcharge already levied under the Entertainment Duty (War Surcharge Amendment) Act, 1943, the rate of entertainment tax actually amounted to 50 per cent. This rate remained in force for almost a decade and a half until 1st April, 1963 when it was enhanced to 75 per cent of the admission fee. In order to provide partially for the maintenance of the large number of refugees from erstwhile East Pakistan the State, like others, levied a surcharge on the tax at the rate of 10 paise per

ticket from 1st December, 1971. The surcharge was later repealed and the tax rate was revised upwards to 100 per cent at the end of March, 1973. Also, from April, 1973 lower tax rate at 50 per cent of the admission fee has been levied on circus and magic shows. While the tax rate on circus and magic shows has remained unaltered, the rate of tax on all other forms of entertainment was enhanced again with effect from 1st December, 1975 to 110 per cent. The provision for paying a compounded fee in lieu of the payment of entertainment tax on the basis of returns was introduced in 1978.

2. Fiscal Importance and Growth

2.2.1 The yield of the entertainment tax increased over seven fold from Rs 71 lakh in 1960-61 to Rs 5.1 crore in 1977-78, thus registering an annual growth rate of 13.1 per cent. This is only marginally higher than the growth of the State's aggregate tax revenue; in comparison with the growth of the tax in the neighbouring States, the performance of Bihar can be regarded as very unsatisfactory. Among the States compared, Bihar had the lowest rate of growth of revenue from the entertainment tax. While the growth rate was 13.1 per cent in Bihar, it was 16.8 per cent in Uttar Pradesh, 15.8 per cent in Orissa, 15.7 per cent in Madhya Pradesh, 14.2 per cent in West Bengal and 13.5 per cent in Assam.

2.2.2 The relative importance of this tax has hardly increased in Bihar. Its ratio to total State taxes increased from 2.05 per cent in 1961-62 to 2.52 per cent in 1978-79

(Table II.1). This increase of 0.47 percentage point is much lower than the increase in the corresponding ratio during the same period of 2.14 percentage points (from 3.53 per cent to 5.67 per cent) in West Bengal, 1.86 percentage points in Uttar Pradesh (from 2.92 per cent to 4.78 per cent), 0.86 percentage point in Assam (from 2.06 per cent to 2.92 per cent) and 0.87 percentage point in Orissa (from 1.45 per cent to 2.32 per cent).^{1/} The share of the tax in Bihar in 1978-79 did not show any improvement over that in 1965-66. Orissa, which had the lowest share of entertainment taxes in total State tax revenue in 1961-62, all but caught up with the share prevailing in Bihar in 1978-79. Thus, as of 1978-79, the share of the tax in Bihar was higher than only that in Orissa but was lower than that in all other neighbouring States. It was less than half the share of the tax in West Bengal.

2.2.3 The performance of the tax may also be judged in terms of the tax-income ratio or what is termed as 'effective' tax rate (Table II.2). It may be seen that Bihar which had an entertainment tax-income ratio higher than only that of Orissa among the neighbouring States in 1961-62 continued to be in the same relative position even in 1977-78. The ratio in Bihar showed a slight increase from 0.07 per cent in 1961-62 to 0.11 per cent in 1977-78, but the increases observed in all the neighbouring States were much higher. The ratio of the tax to State Domestic Product (SDP) in Uttar Pradesh and West Bengal in 1977-78 was more than twice that in Bihar. In Assam and Madhya Pradesh too, the percentage was higher. Orissa, which had a share just about

^{1/} The percentage increases in the ratio are higher also in the other States.

half of that of Bihar in 1961-62, all but caught up with the latter in 1977-78 so that it was only marginally lower.

2.2.4 The estimates of buoyancy and elasticity of the entertainment tax in Bihar and in the neighbouring States are presented in Table II.3. It may be seen from the table that in Bihar for a one per cent increase in SDP there was an increase of the tax by 1.29 per cent. This coefficient is the lowest among the neighbouring States except Assam. When the responsiveness to income of the tax yield excluding the effect of discretionary measures, that is, "elasticity" is estimated, the performance of the tax in Bihar seems to be even more unsatisfactory. Not only is the elasticity of the tax in Bihar lower than that in all of the neighbouring States excepting West Bengal, but also it is less than unity. The estimate of elasticity of the tax in Bihar is only 0.94 as compared to 1.36 in Madhya Pradesh, 1.31 in Orissa and 1.03 in Assam.

2.2.5 Thus, the growth of the entertainment tax in Bihar both in relation of its own base as well as in relation to the growth of the tax in the neighbouring States seems to be clearly unsatisfactory.

2.2.6 The growth rate of the tax could be expected to be lower, ceteris paribus, if the level of taxation is higher and conversely. However, in the case of Bihar not only has the growth of the tax been unsatisfactory but also the tax levels are much lower than the levels prevailing in the neighbouring States, save in the case of Orissa (Table II.4).

In 1977-78, the per capita tax in Bihar was only Rs 0.80 which was only slightly higher than in Orissa (Rs 0.75) but much lower than in West Bengal (Rs 3.18), Uttar Pradesh (Rs 2.10), Madhya Pradesh (Rs 1.62) and Assam (Rs 1.37). As a percentage of GDP too, the relative position of Bihar in relation to this tax among the neighbouring States is not different from the above (Table II.5).

2.2.7 Thus, in terms of both the level of the tax and its growth, the performance of Bihar leaves much to be desired. To some extent, this poor performance may perhaps be attributed to the general economic backwardness of the State. However, there can be equally, if not more, important reasons relating to the tax base, rate structure and operations of the entertainment tax which have retarded the growth of the tax. In what follows, we, therefore, turn to the analysis of the tax base and the structure of the entertainment tax in Bihar.

3. Analysis of the Tax Base

2.3.1 The increases in the yield of the entertainment tax from cinema houses over time may be attributed to mainly two factors (i) increases in the number of cinegoers and (ii) increases in the rates of admission and rates of tax. Increases in the number of cinegoers may come about either due to increases in the number of cinema houses and/or due to more intensive use of the existing cinema houses resulting in better occupancy ratios. The influence of each of the factors can be roughly estimated by employing the following

formula:

$$\begin{aligned} \Delta R_{et} &= \Delta CG \times \frac{R_{oet}}{CG_o} + \Delta \left(\frac{R_{et}}{CG} \right) \times CG_t \\ &= \left[\Delta C \times \frac{CG_o}{C_o} + \frac{\Delta CG}{C} \times C_t \right] \times \frac{R_{oet}}{CG_o} + \left[\Delta \left(\frac{R_{et}}{CG} \right) \times CG_t \right] \end{aligned}$$

where

- CG = Number of Cinema goers
- R_{rt} = Revenue from the entertainment tax
- C = Number of Cinemas

subscripts o and t represent 1975-76 and 1979-80 respectively.

Thus, $\Delta C \times \frac{CG_o}{C_o} \times \frac{R_{oet}}{CG_o}$ = increase in revenue due to increases in the number of cinema houses,

$\Delta \frac{CG}{C} \times C_t \times \frac{R_{oet}}{CG_o}$ = revenue increase due to increase in cinema goers per cinema,

$\Delta CG \times \frac{R_{oet}}{CG_o}$ = revenue increase due to increase in total number of cinema goers, and

$\Delta \left(\frac{R_{et}}{CG} \right) \times CG_t$ = revenue increase due to the increase in the tax paid per cinema goer.

2.3.2 If the growth in the yield of the tax could be decomposed in the above manner, it would be possible to analyse the major factors responsible for the slow or rapid growth of revenue. However, the Commercial Taxes Department does not compile data on the basis of which we can segregate the effects of these different factors on the tax yield. Hence we have attempted to estimate the values of these different variables for 1975-76 and 1979-80 on the basis of the information obtained through a questionnaire from the cinema houses with the help of the Commercial Taxes Department. The number of cinema houses for which the information on the variables is available is only 153 in 1975-76 and 141 in 1979-80.

2.3.3 Over the period from 1975-76 to 1979-80, the yield of the tax has shown an increase of Rs 104 lakh. Of this, we have estimated that the increase in yield due to the increase in the cinema goers is Rs 30.8 lakh which forms only 29.7 per cent of the total increase. On the other hand, increases in the rates of admission and the rates of tax seem to have enhanced the yield by as much as Rs 70.3 lakh, which accounts for 70.3 per cent of the total increase.

2.3.4 It thus appears that the contribution of the increase in the number of cinegoers to the yield of the tax is quite low. A further examination of the data reveals that the increase in the number of cinema houses would have contributed as much as 58.8 per cent of the increase in the yield with an unchanged number of cinema goers per cinema. But since the net increase in the yield due to the increase in

the total number of cinema goers was of the order of only 29.7 per cent, it appears that the yield of the increase in the number of cinema houses was neutralised to a substantial extent by the fall in the number of visitors per cinema house.

2.3.5 Thus, it appears that the number of cinegoers per cinema house seems to have shown a fall over the period. To examine this, we have computed two measures of the 'occupancy' ratio for the two years, namely, (i) ratio of the number of persons visiting cinema houses to the total number seats (occupancy ratio 1) and (ii) actual taxes paid as a proportion of total tax payable if all seats are occupied (occupancy ratio 2). We feel that whichever of the two is the measure chosen, the occupancy ratio had fallen in Bihar between 1975-76 to 1979-80. Occupancy ratio 1 fell from 27.4 per cent in 1975-76 to 25.2 per cent in 1979-80. Similarly, occupancy ratio 2 fell from 25.6 per cent to 24.6 per cent.

2.3.6 In Tables II.6 and II.7, we present the trends in occupancy ratios in cinema houses by seats of different rates of admission located in places grouped according to population. The rates of admission chosen in the analysis generally refer to 3 classes of admission: the upper (dress circle and balcony), middle (upper and middle stalls) and lower (lower stalls). As the rates of admission to these classes vary depending upon the population of the city, we have chosen the different rates applicable in the cities having population over one lakh, towns with population in the range of 50,000

to one lakh and smaller towns having population of less than 50,000. The occupancy ratios according to admission rates in cinema houses located in different sizes of cities and towns are summarised in Table II.7.

2.3.7 Certain important features can be observed from the Table II.7. Firstly, the occupancy ratios tend to be higher in bigger cities and lower in smaller cities and towns. Secondly, occupancy ratios tend to be higher for lower classes of admission than for the higher classes of admission irrespective of the size of the city where the cinema houses are located. More important from our point of view is the change in the occupancy ratio between the years 1975-76 and 1979-80. The striking feature of the change is that whereas the occupancy ratios showed a significant increase in the bigger cities having a population of over 1 lakh, it declined significantly both in towns in the population range of 50,000 to 1 lakh and in smaller towns having less than 50,000 population. The increase in the occupancy ratio in the bigger cities was observed for all classes of admission. Similarly, the fall in the ratio in smaller cities and towns is noticed for almost all classes of admission.

2.3.8 The share of the total seating capacity, percentage of seats occupied, tax payable at full capacity and taxes actually paid for cinema houses in each of the three classes of cities and towns and their respective totals are presented in Table II.8. It is clearly seen that the share of seating capacity of cinema houses in the bigger cities having a population of over 1 lakh expressed both in terms of percentage

of total seating capacity in the State as well as percentage of the tax payable has declined steeply between the two years. Correspondingly, the shares of the smaller cities and towns have shown a substantial increase. Thus, the expansion of the seating capacity has come about in smaller cities and towns at a faster rate than in the bigger cities. At the same time, it is also seen that the share of cinegoers of the major cities and smaller towns showed only a marginal increase and that in the middle group of cities showed a decline. It follows that there was increase in the occupancy ratio for the bigger cities, whereas in the smaller cities and towns the ratio declined. For the State as a whole too the ratio declined over the period.

2.3.9 We have examined the trends in occupancy ratio in different districts of the State, which are presented in Table II.9. Of the 31 districts, we do not have any data on the cinema houses located in 8 districts of Nalanda, Nawadah, Aurangabad, Siwan, East Champaran, Samastipur, Begusarai and Giridh. Of the remaining 23 districts, increasing trend was observed only in the case of 4 districts, namely, Gaya, Bhojpur, Madhiban and Monghyr and in the remaining 19 districts, the ratio showed a decline by varying percentage points.

2.3.10 On the basis of the occupancy ratio 1, we have constructed the frequency table of the cinema houses for 1975-76 and 1979-80 (vide Table II.10). It is clearly seen that over 50 per cent of the cinema houses covered in our analysis had less than 20 per cent occupancy ratio and over

person have not increased much, thereby limiting the growth of the entertainment tax revenue over the period. Thus, the slow growth of cinema houses is an important factor limiting the growth of the entertainment tax in Bihar. Therefore, in order to increase the rate of growth of the entertainment tax, it is necessary to encourage the construction of new cinema halls in the State. In principle, increases in the yield of entertainment taxes may be achieved either by enhancing the rate of tax or by bringing about increases in the number of cinemagoers. Bringing about ad hoc changes in the rate structure to meet the exigencies of revenue may not ensure productivity in the long run and may even prove to be counter productive. It is, therefore, necessary that more and more people are brought into the category of cinemagoers. This can be achieved largely through encouraging the construction of cinema houses particularly in the outlying areas of the State.

2.3.13 In this connection, it is necessary to examine the present procedure for granting licences. The procedure for obtaining licences is laid down in the Bihar Cinemas (Regulation) Act, 1954, and the Bihar Cinemas (Regulation) Rules, 1974 framed under the Bihar Cinemas Act. According to the provisions thereunder a person desirous of constructing a permanent cinema is required to submit an application along with plan of the building to the District Magistrate. The District Magistrate on receipt of the application puts up a notice in prominent places including civil and criminal courts of local jurisdiction and the office of the Municipal Body, inviting objections from the general public as regards

75 per cent of the houses had a ratio of less than 30 per cent in both the years. The frequency distribution of cinema houses in different classes of cities reveals that the distribution in bigger cities having population of over 1 lakh is more even whereas in smaller cities and towns the proportion of cinema houses having lower occupancy ratios was even higher.

2.3.11 An important factor determining the yield of the entertainment tax is the number of cinema halls. In Table II.11 we present a comparative picture of the density of cinema houses in terms of the number of cinema houses per lakh of population in all major States of the country in 1975-76. Of the 15 major States, four States have ratios greater than one and almost all States have ratios greater than 0.5 excepting Orissa and Bihar. In Bihar, the number of cinema houses per lakh of population is the lowest among all the States at 0.36, which explains to a large extent the low level of entertainment taxes in the State.

2.3.12 Not only has the State the lowest concentration of cinema houses among the major States, but also the growth in the number of cinema houses has been very slow. During the period 1967-68 - 1977-78, the compound rate of growth of cinema houses in the State was only 3.1 per cent per year and even if we take a somewhat recent period from 1970-71 to 1977-78, it works out to only 4.9 per cent per year for the State. (Between the inter-censal years 1961 and 1971 the number of cinema houses per lakh of population increased only at a very slow pace.) That is cinema-going facilities per

the suitability of the site, to be submitted within 15 days of the date of the notice. The application as well as the objections have to be considered at a meeting of the Cinema Advisory Committee consisting of the Superintendent of Police, the Civil Surgeon, the Executive Engineer of the Public Works Department, the Chairman of the Municipal Body of the town where the licence to build the cinema is sought, the officer in charge of the Town Planning Organisation and the District Magistrate.

2.3.14 On the basis of the findings of the Committee submitted to him, the District Magistrate, formulates his recommendations and sends them to the State government. The State government takes a decision on the suitability of constructing the cinema house in question, keeping in mind the recommendation of the District Magistrate. On completion of the building to his satisfaction, the District Magistrate issues the licence for a permanent cinema, which is again subject to the approval of the State government.

2.3.15 The restriction for the selection of the site and conditions to be observed in the construction are stipulated in the Bihar Cinemas (Regulation) Rules, 1974 and their amendments from time to time.

2.3.16 The East Indian Motion Pictures Association have pointed out to us that the stringent conditions stipulated under the Bihar Cinemas (Regulation) Act, 1954 and the Bihar Cinemas (Regulation) Rules, 1974 are mainly responsible for the low pace of construction of new cinema houses in the

State. Another hurdle, it is alleged, is the condition imposed by the Government that the cinema house should be air-conditioned or air-cooled irrespective of the location of the cinema house, i.e., even in places where air conditioning will not be wanted and would therefore not be profitable.

2.3.17 We have examined the conditions for getting the licence as laid down in the notification of the Urban Development Department (UDD) of the State government which are summarised in Table II.12. We are of the opinion that laying down rigid regulations for the granting of licence would certainly work as a deterrent to the opening of new cinema houses in the State. While it is true that the cinema owners cannot be allowed to construct the houses without any regard to public amenities and safety, the objective can be better achieved by prescribing broad guidelines rather than stipulating inflexible conditions. It is necessary that each case should be judged on its own merits rather than on the basis of rigidly laid down rules. Furthermore, centralising of the powers to accord approval to the plan of constructing the cinema house in the hands of the UDD does not seem to be appropriate. As the approval will generally be based on the recommendation of the District Magistrate, giving the power of final approval to the UDD does not serve much purpose but only creates further red-tapism and bureaucratic delay which can be avoided by empowering the District Magistrate himself to accord the approval and then report to the Government. In a review of the approvals from time to time, the Government may issue fresh guidelines, if found necessary.

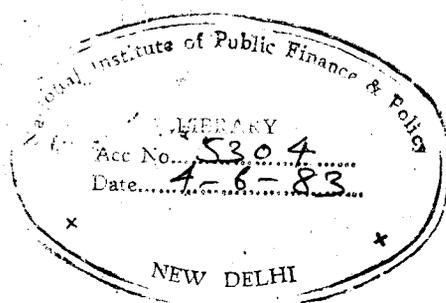
2.3.18 A strong representation was made before us that in view of the exorbitant cost of land and construction, machinery, fittings and furniture, the new cinema houses cannot profitably subsist unless concession by way of tax holiday is extended to them. However, we find that the occupancy ratio is high in the cities and bigger towns. Hence, providing tax-holiday for new cinema houses in these places does not seem warranted. Besides, cinema houses are concentrated in cities and bigger towns, as it is. Granting these concessions uniformly to all new cinema houses across the State would aggravate the disparities between bigger and smaller places as many of the investors would be encouraged to build the cinema houses only in places where a higher occupancy will be assured to take better advantage of the tax-holiday provisions. Therefore, we are of the opinion that construction of new cinema houses should be encouraged especially in outlying places of the State.

4. Structure of Entertainment Tax in Bihar

a. The rate structure

2.4.1 In the earlier sections we have traced the evolution of the entertainment tax in Bihar. Briefly, from the level of 50 per cent of the admission fee in 1948 the rate of tax was enhanced to 75 per cent in 1963, 100 per cent in April, 1973 and 110 per cent in December, 1975. The surcharge of 10 paise per ticket introduced in 1971-72 to meet expenditure on the refugees from Bangla Desh was repealed by the end of March, 1973. While all other forms of entertainment are currently taxed at 110 per cent of the admission

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fee, circus and magic shows are taxed at the lower rate of 50 per cent. As regards the cinema houses, the alternative of paying a compounded fee to the payment of tax on the basis of fortnightly returns of collections was introduced with effect from 1978.

2.4.2 It may be pertinent to point out that though all forms of entertainment are taxed, the yield of the tax on cinemas in Bihar, as in other States, constitutes by far the most important source forming over 95 per cent of the total yield. Therefore, we intend to focus in our study on the entertainment tax applicable to cinema houses.

2.4.3 The rate structure of the entertainment tax in Bihar is rather simple. As stated earlier, all forms of entertainment except circus and magic shows are taxed uniformly at 110 per cent of the admission fee. The latter are taxed at the rate of 50 per cent. As regards the tax on cinema houses, besides this cinematograph exhibition tax at 110 per cent, a show tax is also levied. The rate of the show tax is Rs 10 per show in Patna, Ranchi, Dhanbad, Jharia, Jamshedpur and Jugsalai and Rs 5 per show in other places.

2.4.4 However, certain salient features of the tax may be noted. First, unlike in other States, the rate of the tax is uniform and does not vary with the rates of admission fee. Second, the tax rate in the State in comparison with the rates prevailing in other States does not seem to be unduly high. Third, though the revision of tax rates has not been very frequently resorted to, much of the increase in the

admission charges has come about not due to changes in the admission fee but due to changes in the tax rates.

2.4.5 The application of a uniform tax rate on the admission fee rendered the tax merely proportional to the admission charges so that when an additional specific surcharge was imposed during December, 1971 to March, 1973 the rate structure became regressive. While a single-rate levy has the advantage of simplicity, imposing a flat rate on higher and lower priced tickets would seem justified neither from the point of view of equity nor from the point of view of revenue. The cinema goers occupying seats of different classes, like balcony, upper stalls and lower stalls, belong to different income groups. It is the more well-to-do sections of the population that purchase tickets of higher denomination. To the poorer sections which purchase the tickets of lower value, the cinema is a less important item of consumption than to the cinema goers from the higher income groups. Therefore, the responsiveness of demand for this form of entertainment to changes in the prices (price elasticity), ceteris paribus, is higher for the poorer sections and is lower for the higher income groups of people. This means that the price elasticity of demand would be higher for the lower stalls and lower for the upper stalls, and still lower for the balcony. Therefore, from the point of view of revenue, it would seem to be appropriate to tax seats subject to less elastic demand at higher rates. This would also serve the cannon of equity as higher income groups would be subjected to higher rates of taxation.

2.4.6 In this regard, the opinions of the various organisations of trade and business are worth noting, particularly those of the Cinema Owners' Association. They are unanimous in asserting that a flat rate should not be applied as at present, but that the rate should increase progressively with increases in the admission fees. This would, they contend, provide relief to the poorer cinema goers who occupy lower classes of seats and thus lead to a better occupancy ratio.

2.4.7 It is necessary to examine whether the cinema goers in Bihar are subjected to higher or lower rates of taxation than those in the other major States of the country. However, comparison of the tax rates is rendered difficult as the structure of taxation as well as rates of admission differ from State to State. Bihar is the one State besides Haryana which levies the tax at a flat rate applicable to all classes of admission. In most of the States, the rates of tax vary for different classes of admission. In Uttar Pradesh, there is a basic tax levied at a flat rate, but the differential surcharge imposed on it introduces differentiation in tax rates among the different classes of seats. In many of the States, there is straightforward progression with the rate of tax as a percentage of the admission fee increasing as the latter goes up. In Gujarat, Maharashtra and Madhya Pradesh the rate of tax is expressed as a percentage of the total value of the tickets inclusive of the tax, whereas in other States the tax-exclusive admission fee is the base. Besides, in some of the States like Gujarat and Orissa, the differentiation is done with respect not only to the classes of admission but also to the classes of cities

and towns where the cinema houses are located.

2.4.8 Though a comparison of the tax rates between Bihar and other States is difficult for the reasons stated above, we may attempt a comparison of the broad magnitudes. The rate structures in Bihar and other major States are presented in Table II.13. It may be seen that the tax rates on cinema-goers in Bihar are by no means the highest, contrary to the claim made by the representatives of the Cinema Owners' Association. In Haryana, where the tax is levied at a uniform rate as in Bihar, for example, the rate is as high as 125 per cent as compared to the rate of 110 per cent prevailing in Bihar. In Uttar Pradesh, the tax rate including the surcharge works out to over 125 per cent even for the classes of admission having a fee of less than one rupee. In Punjab, though for the lowest class the tax rate levied at 100 per cent is lower than that of Bihar by 10 percentage points, it is higher by 15 percentage points on all other classes of admission. In Maharashtra and Gujarat, where the tax is levied on the gross value of the ticket, the rate works out to be marginally lower for the classes of admission having a gross value of the ticket less than Rs 2 (approximately the lowest class) but is substantially higher on the other classes*. However, for some classes of admission, the tax rate levied in Bihar seems to be higher than those prevalent in Orissa, Madhya Pradesh, Rajasthan, Karnataka and West Bengal. On examination, it would seem that the tax

* In fact, in Gujarat for some classes of admission the rate of tax works out to as high as 186 per cent of the net admission fees.

rate prevailing in Bihar is on the low side, particularly for 'higher' admission classes. Therefore, it would be appropriate to raise the tax rates especially for the higher classes of admission. We will indicate the proposed rates later in the report.

2.4.9 Besides the tax on cinematograph exhibition, there is also a cinema show tax in most States. A comparative picture of the rate structures of the cinema show tax is presented in Table II.13. In some of the States the power to levy the show tax is vested with the local bodies but in many of the States the tax is levied by the State government itself. In keeping with the practice of many other States, Bihar too levies the tax at higher rates in major cities and at lower rates in other places. A comparison of the rates between Bihar and other States, reveals that the rates in Bihar are neither unduly high nor unduly low.

2.4.10 The admission charges to cinema houses vary from place to place and many times from one cinema house to another in the same place. We present in Table II.14 the admission charges and taxes for various classes of admission in respect of cinema houses in the city of Patna for the period 1960-61 to 1978-79. This may be taken broadly to represent the position in the State. While the extent of revision in admission fees has been only marginal, particularly for the higher classes of admission, the extent of revision in tax rates by contrast has been substantial. The rate of increase in the admission charges and taxes different classes of admission over the period from 1960

to 1980 are presented in Table II.15.

2.4.11 It may be inferred from the above that (i) the rate of increase in taxes has been generally higher than the rate of increase in the admission charges; (ii) the rate of increase in both admission charges and taxes has been higher for lower classes of admission tickets. As a result, though at any point of time the tax rate that existed was proportional the relative rate differential between lower and upper classes has been substantially reduced over time. As the cinema goers occupying lower classes of admission belong predominantly to the poorer sections of society, reduction in the differential between lower and upper classes has tended to be less and less progressive over the time period.

b. Exemptions

2.4.12 According to sub-Section (1) of Section (10) of the Act, the State government can exempt from the entertainment tax charges for admission to a form of entertainment on any of the following grounds : (a) that the entire gross proceeds of the entertainment are to be spent for philanthropic, religious or charitable purposes (b) that the entertainment is of a wholly educational character (c) that the entertainment is provided for purposes which are partly educational, cultural or scientific by an institution not conducted or established for profit; or (d) that the entertainment is provided by an institutional not conducted for profit and established solely for the purpose of promoting

public health or the interests of agriculture or of a manufacturing industry and consists solely of an exhibition of articles which are of material interest in connection with questions relating to public health or agriculture or of the products of the industry for promoting the interests of which the institution exists, or of exhibition of the materials, machinery, appliance or foodstuffs used in the production of these products.

2.4.13 Besides the above, the State government under sub-Section (2) of Section 10 may, by a general or a special order, exempt any entertainment or class of entertainment or any person or class of persons from the liability to pay the tax.

2.4.14 Thus, the selective policy of granting exemptions by the Government may be classified into (a) those whose proceeds are used for educational, philanthropic, religious or charitable purposes and (b) meritorious kinds of entertainment which directly serve these purposes. In the former cases, in order to become eligible to get the exemption, the sponsors of the concerned entertainment show need only satisfy the Government regarding the purpose for which the proceeds are to be utilised. As this requirement is easily fulfilled, the system is working satisfactorily.

2.4.15 As regards the policy of granting general exemption for meritorious pictures, some change in policy seems called for. In the absence of an expert body which can carefully go into the merits of various pictures and recommend the

granting of exemptions the decisions taken by the Government are bound to be arbitrary. Such an opinion was expressed by the East India Motion Pictures Association in their memorandum submitted to us. We agree with this view.

2.4.16 Besides the above, the State government may under sub-Section (2) of Section 10, by a special order, exempt any entertainment or class of entertainment or any person or class of persons from the liability to pay the tax. Under this provision the Government has exempted with effect from 30th October, 1969 all military personnel either in uniform or on production of an authorisation certificate from the concerned Section Officer. Similarly, with effect from 1st May, 1974, all personnel of the Border Security Force and the Bihar Military Police either wearing uniform or on production an authorisation certificate from the Commandant or the concerned Station Officer, as the case may be, are exempted from the payment of the entertainment tax. In cases where the exemption is claimed by producing an authorisation certificate, the persons witnessing the cinema are required to prepare the certificate in triplicate one to be kept in the Office of the Section Officer, Commandant or the Station House Officer as the case may be, another copy to be kept with the booking office of the cinema house and the third copy to be held by the person witnessing the entertainment.

2.4.17 Though the persons not wearing uniform, claiming exemption are required to take two copies of the authorisation certificate, many a time, they take only one copy

with them. Further, it is difficult to ascertain the genuineness of the signatures of the officers as they are not circulated to the cinema houses. Even in the case of persons wearing uniforms, it is difficult to ascertain whether these persons really belong to the exempted category or not. All these suggest that this type or mode of exemption can lead to large-scale misuse, though at present there is no evidence to suggest that this exemption provision is actually made use of to any significant extent for evading the tax.

c. The system of compounding

2.4.18 As stated earlier, the Act provides for the payment of compounded fee in lieu of the tax payable. The proprietor intending to pay the composition sum should apply in Form IV to the Commissioner or any other officer empowered by the State through the Superintendent of the concerned circle or sub-circle. The Superintendent is required to forward the application to the Commissioner or any other officer specially empowered for the purpose, who, after making the necessary inquiry, would permit the proprietor to pay the compounded levy.

2.4.19 The rule for compounding is that the compounding fee would be fixed at a level of 15 per cent higher than the average assessed tax of the preceding three years. While computing the average tax, the tax payable during the periods of tax-free shows and periods of closure of the cinema halls are to be included.

2.4.20 Though the alternative of compounding the tax has been offered since 1978, only 88 out of the total of 282 cinema houses have so far exercised the option. Thus, it would seem that the compounding alternative is not found to be sufficiently attractive and many proprietors have continued to bear the compliance cost and pay the taxes at the prescribed rates by furnishing the fortnightly returns rather than paying a lump sum amount.

2.4.21 The distribution of cinema houses opting to pay the compound fee among the different types of cities and towns in various divisions of the State is presented in Table II.16. In terms of absolute numbers, towns having a population between 50,000 and 1 lakh have the largest number of cinema houses paying the compounded levy. Of the 88 cinema houses that have opted for compounding, 48 belong to this category of towns. Tirhut division has the highest number of cinema houses (23) paying the compounded fee. The two divisions of Tirhut and Bhagalpur have in them almost half the number of cinema houses paying compounded fee.

2.4.22 Though the number of cinema houses paying the compounded fee is the highest in the towns having a population between 50,000 and 1 lakh, the percentage of total cinema houses belonging to the category is not very much different from the position emerging in other types of cities and towns. As the growth in the number of cinema goes in the bigger cities is likely to be higher due to the higher educational levels of the population, greater

availability of entertainment and greater demonstration effect, one should expect a higher proportion of the cinema houses to exercise the option of compounding in the bigger cities. Contrarily, in the case of Bihar compounding seems to be more popular in the case of cinema houses located in places having a population in the range of 50,000 to 1 lakh. Not merely is the number of houses opting for compounding is the highest in this category of towns, but even the proportion of these houses to total cinema houses in these towns is higher than the corresponding proportion in the other categories of cities and towns. It would seem that the alternative of compounding is not resorted to much by the owners of cinema houses located in the major cities of the State. Thus, it may be concluded that (i) in general, the compounding alternative provided by the State government has not been found to be sufficiently attractive for wide-spread adoption of the system and (ii) even when adopted by a limited number of houses, it is not much in vogue in the major cities of the State.

2.4.23 It is necessary to inquire more fully into the causes of the low level of adoption of the system of compounding by cinema houses. The Cinema Owners' Association of the State is of the view that the formula for compounding is very unreasonable. Adoption of this system would be advantageous only if the growth in the number of cinema goers is at least 15 per cent higher in every year than the average of the preceding three years, whereas, in actuality, the growth in the number of cinema goers from year to year has been only marginal. While the owners would certainly

like to avoid the compulsions and complications of affixing adhesive stamps, maintaining forms, registers and records, filling returns every fortnight, etc. by paying a compounded sum even if they have to forego a little over and above of what they would have paid at the prevailing rates of taxation, they consider that payment of 15 per cent in excess of the average of preceding three years is too high a price for avoiding trouble and possible harassment.

2.4.24 It should be noted that through the provision of the alternative of compounding, the cinema houses are given an incentive to enhance their occupancy ratios. In respect of any increases in revenue over and above 15 per cent of the average of the preceding 3 years, though the owners continue to collect the tax from the cinema goers, they need not pay it to the exchequer. On the other hand, the risk involved in opting for the system of compounding is that the inability to enhance the occupancy ratios so as to result in an increase in the tax collected (gross collections) by at least 15 per cent in excess of the average of the preceding three years would place the owners at a disadvantage, for in that case the advance lump sum tax paid would sooner or later be more than what would actually be collected from the cinema goers depending upon underpayments in earlier years. By offering better facilities and showing better cinemas, the cinema owners can to some extent increase the occupancy ratios, but as a large part of the population is kept out of the ambit of the 'cinema-going' population due to poverty, illiteracy and ignorance, particularly in the more remote parts of the State, the

increase in the occupancy ratio that can be brought about by the deliberate efforts of the owners may not be very significant. If that be so, the owner can probably gain more by evading the tax through understating the occupancy ratio, sometimes in collusion with the officials, and hence he would prefer to undergo all the inconveniences of filling in fortnightly returns and keeping records and registers rather than pay the compounded tax which would keep steadily increasing as it is reckoned at 15 per cent higher than the average of the preceding three years.

2.4.25 A view has been expressed that the alternative of compounding should continue to be provided for all the theatres as at present, but that it should be made more attractive so as to induce the theatre owners to choose this option. This, it is argued, would mean administrative simplicity, ensure certainty of revenue to the State's exchequer, minimise tax evasion and reduce the cost of collection to the State and the compliance cost to the tax payers.

2.4.26 Undoubtedly, from the administrative point of view, the system of compounding seems to hold advantages over the system of assessment and payment of tax on the basis of fortnightly returns. But it should be noted that the owner would opt for the system of compounding only when they are certain of gaining from this and thus compounding might actually mean loss to the exchequer. As regards certainty, certainty in revenue is ensured only when all or at least most of the theatres exercise the option of compounding,

which is possible only when the formula of compounding is made very advantageous to them. Thus certainty is ensured only at a loss of considerable amount of revenue to the State. As regards minimising evasion, it must be noted that the present formula for compounding is based on the amounts of the taxes paid in the previous three years, during which the cinema houses would have understated their occupancy ratios and they would continue to enjoy the fruits of their past violation of the law at least for some years to come.

2.4.27 Besides, administrative convenience is not the only consideration nor is it a predominant consideration. Economic considerations are as important, if not more. From this point of view, the system of compounding leaves much to be desired. The base of the tax is expenditure on entertainment. However, when the levy is compounded, this ceases to be the tax base, though the consumers continue to pay the tax on their spending on entertainment. In fact, with the present formula for compounding the base turns out to be indirectly the expenditure on entertainment in previous years rather than in the current year. When the system of compounding is allowed to operate for a long period, the actual tax base may become very remote from the visualised tax base.

2.4.28 Administrative considerations could be given the predominant weight if the system of collecting taxes on the basis of fortnightly returns can be said to be complicated. This is far from being so. The administration of the entertainment tax in Bihar should not be too difficult, as there

are only about 280 assesseees.

2.4.29 It is necessary to point out that providing the option of payment of the composition fee is not unique to Bihar. A number of States have successfully tried this alternative. What is unique in Bihar is that the option is provided to all assesseees whereas in the other States, it is extended only to cinemas in rural areas and smaller towns. In Karnataka, for instance, cinema houses located in places having a population of less than 10,000 are required to pay a lump sum amounting to 12 per cent of the gross collection capacity of the show. In Tamil Nadu, the cinema houses located in grade II and III Municipal Panchayat towns and villages can pay a compounded sum ranging for 15 per cent to 22½ per cent of the gross collection capacity of the theatre for a fixed number of shows ranging from 14 to 20 shows per week. In Uttar Pradesh, the Lakdawala Committee suggested that the alternative of compounding should be provided,^{1/} but this was not implemented. The Chelliah Committee has suggested the extension of the facility of compounding only to cinemas in smaller towns and outlying areas.^{2/}

2.4.30 As borne only by the experience of these States, from the point of view of administrative ease, it may be preferable to provide the alternative of payment of a compounded fee to the cinema houses located in remoter areas

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- 1/ Government of Uttar Pradesh (1974). Report of the Uttar Pradesh Taxation Enquiry Committee, Lucknow.
- 2/ Government of Gujarat (1980). Report of the Gujarat Taxation Enquiry Commission. Gandhinagar.

of the State. As it is not feasible to have periodic inspection of these houses, there can be legitimate apprehension that large-scale evasion of the tax may come to be practised. By providing for this alternative, on the basis of some reasonable occupancy ratio, enforcement of the tax is rendered easier. The time of the enforcement staff that is spent in visiting these remoter places can be better utilised for improving the enforcement of the levy in major cities and towns. Moreover, this would reduce the compliance cost of the cinema owners in remote areas, which could encourage the growth of the new cinema houses. Though there seems to be no valid case for providing the compounding alternative generally, it would be beneficial from the viewpoint of enforcement of the tax and of encouraging the starting of new houses in remoter areas, to provide this alternative to the cinema houses located in places having a population of less than 20,000.

5. Administration and Enforcement of the Tax

a. Registration

2.5.1 Section 6 of the Act requires that the proprietors of entertainments should obtain registration certificates. Application for the registration should be made to the Superintendent or Assistant Superintendent of the concerned circle in Form I, who after the necessary verification and enquiry grants the certificate of registration in Form II.

2.5.2 In the event of the sale of the business, discontinuance and or change in the place of business, the proprietor or his legal representative should submit a report to the Superintendent within a week of such sale, disposal, change, or discontinuance, who after satisfying himself, makes the necessary amendments in the certificate of registration. Similarly, in the event of the closure of the business, the proprietor or his authorised agent should make an application to the Superintendent for the cancellation of the certificate of registration. The Superintendent forwards the application to the Assistant Commissioner along with his report, the latter after making further enquiry that the dues have been paid, cancels the registration certificate. If the Superintendent or the Assistant Superintendent comes to know that a proprietor is liable to tax but has failed to register, he can, after providing reasonable opportunity of being heard, make the assessment according to the best of his judgement and impose in addition a penalty of a sum not exceeding one-and-a-half times the assessed amount.

2.5.3 According to the Act, the Superintendent may require the proprietor by an order to deposit as security an amount not exceeding the total entertainment tax chargeable for the full fortnight calculated with reference to the number of shows or Rs 1000, whichever is lower. If the proprietor fails to submit the fortnightly return or pay the tax within the prescribed time, the security can be forfeited to the State government. Similarly, in the event of default, the arrears due or penalty may also be adjusted with the amount of security and the proprietor may be asked to make

good than adjusted amount before the tax for the next fortnight falls due. However, the requirement of the security is not compulsory and is demanded at the discretion of the Superintendent of the circle.

2.5.4 It is necessary to inquire whether the requirement of security is necessary at all for the purpose of enforcing the tax. The East India Motion Pictures Association as well as the Ranchi District Cine Association were of the view that the system of taking security deposits should be done away with. We have examined this matter carefully. In the case of many of the cinema houses, tax is payable in advance either through the purchase of adhesive stamps or through the system of compounding. Even in cases where the tax is payable in cash along with the fortnightly returns, the requirement of a security deposit would not seem warranted in the case of permanent cinema halls. In the extreme case of continuous default, the authority can always cancel the licence to exhibit films after giving due notice.

b. Payment of tax

2.5.5 All proprietors registered according to the procedure described above are liable to pay the entertainment tax, under Section 3 of the Act, at the prescribed rates, unless they are specifically exempted under the Act. The tax is payable in one of the three following ways. Cinema houses located within 20 kilometres from a treasury or sub-treasury are required to pay the tax through pre-paid adhesive stamps. Cinema houses located beyond 20 kilometres from a treasury

or sub-treasury, are required to pay the tax in cash along with the returns to be filed every fortnight. Apart from these two methods, the cinema houses which have opted for paying the composition fee in lieu of the tax, have to pay the fee for the whole year in advance.

2.5.6 The proprietors of cinema houses other than those opting to pay the composition fee are required to file returns every fortnight with the Assistant Commissioner, Superintendent, Additional Superintendent or Assistant Superintendent of the circle as the case may be, within seven days of the close of the fortnight to which the return relates. If without reasonable cause the proprietor fails to furnish the return within the prescribed date, he may be required to pay the maximum of Rs 5 for every day of delay after the prescribed date.

2.5.7 It has been argued before us that the system of paying the tax through pre-paid adhesive stamps is both cumbersome and inconvenient. It is cumbersome because the proprietors have to keep regular records of the stamps purchased, details of affixation and the inventory held by them in the form provided for the purpose. It is inconvenient because of the difficulties arising from the inadequate supply of adhesive stamps of proper denomination and periodic shortages. Therefore, many times, even though the law requires that only two stamps be affixed to a ticket, 4 to 5 stamps are affixed. Moreover, when periodic shortages arise, the concerned officer of the circle is required to countersign the first and the last ticket in each of

bunches and the proprietor is required to pay the tax at the time of the filing the fortnightly return.

2.5.8 The problem of periodic shortages of adhesive stamps has been experienced in many of the States where such a system of paying the tax has been in vogue. Therefore, many of the States have done away with the procedure of paying the tax through pre-paid adhesive stamps. After examining the procedures prevalent in the States where the system of affixing adhesive stamps is not in vogue, we feel that the system prevailing in the States of Maharashtra and Gujarat can be adopted in Bihar also. According to this system, all tickets are examined by the Entertainment Duty Inspector who countersigns the first and the last tickets. The tax is paid while furnishing the fortnightly returns.

c. Assessment and appeal

2.5.9 On the basis of the returns furnished by the proprietors, the Assistant Commissioner or the Superintendent or Assistant Superintendent makes assessment of the tax. However, if the assessing authority is not satisfied with the returns submitted, he may, after serving notice in Form XI, require the proprietor to be present with accounts, registers and documents on a specified date at a specified place for the purpose of determining the amount of tax due. If the proprietor fails to furnish the returns, fails to comply with all the terms of the notice or fails to produce any evidence required, after providing the proprietor a reasonable opportunity of being heard, the

Assistant Commissioner, Superintendent or Assistant Superintendent may assess the amount of the tax due according to best judgement.

2.5.10 If the proprietor is not satisfied with the assessment, with or without penalty, he may, after paying the admitted tax, appeal against the order of assessment to the Appellate Assistant Commissioner (if the order has been passed by the officer not above the rank of Superintendent) or the Deputy Commissioner within 45 days of the receipt of the demand notice. The appellate authority after giving a reasonable opportunity to the proprietor would pass the order of appeal. In case the proprietor is still not satisfied he can apply for revision to the Deputy Commissioner if the order of appeal was passed by the Assistant Commissioner or to the Commercial Taxes Tribunal if the order was passed by the Deputy Commissioner. The Commissioner of Commercial Taxes too has suo moto powers to revise only any order passed by an authority subordinate to him, which can be revised only by the judgment of the Tribunal. We are given to understand that though the law requires the proprietor to be present with accounts, registers and documents, only in cases where the returns filed do not satisfy the assessing authority, the proprietors are ordered to be present as a matter of routine while making assessments. This would, besides involving cost to the proprietor, increases the time taken for making an assessment which can easily be avoided.

2.5.11 It has also been represented to us that the absence of any time limit for making assessments has put the proprietors to a lot of hardship. Many a time, assessments are kept pending for years; this requires the proprietors to maintain all the registers, documents as well as the accounts of many years increasing their costs in terms of hardship as well as money.

6. Information System

2.6.1 A proper administration and effective enforcement of the tax requires that information relating to the tax is collected and analysed periodically. Unfortunately, in Bihar, information necessary for the proper analysis of the tax has not been collected and assembled properly. Even the most rudimentary information such as the number of cinema houses, their break-up into temporary and permanent houses and the number of cinema houses opting for compounding are not readily available, leave alone the data on the seating capacity in different classes of admission, the rates of admission, the number of cinema goers in the different classes of admission; and the occupancy ratio.

2.6.2 We are of the opinion that compilation of information on a scientific basis is imperative for the administration of the tax. The Statistical Cell in the Department should therefore be adequately strengthened to compile data on a regular basis. These data may be tabulated such that it is possible to make a thorough analysis not only of each of the cinema houses but also of the various classes of cities, districts and the State as a whole.

7. Recommendations

2.7.1 We have observed that the slow growth of cinema houses is an important factor limiting the growth of the entertainment tax in Bihar. Further, our analysis reveals that, among other reasons, the procedure for obtaining new licences for the construction of cinema houses is partly responsible for such an outcome. We are of the opinion that laying down rigid regulations for the granting of licences would work as a deterrent to the growth of cinema houses in the State and that prescribing broad guidelines can achieve the objectives of public amenities and safety better. Further, in the interest of efficiency and to avoid red-tapism and bureaucratic delay, it is preferable to decentralise the power to accord approvals. We therefore recommend that the District Magistrate should be vested with the power to issue licences for the construction of cinema houses instead of requiring it to be accorded by the UDD as at present.

2.7.2 If the power of according approval for constructing cinema houses is delegated to the District Magistrates, there would be greater scope for considering the merits of individual cases. The District Magistrate would be required to accord approval keeping in view of the broad guidelines prepared by the UDD. He will take the decision after carefully examining the merits of individual cases. Generally, it should be required that these cases should be disposed of within a period of six months and the Commercial Taxes Department should act as a nodal point for

obtaining clearance from the various Departments.

2.7.3 We are of the opinion that in major towns and cities the UDD could prepare a master plan for the city or town and the site allotted for the location of cinema houses could be sold through public auctions. If the proprietor conforms to the broad guidelines laid down for the construction of the cinema houses, granting of the licence for constructing the cinema houses in these sites should be automatic. If the above recommendations are implemented, there would be considerable simplification of the procedures for obtaining the licence leading to a faster growth of cinema houses in the State.

2.7.4 With a view to encouraging the construction of cinema houses, particularly in the outlying areas of the State, we recommend that the following concession should be granted:

(i) Cinemas in cities having a population above 1 lakh:

	<u>Tax to be realised</u>
In the first year (from the date of grant of exhibition licence)	Complete tax holiday
Second year	25 per cent tax to be paid
Third year	50 per cent tax to be paid
Fourth year and onwards	Full tax to be paid

- (ii) Cinemas in towns having a population above 20,000 and below 1 lakh:

	<u>Tax to be realised</u>
In the first two years	Complete tax holiday
Third year	50 per cent tax to be paid
Fourth year	75 per cent tax to be paid
Fifth year onwards	Full tax

- (iii) Cinemas in towns and localities having a population below 20,000:

There may be complete tax holiday for the first 3 years. Thereafter, they may be required to pay the tax at the rate of 25 per cent of the gross amount collected in that year. They should also be provided with the alternative of compounding. The compounding formula should be based on the occupancy ratio 5 to 10 percentage points higher than the ratio observed in these cinema houses in the last 3 years. If these recommendations are implemented there would be a boost to investment in this sector and a number of new cinema houses would be set up in the outlying areas of the State which in the long run would increase the elasticity of the tax.

2.7.5 We have already stated earlier that it would be more appropriate to levy the cinematography exhibition tax at progressive rates. From the inter-State comparison of the tax rates we have concluded that there is some scope for upward revision of the rates of taxation particularly on higher classes of admission. We, therefore,

recommend the following rates of tax on cinematograph exhibition for all cinema houses located in places having a population of more than 20,000:

Rate of Admission (exclusive of tax)	Proposed rate of entertainment tax
1. Upto 50 paise	100 per cent
2. 51 paise to Rs. 1	125 per cent
3. Above Rs. 1	150 per cent

2.7.6 As stated earlier, presently, the tax is levied at 50 per cent on circus and magic shows, whereas in respect of all other forms of entertainment, the rate of tax is 110 per cent. There seems to be no rationale for differentiation between circus and magic shows on the one hand and various other forms of non-cinematographic entertainment on the other hand. Moreover, the rate of tax on the latter seems to be unduly high. Forms of entertainment such as drama and dance reflect cultural activities and therefore deserve to be encouraged. It may also be noted that in the case of these forms of entertainment it would be difficult to keep a proper check on all tickets sold.

2.7.7 We recommend that all forms of entertainment other than cinematograph exhibitions should be treated alike for taxation purposes and the organisers of all these forms of entertainment should be required to pay a lump sum fee instead of tax at a rate applicable to gross receipts. The lump sum amount should be calculated on the basis of the display period, the number of seats and the admission fees charged. As regards the cinema show tax, we recommend that

the existing rate may be continued.

2.7.8 As regards granting general exemption for meritorious pictures, we recommend that the decision to grant exemption should be taken after receiving the recommendation of an expert body. The expert body should consist of an educationist, a social reformer or social worker, a man of public image and a government representative. The expert body should be required to make recommendations to the Government after a pre-view of the films in respect of which applications for exemption are received.

2.7.9 With regard to the granting of exemptions under special notifications of the State government, we find that granting of exemption to military personnel and personnel belonging to the Border Security Force may and does lead to large-scale misuse and therefore recommend that this facility should be withdrawn.

2.7.10 We recommend that the alternative of compounding should be provided only for the cinema halls located in places having a population less than 20,000. We have already recommended that the rate of compounding should be based on an occupancy ratio 5 to 10 percentage points higher than the ratio observed in similar cinemas in the last three years. The tax payable should be computed at 25 per cent of the admission charges (inclusive of the tax). The amounts of the compounding fee in the case of every cinema house should be re-computed whenever there is a change in admission charges.

2.7.11 After careful consideration, we feel that the requirement of taking security deposit for the purposes of registration is not really necessary. We therefore recommend that the system of taking security deposits may be discontinued in the case of permanent cinema houses.

2.7.12 We are of the opinion that as it is not possible to ensure continuous and adequate supply of adhesive stamps, it would be advisable to give up the present procedure and adopt the system of paying the tax in cash or cheque along with fortnightly returns. Such a procedure already prevails in regard to the cinema houses located beyond 20 kilometres from a treasury or the sub-treasury. This procedure could be applied to all the theatres.

2.7.13 In the interest of avoiding hardship to the assesses we recommend that (i) the proprietor of the cinema house should be called to be present while making assessments only when it is found that the returns furnished by him are incomplete and/or incorrect and (ii) the Act should be amended to include a clause that all assessments relating to a financial year should be completed within three years after the completion of the financial year.

2.7.14 In order to strengthen the information system we recommend that the information on the following items be compiled on an annual basis for each of the cinema houses in the State:

- i) seating capacity in different classes of admission,

- ii) rate of admission to the different classes,
- iii) number of cinegoers visiting the different classes and the total,
- iv) gross receipts from the different classes and the total,
- v) tax receipts from the different classes and the total, and
- vi) growth of cinema houses with the dates of starting operations.

From the above information received on each of the cinema houses, aggregate data can be worked out for (i) the districts (ii) the different classes of cities and (iii) for the State.

III. PASSENGERS AND GOODS TAX IN B

1. Introduction

3.1.1 It is often pointed out that road transport is subject to very heavy taxation. The Central government levies excise duty on motor vehicles, tyres, spares and on fuel. At the State level, besides the sales tax on motor vehicles, tyres and tubes, spares and motor spirit, the motor vehicles tax and the passengers and goods tax are levied. Moreover, at the local level, octroi and other types of entry taxes add to the tax burden on road transport. The cumulative burden of all these taxes is none too light and leads to substantial cost escalation. While a part of the burden may be considered to constitute charges collected for the use of road services, a substantial portion of the burden would constitute the tax element.

3.1.2 It is not our intention to examine all the taxes on road transport, though such a study would be useful in itself and has been attempted by many committees and commissions^{1/}. Our terms of reference require us to examine the structure and operation of only the passengers and goods tax levied in the State of Bihar and recommend policy measures to rationalise its structure and improve its administration.

3.1.3 This tax is levied in addition to the motor vehicles tax (originally introduced in India in the form of fees under the Indian Motor Vehicles Act of 1914) which is mentioned in

^{1/} Mention may be made of the Reports of the Taxation Enquiry Commission (1953), the Road Transport Reorganisation Committee, (the Masani Committee, 1959), the Road Transport Taxation Enquiry Committee (the Keskar Committee, 1967-68) and the Indirect Taxation Enquiry Committee (Jha Committee, 1978).

Entry 57 in the State List. The tax treatment of road transport, however, varies among the States: while all the States collect the motor vehicles tax, not every State imposes a separate tax on passengers and goods. For example, West Bengal does not levy the passengers and goods tax at all. Orissa levies the passengers tax but not the goods tax.

Andhra Pradesh, Tamil Nadu and Karnataka which used to levy the passengers and goods tax have now merged the tax with the motor vehicles tax. Maharashtra has converted the goods tax into an additional motor vehicles tax. The States which levy the passengers and goods tax have provisions for paying a composition fee in lieu of the tax. Though the formula of compounding is not uniform in all the States, it is to be noted that, in effect, the payment of a composition fee is not different from the payment of an additional motor vehicles tax.

2. Evolution of the Tax

3.2.1 The tax on passengers and goods was originally levied in Bihar under Part III of the Bihar Finance Act, 1950 at the rate of 12.5 per cent of the fares and freights. This Act was replaced by Bihar Taxation of Passengers and Goods (Carried by Public Service Motor Vehicles) Act, 1961 which was given retrospective effect from 1st April, 1950. The rate of tax was, however, unaltered until December 1, 1971 when it was enhanced to 20 per cent of the fares and freights. Besides the basic rate, an additional tax at the rate of 5 per cent was levied from December 1, 1971 for meeting the expenses connected with Bangladesh refugees. This was abolished with effect from April 8, 1973. The rate of tax on passenger fares was enhanced to 25 per cent from April 9, 1973, but the rate of tax on freights has been continued at 20 per cent.

3.2.2 Section 8 of the Act provides that the Government may, if it considers necessary, allow the payment of a fixed fee in lieu of the tax at the prevailing rates. In accordance with this provision, compounding of the tax in respect of public service motor vehicles has been in vogue since 1966.

3.2.3 In the case of stage carriages the rates of composition fee were originally determined according to seating capacity. The rates were changed in 1969, 1971, 1972 and 1973. In 1974, mini buses were charged at two flat rates: Rs 150 per month in the districts of Dhanbad, Singhbhum, Ranchi, Hazaribagh, Geridih, Patna and Gaya; and Rs 125 in the remaining districts. By an amendment which came into effect from April 1, 1976, the government withdrew the facility of paying composition fee for the buses and mini buses. However, the facility of compounding the tax was again introduced with effect from January 1, 1978 to the owners of these vehicles. Currently, the composition fee for all public service buses/mini buses per year is determined by multiplying the total number of passenger seats of the bus with the total number of kilometres to be covered in a day as per permit. The facility of compounding is extended also to the buses run by the Bihar State Road Transport Corporation. All contract carriages are required to pay a compounded fee at the rate of Rs 300 per month. Taxis including tempos and autorickshaws are required to pay the composition fee at the rates of Rs 80 per month and Rs 30 per month, respectively.

3.2.4 As regards the goods vehicles, earlier, different rates of composition were fixed for the trucks permitted to ply south of the river Ganges and for those permitted to ply north of the river Ganges. This differentiation was done away with, effective from 1.4.1969, and all goods vehicles having permits to ply

within the State were taxed at uniform rates; but rate differentiation was introduced on the basis of laden capacity. The rates were revised upwards in 1971. With effect from 1st April, 1976, rate differentiation on the basis of laden capacity was done away with, but different rates were applied to the vehicles registered for a period upto 5 years, for 5 to 10 years and for more than 10 years. The rates of composition fee were enhanced in 1979, but the lengths of the periods of registration for rate differentiation for the goods vehicles have remained the same. However, in respect of all goods vehicles registered in other States but operating in Bihar on the basis of temporary permits upto one month, lump sum amounts are levied. The currently prevailing rates of composition fee are presented in Table III.1.

3. Fiscal Importance and Growth of the Tax

3.3.1 The revenue from the passengers and goods tax in the State has grown, more or less, at the same rate as the total tax revenue collected by the State during the 12-year period 1965-66 to 1977-78. As a proportion of the latter, it has risen only marginally from 2.07 per cent in 1965-66 to 2.17 per cent in 1977-78. Thus, relatively speaking, this tax has continued to be of negligible importance in the pattern of the State tax system. By contrast, in the neighbouring States of Uttar Pradesh and Madhya Pradesh, the relative revenue significance of this tax is much greater: as a proportion to own tax revenues it amounted to 5.48 per cent in the former and 10.93 per cent in the latter - i.e., more than twice and more than five times respectively, of the proportion in Bihar (Table III.2). Even in Orissa, where only the passengers tax is levied, the

corresponding proportion was higher at 2.94 per cent; only in Assam among the neighbouring States, the relative importance of this tax was lower.

3.3.2 Even in per capita terms, the yield of this tax in Bihar was lower at Rs 0.73 (1977-78) than in Madhya Pradesh (Rs 5.77), Uttar Pradesh (Rs 2.60) and Orissa (Rs 0.97) (Table III.3).

3.3.3 Another important feature of the trend is that the yield of the passengers and goods tax in the State has been subject to wide fluctuations. For example, in absolute terms, it fell from Rs 147 lakh in 1967-68 to Rs 89 lakh in 1968-69, but rose to Rs 169 lakh in 1969-70. As a percentage of State tax revenue, the fluctuations are even greater (Table III.2).

3.3.4 It is clear that from the viewpoint of revenue yield, the passengers and goods tax is only a minor levy in Bihar. Aside from that, the wide fluctuations noticed in the yield from year to year cannot be accounted for in terms of fluctuations in economic activities in the State or of discretionary changes in the tax base and the rate. Hence, the reasons for them have to be found in the weaknesses in the administration and enforcement of the tax in the State.

3.3.5 The fact that the yield from the passengers and goods tax as a percentage of the State's own tax revenue showed only a marginal increase over time, indicates that the time rate of growth of the tax has been only slightly higher than that of the State's total taxes. When a more recent period of 10 years from 1968-69 to 1977-78 is considered, the yield of the tax recorded a compound annual growth rate of

about 20 per cent, which though higher than what was recorded in Assam (13 per cent) and Uttar Pradesh (17.4 per cent) is much lower than those of Madhya Pradesh (24.5 per cent) and Orissa (54 per cent). If a larger time period of 16 years from 1962-63 to 1977-78 is considered, the growth rate of the tax in Bihar falls sharply to 15 per cent and it is lower than that of Uttar Pradesh (21 per cent) also.

3.3.6 Even though the total revenue from the passengers and goods tax grew at an annual rate of 20 per cent, more than half of the growth may be attributed to changes in the tax rates and other discretionary measures adopted by the Government from time to time. The yield at tax rates prevailing in 1968-69 is estimated to have grown only at an annual rate of 9.4 per cent, which is less than half of the rate of growth observed for the tax at current rates of taxation. This order of automatic growth of the tax compares very unfavourably with the growth rates observed in all the neighbouring States levying the tax. It is lower than the rates (of automatic growth) observed in Assam (13 per cent) Uttar Pradesh (12.2 per cent), and is substantially below the growth rates observed in Madhya Pradesh (23.7 per cent) and Orissa (31.7 per cent).

3.3.7 It is usual to judge the growth of the tax in terms of buoyancy and elasticity^{2/}. We have computed buoyancy and

^{2/} Buoyancy is defined as the percentage increase in the tax yield at current rates of taxation for a one per cent increase in the GDP of the State; elasticity on the other hand measures the responsiveness of the tax yield in terms of the percentage automatic increase in the yield due to the automatic expansion of the tax base.

Elasticity coefficients of the passengers and goods tax in Bihar and in the neighbouring States for the period from 1968-69 to 1977-78. The results presented in Table III.4 indicate that on an average for a one per cent increase in SDP, there has been an increase in the tax yield by as much as 1.67 per cent. But the elasticity of the tax in Bihar is only 0.84. In all the neighbouring States, the observed elasticities are above unity and are much higher than that of Bihar. Thus, the passengers and goods tax in Bihar lacks built-in-elasticity and much of the increase in revenue from the tax has been derived from ad hoc discretionary measures.

3.3.8 It is of interest to study the responsiveness of the tax yield to the expansion of the tax base namely the number of different categories of public service motor vehicles. For this purpose, we regressed (in a log-linear model), the yield of the tax (Y) on the number of public service motor vehicles (P) (i.e. stage carriages + goods vehicles), the proportion of goods vehicles to total public service motor vehicles (G/P) and two dummy variables (D₁ and D₂) representing two major discretionary measures. The first dummy represents discretionary tax changes introduced in 1971-72 and the second dummy represents the introduction of check-points in 1976-77. The following equation was estimated:

$$\log Y = -0.4143 + 0.7965^{**} \log P - 0.5624 \log G/P + 0.4436^{*} D_1 + 0.0862 D_2$$

(-0.0375) (1.9252) (-0.2033) (1.7445) (0.2816)

$$R^2 = 0.8395 \quad F = 15.3805 \quad D.W.Stat = 2.883$$

** Significant at 5 per cent level

* Significant at 10 per cent level

Figures in parentheses are t-ratios.

3.3.9 It is seen from the equation that a one per cent increase in the number of goods vehicles and stage carriages leads to an increase in the yield by only 0.8 per cent. Secondly, payment of the tax is not significantly related to the proportions of goods vehicles and stage carriages. Finally, contrary to the general feeling, the introduction of check-points in 1976-77 does not seem to have had a significant impact on the yield of the tax.

3.3.10 Thus, increases in the yield of the tax in Bihar have come substantially from discretionary changes and not mainly through the built-in response to the expansion of the tax base. The increases in the revenue over the period 1968-69 to 1977-78, attributable separately to the automatic expansion of the tax bases and discretionary measures, in Bihar and the neighbouring States, are presented in Table III.5. In Bihar, of the total increase in the yield of the tax amounting to Rs 3233 lakh over the period 1968-69 to 1977-78, the increase due to discretionary measures is estimated at Rs 1449 lakh forming as much as 45 per cent of the total increase and the increase from the automatic expansion of the base is estimated at Rs 1784 lakh forming 55 per cent of the total. Except for the case of Orissa, where the discretionary component of the total increase in the yield is higher at 89 per cent, in no other neighbouring State, the growth of the tax depends so much upon discretionary measures as in Bihar. In Assam, there were no discretionary measures and the entire increase in the yield has accrued from the growth of the tax base. In Madhya Pradesh, the discretionary element contributed only about three per cent of the total increase in yield and in Uttar Pradesh, it contributed only 18 per cent.

3.3.11 Thus, it would seem that (i) the growth of the passengers and goods tax in Bihar in comparison with that in the neighbouring States is not satisfactory and (ii) nearly half of the growth in the tax has come about due to the discretionary measures introduced from time to time.

3.3.12 The growth of the tax could be expected to be rather low if the burden of the tax on the economy is already sufficiently high. But this is far from being so in Bihar. It is seen, from Table III.6, that judged by any of the indicators, the level of the tax in Bihar is abysmally low. The yield of the tax in Bihar in per capita terms, as a per cent of the total tax yield of the State and as a per cent of GDP, is lowest among the States levying the tax, with the singular exception of Assam. Even in Orissa, where only the passengers tax is levied, the burden of the tax is higher than the combined burden of the passengers and goods tax in Bihar. In other States, the level of the tax is much higher. For instance, in Uttar Pradesh, which ranks immediately above Bihar in this respect, the level of the tax is about 3 times that of Bihar in terms of all the three indicators. In Haryana, which has the highest level among the States compared, the per capita yield of the tax is over 20 times, the percentage contribution of the tax to States' own tax revenue six times and the ratio of the tax to GDP about 10 times the corresponding indicators in Bihar.

3.3.13 A State can have a low tax level if the tax base is not sufficiently wide. The potential base of the passengers and goods tax is constituted by the number of passengers and the distance commuted, the volume of goods and the distance of transportation and the fare and freight rates. We do not

have any reliable data on these either for Bihar or for the other States. We do not even have information on the taxes paid on passenger vehicles and on goods vehicles separately in the different States. We have, therefore, used a proxy for the tax base, namely, the number of public service vehicles (buses and goods vehicles), to examine whether in Bihar the yield is satisfactory in relation to its tax base. The tax yield per public service vehicle computed for 1975-76 is presented in column 4 of Table III.6. In relation to the tax base, the tax yield in Bihar is clearly the lowest, even lower than that in Assam. It is half as low as that in Maharashtra, about a third of that in Rajasthan, West Bengal, Madhya Pradesh Assam and Uttar Pradesh, a fourth of that in Gujarat, a fifth of that in Punjab and as low as one-fifteenth of that in Haryana. Certainly, this is a matter which should be of great concern to the State government. This calls for a thorough probe into the structure and operations of the tax in the State.

4. The Structure of the Tax

3.4.1 The structure of the tax in Bihar is rather simple. From 1950, when the tax was introduced, upto December 1971, the tax rate remained unchanged at 12.5 per cent of the fares and freights. From 1st December 1971, the rate was enhanced to 20 per cent of the fares and freights and with an additional tax at the rate of 5 per cent, the total burden was 25 per cent for both the passengers tax and the goods tax. With effect from April 1973, the additional tax was repealed, the basic passengers tax was enhanced to 25 per cent of the fares and the basic goods tax rate was continued at 20 per cent. Thus

currently, the tax on passengers is levied at 25 per cent of the fares and that on goods at 20 per cent of the freight charges.

3.4.2 The rates of tax on passengers and goods in Bihar and other States where the tax is levied are presented in Table III.7. The rates of tax levied in Bihar are by no means the lowest. As regards the passengers tax, the rate in Bihar is higher than the rates in Assam, Maharashtra, Orissa and Uttar Pradesh though it is lower than the rates in Haryana, Punjab and Rajasthan. Similarly, the rate on the transportation of goods at 20 per cent of the freight charges is higher than the corresponding levy in Assam, Gujarat, Madhya Pradesh, Maharashtra and Uttar Pradesh and is lower than that in only Haryana, Punjab and Rajasthan. Thus, as compared to the tax rates prevailing in other States, the rate of the passengers and goods tax in Bihar is high, and hence low rates certainly cannot be a factor contributing to the low level, and slow growth, of the tax in the State.

3.4.3 Nor can we state that the policy of exemptions adopted by the State is a reason for the unsatisfactory level of the tax yield. Section 3B of the Bihar Taxation of Passengers and Goods (carried by Public Service Motor Vehicles Act, 1961) lays down that the State government may, by notification in the official Gazette, grant exemption from the payment of the tax to any owner or class of owners (i) if the vehicle is engaged in the carriage of passengers and goods on specified routes (ii) if the vehicle is engaged in the carriage of passengers and goods in furtherance of educational, medical, philanthropic and other similar objects, or (iii) in the case vehicles carrying passengers and goods having an agreement to pay the lump sum levy in lieu of the tax. From the point of

view of revenue, only the third category, namely, the exemptions due to the agreement to pay the compounded fee in lieu of the tax seems to be important and needs to be analysed in detail.

3.4.4 As mentioned in an earlier section, in respect of goods vehicles, the amount of composition fee varies depending upon the length of the period of registration of the vehicle in the State. Vehicles registered for a period upto 5 years under the Motor Vehicles Act are required to pay a fee amounting to Rs 350 per month. For a period of subsequent 5 years the amount is Rs 275 per month and for subsequent periods it is 200 per month. In nominal terms, this compares quite favourably with the composition fee prescribed by other States. Many of the States have the registered laden weight (RLW) of the vehicle or the unladen weight of the vehicles as the basis of imposing differential composition fees. The composition fees payable in different States by two standard categories of goods vehicles in different States are given below:

State	<u>Composition fee (in Rs) payable by</u>	
	Goods vehicles having payload of 10 tonnes (RLW 16.5 tonnes)	Goods vehicles having payload of 12 tonnes (RLW 19.5 tonnes)
Bihar i) Less than 5 yrs. old	4200	4200
ii) Between 5-10 yrs. old	3300	3300
iii) 10 yrs. and above	2400	2400
Gujarat	1350	1440
Madhya Pradesh	2182	2618
Maharashtra	1350	1440
Punjab	1050	1050
Rajasthan	2200	2200
Uttar Pradesh	3600	4320

3.4.5 It is seen that the composition fee payable in Bihar is the highest among those prevailing in all the States considered with the single exception of Uttar Pradesh. In Uttar Pradesh, the fee is higher on goods vehicles having a payload of 12 tonnes (column 2). Even in the case of vehicles having a payload of 10 tonnes (column.1), Uttar Pradesh has a higher composition fee in respect of vehicles that have been registered for over 5 years. In no other State does their prevail a composition fee as high as that charged in Bihar and hence, the poorer revenue performance of the tax in Bihar cannot be explained on the basis of a lower rate of composition fee.

3.4.6 It is, however, interesting to examine the effective rate of tax that would result by opting to pay the composition fee in lieu of the tax. According to the information provided to us by the Transport Owners Association in the State, on an average, a goods vehicle plies 300 kms a day and the freight charges per payload kilometre (including the tax) is Rs 3 for long routes and Rs 5 for short routes. Accordingly, assuming that the vehicle will be on the road for 25 days in a month, it may be expected to cover about 7500 kms a month. The kilometreage assumed in the study of Mr. Asit Chandmal for the Indirect Taxation Enquiry Committee (1976-78) is 1,00,000 kms a year for the small fleet owners and 1,20,000 kms a year for large fleet owners which works out to be in the range of 8800 kms to 10,000 kms a month. The Report of the Taxation Enquiry Committee of Uttar Pradesh (1974) gave a very conservative estimate at 4000 kms a month. Taking this conservative estimate and the freight charges of Rs 3 per payload kilometre, the gross earnings per goods vehicle work out to Rs 12,000 a month, or Rs 1,44,000 a year. The tax at the rate of 20 per

cent of the net freight charges works out to Rs 24,000, which is over 7 times the yield that would have accrued if the composition fee was paid in lieu of the tax. Even if we take the composition fee payable at the maximum rate of Rs 350 per month, it amounts to only 3.5 per cent of the earnings as against the tax rate of 20 per cent. This would mean that whereas the users who get their goods transported pay the tax amounting to Rs 2,000 a month at the stipulated rate of 20 per cent, the government receives a maximum of only Rs 350 per month, the balance being appropriated by the owners of the goods vehicles. Thus, the State gets revenue at low rates of taxation from the owners of the goods vehicles even though the people pay the tax at the rate of 20 per cent and this has apparently resulted in the wide divergence between the statutory tax rate and the effective rate resulting from paying the composition fee. Nevertheless, the composition fee in the State is higher than in other States as has already been mentioned and under such a situation it seems preferable to give the benefit not to the owners of the goods vehicles but to the people at large and this can be done by reducing the rate of tax. We will return to this issue later.

3.4.7 We may next examine the formula applicable for determining the composition fee in lieu of the tax in the case of passenger buses. The formula which is currently in force was laid down in notification S.O. 157 of 9th February, 1978 which is as follows:

Amount of fixed fee in lieu of tax per annum for a particular vehicle

$\frac{2}{3}$ x estimated total working days in a year (300)

x estimated rate of fare per passenger per kilometre (4 ps)

x rate of tax x half of total number of seats

x total kilometres to be covered in a day

$\frac{2}{3} \times \frac{300}{1} \times \frac{4}{100} \times \frac{25}{100} \times \frac{1}{2} \times \text{Total}$

no. of seats x total kilometres to be covered in a day (in Rs)

Total number of seats x total kilometres to be covered in a day (in Rs).

3.4.8 If all the seats are occupied, the tax according to the statutory rate would be equal to the assumed total working days in a year x estimated rate of fare per passenger per kilometre x rate of tax x total number of seats x total kilometres to be covered in a day. The fixed fee payable would be only 1/3rd of the tax payable according to the rate if all the seats are filled. Thus, if all the seats in the bus are occupied, the effective rate of tax when the option to pay the composition fee is exercised would work out to only 8.3 per cent of gross earnings whereas the tax is levied at the rate of 25 per cent of the earnings.

3.4.9 The composition fee would give a much lower yield than the tax payable at the prescribed rate because (i) the occupancy ratio assumed in the formula is only 50 per cent and (ii) in order to make the formula attractive only $\frac{2}{3}$ of the tax payable at 50 per cent occupancy is required to be paid by way of composition.

3.4.10 As regards the occupancy ratio, according to the information available with the Transport Owners Association, the buses, on an average, run with 80 to 90 per cent of the permitted number of seats occupied, while the composition fee is computed assuming that the buses would run only at 50 per cent of capacity. Because of this difference alone, the potential yield of the passengers tax should have been higher than the actual yield by 60 to 80 per cent. Even this is an underestimate, as many of the buses are known to run with loads much higher than the permitted capacity and to cover more kilometres than stipulated in the permit.

3.4.11 Besides, the requirement to pay only 2/3 of the yield, computed at 50 per cent occupancy ratio, in order to make the system of compounding attractive, has lowered the yield of the tax further by 33 per cent. The question is whether it is necessary to make the effective rate so much lower in order to make composition attractive at all. If a transporter opts to pay the composition fee in lieu of the tax, not only is the discharge of the liability to pay tax rendered simple, because accounts need not be maintained, but also the compliance cost to the transporters is considerably reduced, for he would not be liable to be assessed on the basis of returns. This alone should be a strong incentive for opting to pay the composition fee in lieu of the tax. However, it is true that the under-statement of gross earnings for assessment purposes would not always be possible or easy to prove and hence, if the composition fee is nearly as much as the likely liability on regular assessment, the transporters would be inclined not to opt for compounding in the hope of paying lower tax through under-statement. Nevertheless, it does not

is necessary to bring down the liability so much to make compounding attractive.

3.4.12 It should also be noted that the formula assumes a fare at the rate of 4 paise per passenger kilometre. At the 15 per cent tax rate applicable, the fare inclusive of the tax would be 5 paise per passenger kilometre. While this is equal to the actual fare charged by the ordinary buses, it is less than the fare of 6 paise (inclusive of tax) per passenger kilometre charged by De Luxe buses. For these categories of buses, the net fare works out to 4.8 paise and 6.4 paise per passenger kilometre respectively. The revenue loss on account of assuming a lower fare in respect of these categories of vehicles works out to 20 per cent in the case of express buses and about 60 per cent in the case of De Luxe buses. We do not have information on the number of express and De Luxe buses in Bihar and therefore, are unable to provide the total revenue loss arising from assuming 4 paise per passenger kilometre.

3.4.13 Thus, it is important to note that the formula for compounding laid down seems to be too favourable to the transport operators and has led to considerable loss of revenue to the State. About 40 per cent loss in revenue seems to be implied in the conservative estimate of 50 per cent occupancy ratio used in the formula. The requirement to pay only 2/3 of the amount payable as tax at prescribed rates using 50 per cent occupancy ratio increases the revenue loss to about 60 per cent assuming 100 per cent occupancy and 300 working days. Additionally, a significant loss of revenue could have resulted from not taking into account the higher fare charged on the express and De Luxe buses.

3.4.14 We may now compare the compounding formula prevailing in Bihar with those prevailing in the neighbouring States. Table III.8 presents a comparative picture of the formula currently in force in the States of Madhya Pradesh, Orissa and Uttar Pradesh. It is clearly evident that the formula prevailing in Bihar would yield much lower revenue than those prevailing in the neighbouring States. In Madhya Pradesh, the number of working days considered for compounding is 365 as against 300 in Bihar; on this count alone, ceteris paribus the yield would be higher by about 22 per cent. Again, a minimum of 65 per cent occupancy ratio is taken as the basis in M.P. as against 50 per cent in Bihar, which would make the estimated liability 30 per cent higher. Thus, the formula used in Madhya Pradesh would yield at least 50 per cent higher revenue from the passengers tax than the formula adopted in Bihar. Similarly, the formula employed in Orissa would result in 85 per cent higher yield in the case of ordinary buses, 105 per cent higher yield in the case of express buses and about 260 per cent higher yield in the case of De Luxe buses. In Uttar Pradesh too, an occupancy ratio of 75 per cent is taken as the basis, which alone would render the yield higher by 50 per cent than if 50 per cent occupancy ratio were adopted as in Bihar. It thus seems clear that if it is necessary to continue the option for the payment of composition fee in lieu of the tax, the formula for compounding should be substantially revised.

5. An Estimate of Evasion of the Tax

3.5.1 Evasion represents the difference between what is payable as tax and what is actually paid. In order

to build an estimate of evasion, therefore, it is necessary to obtain the potential yield by applying the rates of tax on the available data on the tax base of the State. Thus, essentially, the estimation of the tax base is the crux of estimating tax potential and tax evasion.

3.5.2 It may, however, be pointed out that the rates of tax payable as laid down in the Act are not relevant for estimating the tax payable to the State as almost all of the transporters of goods and passenger vehicles have exercised the option of paying the composition fee in lieu of the tax. Thus, for estimating the tax payable the rates of composition have to be applied to the estimated base. But it would be quite interesting also to examine the difference between the tax payable and the composition fee in lieu of the tax, because the difference between the two, as pointed out earlier, is appropriated by the transporters.

3.5.3 We have made an attempt to estimate the tax base in the State on the basis of the information on the number of goods vehicles and buses and mini buses taxed, available with the Transport Department, and on the basis of certain reasonable assumptions. As regards goods vehicles, it is assumed that on the average, the vehicles pay at the rate of Rs 200 per vehicle per month - the rate of composition fee prescribed for vehicles having registration of 5 to 10 years during the years 1975-76 to 1978-79. The number of goods vehicles multiplied with this rate of composition fee gives us an estimate of tax that should be payable to the State. In order to arrive at the estimate of tax revenue payable at the tax rate in force we have

to estimate the yearly earnings of goods vehicles. For this, we have assumed that (i) payload capacity of the vehicles on the average is 10 tonnes, (ii) freight charges (inclusive of tax) is Rs 3 per payload kilometre^{3/} and (iii) a vehicle on an average covers 4000 kilometres a month.

3.5.4 In respect of passenger vehicles, though the system of paying the composition fee in lieu of the tax prevailed in 1975-76, it was given up during the years 1976-77 and 1977-78. However, it was re-introduced in 1978-79. Thus, in 1976-77 and 1977-78, the tax payable at current rates of taxation is the tax payable to the State whereas in 1975-76 and 1978-79 the composition fee payable is taken to be the tax payable to the State. The rates of composition, however, were different in 1975-76 and 1978-79 and we have estimated the yield by applying the different rates applicable in the two years. To estimate the tax yield in 1975-76 in respect of buses, the rate applicable to a 50-seated bus (26 paise) is multiplied with the total kilometres run in a year, assuming that the vehicle performs a journey of 100 kms a day and for 300 working days in a year. For mini buses, the rate applicable (Rs 125 per month) is used to determine the compounded sum.

3.5.5 To estimate the tax yield in 1978-79 we have worked out the weighted average seating capacity per passenger vehicle by assuming that the number of seats in buses is 50 and that in mini buses is 30. The average seating capacity (47) is then multiplied with the kilometrage.

^{3/} According to the Transport Owners Association, Rs 3 per 10-ton payload kilometre is charged for long distances and Rs 5 for short distances.

according to permit (assumed as 100 kms) to arrive at the estimate of the compounded fee payable in 1978-79, which when multiplied with the number of passenger vehicles gives us an estimate of the total yield at compounded rates for the year.

3.5.6 For estimating the yield at the rates of taxation in force we have assumed that (i) occupancy ratio in passenger vehicles is 90 per cent (ii) fares are collected at the rate of 5 paise per kilometre (inclusive of tax) and the vehicle covers 100 kilometres a day and (iii) buses are run on 300 days in a year. Total earnings per vehicle thus arrived at, when multiplied with the number of vehicles, gives gross earnings of all passenger vehicles. Applying the tax rate of 20 per cent (equivalent to 25 per cent of net freight charged), we derive the estimate of tax payable at the rate in force.

3.5.7 We have also estimated the composition fee payable on taxis, tempos and auto-rikshaws. Separate data on the number of the paying taxis and auto-rikshaws are not available. However, this breakdown is available for registered vehicles. By applying the proportions of taxis and auto-rikshaws registered, we have arrived at estimates of tax paying taxis and auto-rikshaws. Applying the relevant rates of composition of these numbers, (Rs 30 for auto-rikshaws and Rs 80 for taxis) we have arrived at the estimates of tax due from these vehicles.

3.5.8 The estimates of yield on the basis of composition rates and of tax rates for the years from 1975-76 to 1978-79 are presented in Table III.9. It is clearly seen that the

difference between the tax paid by the people and the tax collected by the State in respect of both goods vehicles and passenger vehicles is substantial. As regards the former, exactly a tenth of the tax collected from the people by way of goods tax is passed on to the Government by the transporters in the form of composition fee. In 1978-79, for example, the tax collections from the people are estimated at Rs 61 crore whereas the composition fee payable was only Rs 6.1 crore. In respect of the passengers tax, the tax paid by the people is three times the composition fee paid by the transporters in 1978-79: Whereas the tax collected is estimated at Rs 10 crore, only Rs 3.8 crore is payable to the State by way of composition fee.

3.5.9 For all practical purposes, in 1975-76 and 1978-79, we may take the composition fee as the estimate of tax payable to the State as almost all the transporters are known to have opted to pay the composition fee in lieu of the tax. However, in 1976-77 and 1977-78, while the yield on the basis of composition represents the tax payable in the case of goods vehicles, the tax payable at the rate of tax in force represents the tax payable in the case of passenger vehicles, as the option of paying composition fee did not exist for those vehicles during these years.

3.5.10 A comparison of the actual tax paid with the estimated tax payable gives us an indication of the magnitude of tax evasion in the State. As the tax payable is estimated on the basis of assumptions which can be considered conservative, the estimates of evasion also may be considered to be on the conservative side.

3.5.11 In Table III.10, the estimates of tax payable, actual payments, and the magnitude of evasion are presented. If our calculations are even approximately correct, the evasion of this tax in the State can be said to be practised on a colossal scale. The extent of evasion was the highest in 1977-78 when the amount evaded is estimated to be as much as 63.6 per cent of the tax payable. Evasion was so high in that year as the owners of passenger vehicles were not provided with the option of paying composition fee and hence the tax payable was higher. While this should have been true also of 1976-77, the establishment of check-points in this year seem to have led to better tax collections rendering the estimated evasion lower at 41.2 per cent of the potential yield. But it should be noted that the increased tax collections resulting from the establishment of check-points do not seem to have been sustained in subsequent years. The amount of evasion was found to be the lowest in 1978-79, which is estimated around Rs 3.6 crore forming 35 per cent of the potential yield. In 1975-76, actual collections of the tax were only Rs 4.1 crore as against the estimated tax payable at Rs 7.1 crore. The difference of about Rs 3 crore formed as much as 42 per cent of the potential yield in the year.

3.5.12 The analysis of tax evasion in the State will not be complete without highlighting an important feature of revenue collections from this source. The system seems to have been evolved such that the rates of tax payable do not have a significant impact on the amounts of tax collected. As in 1976-77 and 1977-78, the option of paying the composition fee in lieu of the tax on passenger vehicles was not in vogue and as the effective tax rate on these vehicles should have

been higher, one would have expected a significantly higher yield. The actual collections of the tax that year, however, do not conform to this expectation. The tax yield did show an increase in 1976-77, but this may be attributed to the establishment of check-points. Subsequently, the yield declined rather drastically in the succeeding year presumably because the transporters had adjusted themselves to the new administrative set-up. Even when the effective rate on passenger vehicles was reduced due to the provision of the option to pay the composition fee, the yield instead of showing a decline increased pari passu with increase in public service motor vehicles.

3.5.13 If one looks at the actual tax payments by the people and the actual tax paid by the transporters to the Government, one gets an alarming view. Column 6 of Table III.10 points to this difference in the years from 1975-76 to Rs 65 crore in 1978-79. Thus in 1975-76 and 1978-79, the Government collected only about a tenth of what is estimated to have been paid by the people by way of passengers and goods tax. In 1977-78, the situation was even worse as only a twelfth of the estimated tax collections went to the coffers of the State.

3.5.14 It is difficult to know the extent of evasion of goods tax and passenger tax separately as we do not have the actual collections of these taxes separately. However, we have some estimates of these taxes for the year 1976-77. According to these estimates, the collections of goods tax amounted to Rs 2.86 crore as against the tax payable of Rs 4.28 crore. Thus, the extent of evasion of tax was

as much as Rs 1.42 crore forming 33.2 per cent of the potential. Similarly, as against the passenger tax payable of Rs 6.75 crore, the actual collections were estimated at Rs 3.65 crore. The evasion of Rs 3.1 crore formed as much as 46 per cent of the potential collections. We do not have any estimate to examine the extent of evasion by stage carriages and taxi-cabs separately. However, we have been told by the officials in some circles that the extent of evasion is the highest among the taxi-cabs and that hardly 5 per cent of these vehicles pay the passengers tax.

3.5.15 When the tax is payable on the basis of way-bills, the usual method of evading the tax is to carry passengers without issuing tickets and to carry goods without giving proper receipts. But when the transporters avail themselves of the option to pay the composition fee in lieu of the tax, they are not liable to be assessed and therefore issuing of tickets or receipts and maintaining proper records is not required under the Act. Thus, the system of compounding does not necessitate day-to-day checking on the issuing of tickets and the maintaining of accounts, thereby rendering the administration of the tax easier. But, inspite of the administration of the tax being rendered easier due to compounding, evasion of the tax is practised on such a colossal scale. In order to plug the loopholes which lead to evasion on such a scale, it is necessary to identify the methods that are usually resorted to for evading the tax.

3.5.16 A major reason for the evasion seems to be the dichotomy in the functions between the Commercial Taxes Department and the Transport Department. In States like

Uttar Pradesh where the passengers and goods tax and the motor vehicles tax are administered by the Transport Department, both the taxes are collected at the time of issuing the permit or renewing it. Even when they are administered by separate departments, it is possible to properly enforce the tax if (i) there is adequate co-operation and exchange of information between the two departments and (ii) the Commercial Taxes Department administering the passengers and goods tax has the necessary information system to enable it to locate and identify the defaulting vehicles.

3.5.17 For administering the tax, the Commercial Taxes Department is totally independent and does not seek, or rely on, any information on the public service motor vehicles, which the Transport Department gets at the time of issuing and renewing the permits. For the purpose of obtaining the permit, the owners of public service motor vehicles are required to register with the Transport Department and pay the motor vehicles tax, whereas for paying the passengers and goods tax they are required to register with the Commercial Taxes Department. Thus, for getting the permit, payment of passengers and goods tax is not a pre-condition. Enforcement of this tax would become much easier if the department administering the tax and issuing the permit should be the same.

3.5.18 Even if the departments are different, the Commercial Taxes Department can get the details of each of the public service motor vehicles registered with the Transport Department in respect of (a) the vehicle number, (b) the name and address of the owner (c) area of operation (d) permitted kilometreage (e) seating capacity/payload capacity. Then,

the Commercial Taxes Department can verify whether these vehicles have been paying the passengers and goods tax from its own records and in case of default, can enforce the tax on the owner. This procedure however, has not been followed. The Commercial Taxes Department acts on its own and does not seek any information from the Transport Department. Moreover, the Commercial Taxes Department does not have a proper information system of its own relating to the passengers and goods tax. In fact, there does not even exist a rudimentary information system. We have been informed that it is impossible to find out even the yield of the passengers tax and the goods tax separately, leave alone getting details of vehicles paying these taxes. There is no system of collating information available in the circles and keeping it in a central pool. In the absence of such information, it is not at all possible to have an effective check on defaulting vehicles.

3.5.19 The establishment of check-points at strategic places of entry into, and exit from, major cities and towns of the State would, however, ensure a proper enforcement of the tax on the vehicles passing through such check-points. But this does not in any way curb widespread evasion by the vehicles which ply within the precincts of a local area and do not pass through these check-points.

3.5.20 The fact that a large number of vehicles do not pay the tax by simply not registering is borne out by the substantial increase in revenue in 1976-77 (of about Rs 2.3 crore) over the previous year when the check-points were established. But this increase has not been sustained in

subsequent years and, in fact, we notice considerable decline in the revenue. We are, therefore, led to believe that the transporters have adjusted themselves to this set-up and have formed ways and means to overcome the hurdle. In this connection we cannot rule out the collusion of the officials at the check-points with the transport operators. A note on the working of check-points in Bihar is contained in Appendix III.1.

6. Recommendations

3.6.1 As indicated earlier, taxation of road transport could be regarded partly as a charge for services rendered such as registration, and partly as a tax on road transport services. It could be presumed that the original legal intention was that the motor vehicles tax should represent a service charge, while the passengers and goods tax should constitute the tax element. However, the rates of the motor vehicles tax have been raised considerably making it more of a tax than a service charge. Hence in fact, in Bihar and in several other States we do have two taxes falling on the same object. This seems redundant and has led some observers to question the need for any State to levy both the taxes. A single consolidated tax, levied at the appropriate rate, should serve the purpose equally well.

3.6.2 A justification that is sometimes advanced in favour of having two separate taxes is that the motor vehicles tax by its very nature has to be a specific levy, whereas the passengers and goods tax can be and is intended to be an ad valorem tax. Thus, the imposition of the latter in addition to the former provides the State government with a more elastic source of revenue. But if it is found

necessary to provide an option for the payment of a compounded fee unrelated to the gross earnings of the vehicles and if, in fact, most owners of the vehicles opt for compounding, then the additional passengers and goods tax may be said to lose its raison de'etre. The experience in many State has shown that it is difficult administratively to enforce an ad valorem tax on vehicles and that compounding of one kind or another is a necessity. It is mainly for this reason that Andhra Pradesh, Karnataka, Kerala and Tamil Nadu have merged the two taxes.

3.6.3 Another point to note is that although the same assesseees (more or less) pay the two taxes in the States where they exist, often two different agencies are assigned to collect them. In Bihar, while the motor vehicles tax is administered by the Transport Department, the passengers and goods tax is administered by the Commercial Taxes Department. It has been argued that if one agency could collect the merged tax, it would make for administrative efficiency and result in a lower cost of compliance.

3.6.4 Of course, the questions of the agency of collection and of merger are in principle separable in the sense that even if we have two taxes, the same agency can collect them. Therefore, one has to deal independently with the desirability or otherwise of the State government levying two separate taxes on motor vehicles.

3.6.5 It may be noted that there is wide-spread support for that view that the two taxes should be merged and be administered by one and the same agency. We shall

examine here the various considerations involved in deciding upon a merger in the context of the conditions prevailing in Bihar.

3.6.6 One important fact that we have to keep in mind in this connection is that the collection of the passengers and goods tax on the basis of waybills has failed. In fact, the Commercial Taxes Department has not achieved much success in collecting even the compounded fees, though it is claimed that after the introduction of check-posts in 1976-77, the collections have perceptibly improved. We shall deal with this claim later. At least, as far as the goods tax is concerned, it would seem that it would be almost impossible to collect it on the basis of waybills. In Bihar, there is no real alternative to compounding or merging.

2.6.7 The disadvantage of the system of compounding is that the truck owner/operator can always opt for payment on the basis of waybills and evade a substantial part of the tax through under-reporting. The higher the compounding fee, the greater is the temptation to resort to evasion through under-reporting. On the other hand, the disadvantage of merging is that there will be only one basis of taxation, whereas with the existence of a separate passengers and goods tax, there will be two bases because even the compounding fee can be, and is, arrived at on a basis different from that of the motor vehicles tax. Even though the level of the motor vehicles tax is higher than what would be justified if it is to be looked upon merely as a service charge, there is no compulsion to make it income elastic; it needs to be raised only with the cost

of administration. But the passengers and goods tax, being a pure tax, has to be made income elastic and hence it has to have a different base.

3.6.8 One of the arguments put forward in Bihar is that the Transport Department is more efficient in collecting taxes and that hence if the passengers and goods tax is merged with the motor vehicles tax and handed over to the Transport Department, revenues would increase substantially. But the officials of the Commercial Taxes Department rebut this argument. They point out that they have been able to achieve a considerable degree of success in raising revenue after the establishment of check-posts. Even assuming that the Commercial Taxes Department is efficient, that is not an argument against transferring the tax to the Transport Department so long as it is equally efficient. Vehicle owners have to go to the latter Department anyhow; so they will find it easier to pay the passengers and goods tax also to the same Department. If the passengers and goods tax is to be necessarily paid on the basis of waybills, it could be argued that the Commercial Taxes Department will be better equipped to administer such a tax. But, if we rule out a waybills tax, it might be better to let the Transport Department collect a merged tax or, if there is no merger, the two separate taxes in order a) to ensure better compliance b) to reduce the cost of compliance and c) to prevent harassment at check-posts, etc. In their evidence before us, the Transport Owners Association have favoured this solution.

3.6.9 While it is clear that in the conditions prevailing in Bihar, a waybills tax, by way of a goods tax, is not feasible,

there are reasons why the complete merger of the motor vehicles tax and the goods tax does not offer the best solution. First, through the merger, the Government loses manoeuvrability for changing rates at two points. Secondly, maintaining two taxes creates the possibility of imposing levies on two different bases. Third, a complete merger creates certain practical problems concerning the taxation of inter-State transport operators. If the two taxes are merged, transport operators from Bihar operating in Uttar Pradesh, Orissa, or West Bengal, under counter-signed or temporary permits, will be required to pay a higher motor vehicles tax in Bihar and also pay, on a proportionate basis, the goods tax in force in those States. At the same time, operators from those States, operating under similar circumstances in Bihar, will need to pay only the motor vehicles tax in the State concerned (which would be much lower, if no merger has been effected there) and no goods tax in Bihar. Thus transport operators from Bihar would be put to a disadvantage.

3.6.10 Having considered all the issues - theoretical and practical - we recommend a via-media, which amounts to a virtual, but not a formal, merger: We recommend that the goods tax be converted into an additional motor vehicles tax, which would be a specific levy based on certain criteria. If this were done, the State government would reap all the advantages of a merger and at the same time circumvent the practical problems concerning inter-State operators of goods vehicles having zonal or national permits.

3.6.11 We have to consider next, the basis of the proposed additional motor vehicles tax and the rates at which it is to be levied. Whereas in several other States the compounding fee is based on registered laden weight (RLW), in Bihar it is the "age" of the vehicles, i.e., the period during which they have been in operation after the registration which is the basis of the compounding formula. Thus vehicles having varying payloads are required to pay the same amount of compounded tax if their ages are the same. Now, the length of the period of operation of different vehicles has no close bearing on their earning capacity, which should be the basis of the tax. RLW is a much better index of earning capacity. For this reason and for introducing a basis similar to that prevailing in the neighbouring States, we recommend that the RLW of the vehicles should be the basis of the levy of additional motor vehicles tax.

3.6.12 In Annexure III.1, we present the rates of additional motor vehicles tax proposed by us. In deciding upon these rates, we have taken into consideration the rates prevailing in other States as well as the need to maintain the existing level of revenues.

3.6.13 The reasons for which a recommendation has been made for the conversion of the goods tax into an additional motor vehicles tax hold good also in respect of the passengers tax. We notice that the passengers tax is also allowed to be compounded and that, in fact, even the Bihar State Road Transport Corporation has opted to pay the compounded levy. As in the case of the goods tax, if it is not found feasible

to collect the passengers tax on the basis of waybills and if the greater part of the revenue is derived through the payment of a compounded levy, the advantages of an ad valorem levy do not accrue to the Government. Hence, we recommend that, as in the case of the goods tax, an additional motor vehicles tax may be levied in place of the passengers tax.

3.6.14 Our analysis of the passengers tax at present payable on state carriages shows that the amount of the compensation fee is much lower than the corresponding amount of the tax payable on the basis of waybills. Also the rate of compensation is substantially lower than that prevailing in the neighbouring States. It is obvious that there has to be a substantial upward revision in the rates. Besides, we feel that it is necessary to distinguish between ordinary, express, and luxury buses because their earning capacities differ. We have worked out a schedule of rates of the proposed additional motor vehicles tax in lieu of the passengers tax, taking earnings at 75 per cent occupancy ratio for the three types of buses. The schedule is presented in Annexure III.2.

3.6.15 The recommendation that the ad valorem goods and passengers taxes be converted into specific levies leaves us with the problem of determining the amount of tax that should be allowed to be collected by the transport operators from the consignors of goods and from the passengers. At present, according to the tax rates prescribed in the law, the transporter collects 20 per cent of the freight charge as goods tax and 25 per cent of the fares as the passengers tax. These rates are distinctly on the high side as compared

to both the amount of tax paid to the State government on the basis of the compounded formula and the rates prevailing in the neighbouring States. There is no justification for maintaining such a large differential between the tax collected from the users and the tax paid to the Government. We recommend that the transporter should be permitted to collect 15 per cent of the freight charges from the consignors of goods and 20 per cent of the fares from the passengers. In working out the rate schedules of the additional motor vehicles taxes, we have taken these ad valorem (permissible) charges into account.

3.6.16 At present the passengers tax is levied also on taxi-cabs and auto-rickshaws and the goods tax on tempos. We understand that the yield of the tax on these vehicles is insignificant partly because of wide-spread evasion and partly also perhaps due to the limited number and capacity of such vehicles. It may be noted in this connection that no State except Rajasthan imposes the passengers and goods tax on these vehicles. We recommend that the passengers and goods tax on these vehicles be abolished and that the rates of the motor vehicles tax on them be suitably increased. This would, in fact, mean a partial merger of the two taxes.

3.6.17 There still remains the question as to who should administer the additional motor vehicles tax. Prima facie, administrative convenience as well as the consideration of minimising the cost of compliance to the assesseees would dictate that the additional motor vehicles tax be handed over

to the Transport Department for enforcement. We do not know whether the Government would like to take into account any other consideration in arriving at a decision on this issue. What we would like to point out is that a decision on the conversion of the passengers and goods tax into an additional motor vehicles tax can and should be taken without delay and without waiting for a decision on whether the tax should be transferred to the Transport Department.

3.6.18 At present, the transport operator, who wishes to avail himself of the facility of compounding, has to make known his option at the beginning of a quarter and pay the compounded fee in advance. With the conversion of the passengers and goods tax into an additional motor vehicles tax, we feel that it would be reasonable to give the operator the option to pay the tax either monthly or quarterly. In case the owner prefers to deposit the tax in advance for the full year, Government may consider granting a rebate of 6 per cent of the amount so deposited.

3.6.19 The conversion of the passengers and goods tax into an additional motor vehicles tax, in effect, changes it into a specific levy from an ad valorem levy. This would mean that if for any abnormal reason the road transport industry should suffer a serious set-back (say, due to a shortage of diesel or break-down of law and order), the additional motor vehicles tax would become unduly burdensome. Therefore, a provision should be made in the law for remission of the additional motor vehicles tax for such periods as may be considered necessary in the light of the length of the period during which trucks or buses are forced to remain idle.

APPENDIX III.1

A Note on the Working of Check-Points in Bihar

A.3.1 Under the Bihar Passenger and Goods Tax Rule No.19, the Commissioner of Commercial Taxes may, by notification, empower any person to realise and receive the tax or penalty or both or the fixed fee in lieu thereof at a notified check point. Under the Rule, the Commissioner, in a notification (S.O.579) issued on 26th March, 1976, specified the 7 check-points to be established to function with effect from 1st April, 1976, at the sales tax check-posts located at Mohania, Didarganj, Hathidah, Chas, Chirkunda, Masipirali and Pardih. Subsequently, 11 more check-points were established at Kursela, Shahpur, Dimna (notification No. S.O. 419 of 8.4.1978), Dalkola, Bathnakuti, Araria, Raxaul, Mihijam, Sohniipatti (notification No. S.O. 494 of 20.12.1978) Maner (notification No. S.O. 36 of 15.1.1979) and Gumla (notification No. S.O. 522 of 20.3.1979). Thus, at present, there are 18 check-points throughout the State which are authorised to collect the tax, penalty or the composition fee in lieu of the tax.

A.3.2 The procedure adopted for enforcing the payment of the tax at the check-points is rather simple. Every public service motor vehicle passing through a check-point is required to produce the pass book (Form VIII), the receipt for the tax payment (Form XII) and the permit issued under the Motor Vehicles Act in respect of the vehicle concerned to the counter officer. If it is found that the tax under the Act has been paid up-to-date, the vehicle will be immediately allowed to go. Otherwise, the vehicle will be detained until the evidence of up-to-date payment is produced or the composition fee in lieu of the tax is paid either in cash or through crossed bank drafts.

A.3.3 The owner of the vehicle seeking to pay the fixed fee in lieu of the tax is required to apply in Form VI to the officer in charge of the check-point. The counter officer at the check-point will entertain the application if it is in order and accept the composition fee according to the scale of composition in force and issue the Pass Book (Form VIII) as a certificate of payment. A receipt in Form XII in triplicate is also prepared and the original is handed over to the payer. One copy of the receipt is sent to the concerned circle/sub-circle and the third copy is retained at the cash collection point.

A.3.4 Every check-point is provided with a double-lock iron cash-chest. The collections put in the cash-chest during the course of the day are deposited on the following morning into the current account held in the State Bank of India or any other bank if a branch of the State Bank does not function at or near the check-point. At the end of every week, the cash received at the check-point is classified according to circles/sub-circles where the assessee is registered or is being assessed or has his place of business. After the total amount for each of the circle/sub-circle is thus arrived at, the Bank is instructed to issue crossed drafts to the officer in charge of each of the circles/sub-circles. Along with the drafts, duplicate copies of the money receipts, original application for composition received and permitted and the office copies of the certificate of composition granted to applicants are sent to the concerned circles and sub-circles. On receiving the draft along with these enclosures, the officer-in-charge of every circle/sub-circle prepares treasury challans in Form IX in respect of each money receipt and deposits the amount to the government account under the head "042 - Tax on Passengers and Goods".

A.3.5 Besides sending the money every week through the bank draft, the officer-in-charge of the check-point is required also to send a statement in Form U on the 2nd and the 16th of every month stating his collections upto 30th of the previous month and 15th of the current month to the officer-in-charge of the circle/sub-circle, the Joint Commissioner of Commercial Taxes of the concerned division and the Commissioner of Commercial Taxes, Patna. The officer-in-charge of the circle/sub-circle is required to visit the check-points under his jurisdiction personally and to check the cash-box, verify the cash, tally the bank account and satisfy himself about the safe custody and proper accounting of the funds, from time to time.

A.3.6 The check-points seem to have been established to serve two objectives, namely, (i) furthering tax compliance for the payment of the tax and (ii) better enforcement of the tax. The representatives of the Transport Owners Association, who gave evidence before us, were quite satisfied with the method of collecting the tax and, particularly, the functioning of the check-points. Further, as the sales tax check-posts themselves are required to function as PGT check-points also, the additional cost of establishing these is only marginal. Besides, the facility of making payment of the composition fee at the check-point, involving less cumbersome procedures than the usual method of paying the tax to the treasury, one would expect, would greatly contribute to better tax compliance. Also, it is our impression that the time spent by the vehicles at the check-points is not so long as to result in inordinate delays in the movement of goods thereby resulting in production losses. We were told on our visit to a check-point that, on an average, a vehicle is detained for only about 2 minutes and in any case not more than 5 minutes.

It would appear that the introduction of check-points has not resulted in the detaining of the vehicles for long periods of time.

A.3.7 It is also claimed that the establishment of the check-points has contributed to the better enforcement of the tax. As the check-points are located at important entry points to the cities and major towns, most of the public service vehicles have to pass through one check-point or another where the defaulting vehicle is easily caught and made to pay the tax. It is officially estimated that the revenue gain due to the establishment of the check-points is at least a crore of rupees every year.

A.3.8 We have examined that claim carefully and are unable to confirm the view that the check-points have really contributed to the enhancement of the yield substantially. While on the face of it such a claim is shown to be valid as the yield showed an increase of about Rs 2.4 crore from Rs 4.1 crore in 1975-76 to Rs 6.5 crore in 1976-77, a more detailed examination does not support it. We have fitted a log-linear equation regressing the yield of the passengers and goods tax (Y) on the number of public service motor vehicles (P), proportion of goods vehicles to total public service vehicles (G/P) and a dummy variable to account for the discretionary change introduced in 1971-72 (D_1) and a dummy variable to capture the effect of the establishment of check-points since 1976-77 (D_2). The parameters are as follows:

$$\text{Log } Y = -0.4143 + 0.7965^{**} \text{Log } P - 0.5624 \text{ log } G/P + 0.4436^{*} D_1 + 0.0862 D_2$$

(-0.0375)(1.9252) (-0.2033) (1.7445) (0.2816)

$$R^2 = 0.8395 \quad F = 15.3805 \quad \text{D.W. Statistic} = 2.8830$$

N.B.: Figures in the parentheses represent 't' statistics.

** indicates significance at 5 per cent level

* indicates significant at 10 per cent level

A.3.9 We find that the co-efficient of Dummy D_2 is not significant. From this, it is clear that the establishment of the check-points has not led to a statistically significant increase in the yield of the tax. It thus seems that even though the yield shows a substantial increase in the year immediately after the establishment of the check-points, the increase might have been due to some other cause. In any case, it does not seem to have been sustained. In order to examine whether the increase in the yield in 1976-77 was statistically significant, we estimated another equation similar to the above with D_2 being specified as 1 for 1976-77 and zero in other years. The estimated parameters are as follows:

$$\text{Log } Y = -5.8747 + 0.7492^{**} \text{log } P + 0.7921 \text{ log } G/P + 0.4257^{**} D_1 + 0.3414 D_2$$

(-0.5435)(2.8521) (0.2860) (2.0433) (1.2269)

$$R^2 = 0.9150 \quad F = 18.8313 \quad \text{D.W. Statistic} = 2.640$$

N.B.: Figures in parentheses indicate 't' statistics.

** significant at 5 per cent level.

Here again the coefficient of D_2 turns out to be not significant. Thus, the increase in the revenue when the effect of increases in

the number of public service motor vehicles is accounted for is not really significant and hence we do not have any evidence to support the claim that the establishment of the check-points has really contributed to the better enforcement of the tax so that the yield is raised significantly.

A.3.10 Many reasons can be hypothesised for such a result. Firstly, a number of vehicles do not pass through the check-points, as they run within the precincts of major cities and towns and hence do not come within the purview of the enforcement by the check-points. Secondly, even in respect of those vehicles which pass through the check-points, the transporters could have found ways and means of evading the tax. In this connection, we cannot rule out the possibility of a collusion between the transporters and the officials manning the check-points.

A.3.11 We have recommended that the goods tax should be converted into an additional motor vehicles tax which should be administered by the Transport Department. If this recommendation is implemented, the check-points will not have any role to play in the enforcement of the tax. However, we recommend that until the goods tax is converted into an additional motor vehicles tax the check-points may be allowed to operate as now.

IV. ELECTRICITY DUTY IN BIHAR

1. Origin of the Levy

4.1.1 Under Entry 53 in the State List in the Seventh Schedule to the Constitution, the States are empowered to levy a tax or duty on the sale and consumption of electricity. Under the provision, all the States excepting Andhra Pradesh have been levying the electricity duty. In Bihar, the tax was first levied in 1948 under the Bihar Electricity Act, 1948. The Act, among other things, stipulated a set of maximum rates leviable for metered and unmetered consumers.

2. Fiscal Importance and Growth of the Tax

4.2.1 The yield of the electricity duty rose substantially from Rs. 0.57 crore in 1961-62 to Rs. 12.56 crore in 1979-80, registering an annual growth rate of 16.3 per cent. This compares quite favourably with the growth of electricity duty observed in Assam (13.6 per cent per annum) - though for a slightly different period (1966-67 to 1978-79) - Madhya Pradesh (15.7 per cent) and West Bengal (8.1 per cent) but is lower than that observed in Uttar Pradesh (17.5 per cent) and Orissa (23.7 per cent).

4.2.2 The growth of electricity duty has been much faster than the growth of the State's tax revenue as a whole. Consequently, as may be seen from Table IV.1, the yield of electricity duty as a percentage of the State's own tax revenue increased substantially from 1.63 in 1961-62 to 6.47 in 1978-79. However, if we take the period 1965-66 to 1978-79, we find that the tax is seen to have grown only

at more or less the same rate as the total tax revenue. In fact, except for the period 1971-72 to 1973-74, the percentage contribution of electricity duty to total tax revenue is much lower than the one observed in 1965-66.

4.2.3 It may also be seen that the relative importance of the tax is the highest in Bihar among all the neighbouring States excepting Orissa. In 1973-79, the yield of the tax formed as much as 6.5 per cent of the State's tax revenue which was much higher than the corresponding percentage in Assam (0.76) Madhya Pradesh (4.6) Uttar Pradesh (1.3) and West Bengal (5.0).

4.2.4 It may, however, be observed that though in 1977-78 the yield of the tax as a proportion of the State tax revenue in Bihar is higher than in some of the States as mentioned above, as a proportion of the State's Domestic Product (SDP), it is lower at 0.16 per cent than that obtaining in Madhya Pradesh (0.19 per cent) and West Bengal (0.26 per cent) as well as Orissa (0.42 per cent) vide Table IV.2.

4.2.5 We have examined the growth of the tax in Bihar and in the neighbouring States in terms of its buoyancy and elasticity. Table IV.3 summarises the comparative performance of Bihar and the neighbouring States. An important point that emerges is that even though the buoyancy of the tax in the State (1.59) compares quite favourably with those of the neighbouring States, its elasticity is seen to be much lower than those obtaining in all the States

compared except West Bengal. Besides, the elasticity of the tax in Bihar is much lower than unity.

4.2.6 On a priori grounds, the relationship between the yield of the electricity duty and GDP is rather remote and the elasticity thus calculated may not be a useful guide to gauge the performance of the growth of the tax. We have therefore related the yield of the tax with the base of the tax, namely, the consumption of electricity. In order to arrive at the correct base, we have excluded the consumption of electricity by public utilities such as public lighting, traction and public water works and sewage works which are exempted from payment of electricity duty in the State. The yield of the electricity duty when related to this explanatory variable - taxable consumption of electricity - in a log-linear model gives us the average responsiveness of the tax to its base over the time period. When the yield adjusted for the discretionary changes is taken as the dependent variable, we obtain the automatic responsiveness of the tax to its base. As the rate of duty on industrial and agricultural consumption is lower, we have taken the proportion of industrial and agricultural consumption of energy to total consumption as an additional explanatory variable in our model. In another model, we have considered the discretionary changes exogenously taking them as explanatory variables represented by two dummy variables for 1964-65 and 1971-72 when the two most important discretionary measures were introduced. The estimated parameters of the log-linear equations are summarised in Table IV.4.

4.2.7 It may be seen that while the buoyancy coefficient of the variable taxable electricity consumption is as high as 1.99, the elasticity coefficient is around unity (1.09). It is also seen that even though industrial and agricultural consumption of the energy is taxed at lower rates, the changes in the proportion of this consumption to total consumption do not significantly affect the revenue from electricity duty.

4.2.8 On a priori grounds, when the effect of differential rates of tax on industrial and agricultural consumption of energy is separated, we should expect the elasticity with respect to the taxable consumption of energy around unity. As a major portion of the energy is sold through the State Electricity Board, the question of tax evasion (by the Board) does not arise and hence this cannot be a factor rendering the yield inelastic. Our exercise yields an elasticity coefficient of 1.09 which is in conformity with this reasoning.

4.2.9 However, when the discretionary changes are endogenously considered, we get an estimate of elasticity around 0.71 (equation 3). This lower value may perhaps be due to the fact that the effect of the discretionary changes captured by the dummy variables is a little exaggerated as other factors like greater distribution of power through the public sector leading to more efficient collections of revenue could have coincided with the discretionary rate changes.

4.2.10 It may be observed in this connection that the relative importance of the power supplied by the public sector agencies of which the State Electricity Board has a major share shows an increasing trend over the period. As may be seen from Table IV.5, the installed capacity of the public sector increased from 50 per cent in 1961-62 to 67 per cent of total capacity in the State in 1977-78 though in terms of actual generation, the increase over the period has been of a lower magnitude: from 54 per cent to 62 per cent. The share of duty collected from the Electricity Board also shows an increasing trend, particularly since 1971-72: it increased from 24 per cent in 1971-72 to about 60 per cent in 1977-78, but declined rather drastically to 32 per cent in 1979-80 due to the poor power supply position of the Board. In contrast, the source of duty paid by the captive power units and other private units declined from 76 per cent in 1971-72 to 54 per cent in 1977-78. Thus, it could be reasonably presumed that the channelising of the power supply increasingly through the Board would have contributed to a higher degree of efficiency in the collection of electricity duty which might have exaggerated the value of the dummy variable, thereby underestimating the value of built-in-elasticity.

4.2.11 The performance of a tax is judged not only by its growth, but also by its level. An important measure of judging the extent of coverage is given by the ratio of the tax yield to its base or what is called the effective tax rate. We have therefore examined the effective tax rates

of electricity duty in Bihar and in the neighbouring States (Table IV.6.)

4.2.12 Two important features can be discerned from the trends in effective tax rates. Firstly, the effective rate in Bihar, after initially increasing from 0.58 per cent in 1961-62 to 2.88 per cent in 1972-73, has shown a gradual decline. Secondly, the effective rate of tax in Bihar is higher than the rates in Assam and Uttar Pradesh and is much lower than those in Orissa, Madhya Pradesh and West Bengal.

4.2.13 Changes in the effective rate of tax may come about either due to discretionary changes in the structure of the tax or due to changes in the consumption pattern. Our examination of the consumption pattern over the period 1961-62 to 1977-78, presented in Table IV.7, indicates that over the period it has been more or less stable. Domestic and commercial categories together consumed a little over 7 per cent of the total consumption throughout the period. The share of small and large scale industry showed a decline from 82 per cent in 1961-62 to 73 per cent in 1977-78. However, the decline in the effective rate of tax since 1975-76 may be partially explained by the sudden increase in the share of consumption by the agricultural sector which is taxed at a rate lower by about 10 percentage points. Beyond this we do not get any further clue to explain the changes over time in the effective rate of tax. In order to probe into this declining trend of effective rate of tax

further, we have to examine the structure of tax prevailing in the State, to which task we shall address ourselves in the next section.

3. Structure of the Electricity Duty in Bihar

4.3.1 The rate structure of electricity duty as it is levied in Bihar is marked by simplicity. The nature of the levy is specific and hence it does not depend upon the tariff rates. On metered consumers, only two categories of rates are applied. Industrial, mining and agricultural consumption is taxed at the rate of 2 paise per unit whereas domestic and commercial consumption is subjected to a higher rate at 7 paise per unit. Another feature of the levy is that the sales to certain basic industries such as iron and steel and electro-metallurgical industries are exempted from the levy for a period of 5 years from the commencement of production. The consumption of electricity by the Public Works Department for lift irrigation and by local authorities for street lighting is also exempted by a special notification issued by the State government.

4.3.2 A uniform ad valorem levy maintains the relative rate differences introduced in the tariff schedule. On the other hand, taxing at differential specific rates accentuates the differentiation. Thus, in Bihar the taxing of the electricity at two different rates and the specific nature of the levy bring about a differentiation in the price of electricity which is at variance with the

differential rates that are intended in the tariff schedule. This implies that the electricity duty in Bihar, besides performing the function of raising revenue also acts as a means to discriminate against particular types of consumers depending upon social priorities. Strictly speaking, it should be left to the discretion of the tariff schedule to bring about the needed degree of differentiation.

4.3.3 It may be interesting to make a comparison of the rates of duty levied in Bihar vis-a-vis other States. In Table IV.8, we present a comparative position of the tariff rates and the rates of duty for the different categories of consumers. It may be seen that the rates of duty applicable to all the categories in Bihar in comparison with other States is neither unduly high nor unduly low. However, if the comparison is made among the neighbouring States, it is clear that in respect of domestic consumers, the rate in the State at 7 paise per unit is the highest. It is quite high also in respect of commercial categories of consumers, when compared to the rates levied in Assam (3 paise per unit), Uttar Pradesh (2 paise per unit) and West Bengal (3 paise per unit), though Madhya Pradesh with 8 paise per unit and Orissa with 7.12 paise per unit have even higher rates. As mentioned already, the State levies a low rate of tax on agricultural consumption equal to that on trade and industry and mining but Madhya Pradesh, Orissa and Uttar Pradesh exempt from the tax consumption by the agricultural sector altogether^{1/}. In respect of the

^{1/} However, West Bengal imposes the duty on agricultural consumption of energy at 6 paise per unit.

consumption of electricity by the small scale and large scale industries too, the rate of duty levied in the States does not seem to be unduly high. Thus, only in respect of domestic consumption of energy, the rate of duty levied in the State seems to be on the higher side. Similarly, it would seem that the rate of duty levied on agricultural consumption of energy is on the low side.

4.3.4 It should, however, be noted that the differences in the rates of duty gives only a partial picture. As a large part of the total sale of electricity is channelled through the State Electricity Boards in all the States, the choice of the method of raising revenue either through the tariff or through the duty ultimately rests with the State sector. From the point of view of the consumers, it is the difference in the total price inclusive of tax paid for a unit of energy consumed in different States that is relevant. From this point of view certain important features stand out in the schedule of electricity duty at present in vogue in the State.

4.3.5 As may be seen from Table IV.8, in respect of the domestic categories of consumers, both the rate of tariff and the rate of duty are higher in Bihar than in most of the States so that, the total price charged in the State for this category of consumers is the highest among all the States. Similarly, the price charged for commercial consumption in the State is lower than those charged by only Uttar Pradesh and Andhra Pradesh. As regards the consumption of energy by large industries even though the

rate of duty is lower than what prevails in many of the States, the tariff itself is so high that the total price charged is the highest in the State. This is also true of the consumption of energy by small industries. Thus, charging a lower rate of duty for industrial consumption of energy has not really served the purpose of promoting industrial growth in the State, since the rate of tariff plus duty charged in the State is higher than what prevails in other States. This higher total price may be expected to act as a strong disincentive measure. In contrast, although the rate of duty of 2 paise per unit on agricultural consumption of energy is higher than the rates prevailing in many of the States, the rate of tariff itself is so low that the total price charged in the State is the lowest for this category of consumers. As against this, even if some of the States exempt agricultural consumption completely from the purview of the electricity duty, the price charged in these States is much higher.

4.3.6. It needs to be noted that the rate of duty imposed on the energy consumed from captive generation in Bihar is not different from that charged on energy supplied by the State Electricity Board. The representatives of the Bihar Chamber of Commerce and Industry have urged in their memorandum that the consumption of energy generated from the captive units should not be subject to the electricity duty. The reasons advanced in support of this are two-fold. Firstly, it is claimed that the Electricity Board is unable to meet the growing demand for energy in the State on its own and the industries cannot really depend upon the

irregular and erratic supply of energy from the Board. In order to meet the demand of the industries adequately, it is only proper that the units are encouraged to have their own generating units. The installation of captive units promotes steady industrial growth. Secondly, as the cost per unit of energy generation by the smaller captive units is higher than the cost of energy generated by the Electricity Board, adding to this higher cost through the imposition of electricity duty would render energy generation by captive units further uneconomical and hence would not encourage the industries to go in for such generation.

4.3.7 In this connection it is necessary to note that the generation of electricity by the industrial units for self-consumption in Bihar is substantial. As of 1977-78, the captive units contributed as much as 33 per cent of the total generating capacity in the State and they actually generated 38 per cent of the total generation during the year. Therefore, total exemption of these sources from the duty would result in loss of revenue to the tune of about Rs. 3 crore. Over time this would increase.

4.3.8 We have examined the claim that the cost of generating electricity by the captive power units is higher so that they should be given some relief by not levying the duty. The average cost of electricity produced under the various systems from 1971-72 to 1978-79 given in Table IV. 9. indicates that of the various

systems, the unit cost of generating electricity using steam is the lowest and that of generation using diesel is the most expensive. As of 1978-79, the generation of power using the hydel system is two and a half times more expensive than the steam system, and the diesel system costs over 40 times the steam system. Thus, if the captive units generate energy using the diesel system, which is decisively more expensive, there is really a case for exempting them from the electricity duty. In this connection, we have examined the distribution of generation of energy by the captive units according to prime-mover categories. The position as of 1978-79 is as follows:

<u>System of generation</u>	<u>Installed capacity</u> (KW)	<u>Actual generation</u> (Million Kw)
Steam	427297 (97.4)	1596.08 (99.5)
Diesel	11331 (2.6)	8.36 (0.5)
Total	438628 (100.00)	1604.44 (100.00)

Note: Figures in parentheses are percentages of total.

It is thus seen that over 97 per cent of the installed capacity of the captive power units and over 99 per cent of the actual generation is done using the cheapest means of generating energy.

4.3.9 When we analyse the industry-wise generation of energy for self-consumption, it is seen that a very high percentage is generated by the industries operating on a large scale like Iron and Steel, Fertiliser and Cement (Table IV.10). On these industries generation of energy using steam could be economically viable. On the other hand, industries operating on a smaller scale cannot economically generate electricity using steam and may have to go in for the diesel system.

4.3.10 We have also examined the practice prevailing in other States in this connection. In many of the States as in Bihar, the power generation for self-consumption by the industrial units is subject to duty at different rates as power generated by the State Electricity Board. In no State where the electricity duty is levied, the power generated for self-consumption is exempted from the levy of duty and in some States where a different rate schedule is in vogue (Table IV.11), the rates charged are not very much lower, but are sometimes even higher than the rate charged for industrial consumption of energy in Bihar.

4.3.11 On these considerations, we are inclined to take the view that the generation of electricity for self-consumption using the steam system does not really call for any relief in terms of exemption from electricity duty. However, for reasons of scale^{of} economies and higher fixed costs, many of the units may find the generation of electricity using steam economically unviable and hence may go in for the diesel system which is decisively more expensive.

Some relief in the duty may be considered for those units where the diesel system is the only viable alternative.

(ii) Exemptions

4.3.12 The exemptions from electricity duty may be classified into two categories. The first type of exemption is provided for under articles 287 and 288 of the Constitution and is uniform for all the States in the Indian Union. Under this no duty is leviable in the State on the consumption of electricity of the following categories:

- i) Consumed by the Government of India, or sold to the Government of India, for consumption by that Government;
- ii) Consumed in the construction, maintenance, or operation of any railway company operating that railway or sold to that Government or any such railway company for consumption in the construction, maintenance or operation of any railway;
- iii) Consumed by the licensee in the construction, maintenance and operation of electrical undertakings;
- iv) Consumed by the Damodar Valley Corporation for the generation, transmission or distribution of electricity by that corporation.

4.3.13 Besides the above categories, the State government under section 9 of the Act is also empowered to grant exemptions under separate notifications to any person or class of persons or for any purpose declared under a notification as a public purpose. Under this provision, the

tate government has exempted from the payment of electricity duty the electricity consumed by:

- i) Public Works Department for lift irrigation;
- ii) any local authority for lighting of public streets; and
- iii) sale or consumption of electricity in iron and steel industry, electro-chemical or electro-metallurgical industry for a period of five years from the date of commencement of production.

4.3.14 All the State governments have the discretion of exempting the consumption of electricity for certain specified purposes from the electricity duty. The exemptions given in the neighbouring States are listed in Table IV.12. The exemptions granted in Bihar in comparison with those of the neighbouring States are by no means excessive. In the States of Assam, Uttar Pradesh and Madhya Pradesh, energy used for agricultural operations is totally exempted whereas in Bihar, a duty is levied, though at a low rate of 2 paise per unit. As regards the consumption of energy by industries, in Uttar Pradesh all smaller industrial units located in backward areas are exempted from paying the duty. In Assam consumption of energy exceeding 40,000 units exclusively for industrial production is exempted. In contrast, in Bihar exemption is granted in the case of only a few industries like iron and steel, electro-chemical and electro-metallurgical industries for a period of 5 years after the commencement of production.

4.3.15 Although the exemptions granted in the State are not generally excessive, it is necessary to point out that in respect of industries, the exemptions are a little superfluous and do not serve the purpose to the extent desired. We have already pointed out this while analysing the rate structure. To repeat the argument briefly, the tariff rate itself is so high in the State that even with no duty being levied, the relative cost of power in the State would be higher and this can act as an important disincentive for locating industrial projects in the State.

4. Administrative Issues

4.4.1 We have already stated earlier that an improvement in the revenue from the electricity duty can come about mainly through the revision of the structure of electricity duty. As the administration of the collection of the duty is largely in the hands of the Electricity Board, the Commercial Taxes Department can do very little in improving the yield on this account. However, this should not deter us from stating that with a little improvement in efficiency on the part of the Board, significant increases in the generation and consumption of electricity and hence in the electricity duty could be achieved. Two important factors which can lead to a significant enhancement of revenue are the (i) minimisation of transmission, distribution and unaccounted losses of electricity and (ii) more satisfactory capacity utilisation. Let us analyse these in a little more detail.

4.4.2 We have examined the transmission, distribution and "other" (unaccounted) losses of generated electricity in Bihar and compared them with the figures available for the country as a whole. We cannot but draw attention to the fact that the losses on this account in Bihar are rather excessive and to the possibility that a large part of them could be simply due to the theft of electricity. In Table IV.13, we present the losses on this account during 1971-72 to 1977-78 in Bihar and the country as a whole and have computed the additional yield that could have accrued if the standards prevailing in the country on the average prevailed in Bihar. It may be seen that in all the years, the extent of losses in Bihar have been of a much higher magnitude than existing in the country as a whole.

4.4.3 The line loss of electricity could be attributed to the technical factors involved in the transfer, transmission and distribution as well as unaccounted losses which are otherwise called "theft". Thus, while some of these losses are unavoidable, the excessive line loss which are sustained by the Board in Bihar cannot be justified. If the State Electricity Board had the line losses only to the same extent as the average losses suffered by all the Electricity Boards, the yield of the electricity duty would have been much higher. Our estimates of the potential yield for various years are presented in the Table IV.13. It is seen that the additional yield that could have resulted from this would be Rs. 35 lakh in 1977-78 forming as much as 5 per cent of the actual yield of the electricity duty.

4.4.4 Another important measure that could result in a significant improvement in the yield of the electricity duty is the better utilisation of installed capacity. Given that the situation of excess demand for power exists in Bihar, better utilisation of capacity in the State would result in a substantial improvement in the revenue.

4.4.5 The feasible degree of capacity utilisation in electricity generation should be considered with care taking note of several factors. Full utilisation of capacity in the electricity industries is not possible owing to the existence of significant divergence between peak load demand and normal demand and the need for keeping standby capacity to meet the demand while the regular units are being rested or at times of emergency and for such other reasons. Further, the extent of possible capacity utilisation also depends upon the system of generation.

4.4.6 We have considered the capacity utilisation in the States as a whole as the norm. The extent of utilisation in each of the systems - hydel, steam and diesel - averaged for the States is applied to the generating capacity available in Bihar to determine the electric power that could have been generated in each of the systems, if the all-States' utilisation standards had prevailed in the State. Applying the line losses at the prevailing rates in Bihar, we have arrived at the potential electricity available for consumption. The

differences between the postential and the actual is then arrived at and by applying the effective rate of duty on this, we have arrived at the likely loss of yield due to the shortfall in capacity utilisation. These estimates are made for the years from 1971-72 to 1977-78 (Table IV.14).

4.4.7 It is seen that the estimated loss in yield due to this shortfall in capacity utilisation was the lowest in 1976-77 at Rs. 33.7 lakh forming about 4 per cent of the actual yield and the highest in 1972-73 at Rs. 81.9 lakh forming as much as 10.5 per cent of actual the yield. In all other years it was more than Rs. 50 lakh and in 1977-78, it was as much as Rs. 71 lakh which was over 9 per cent of the yield of the electricity duty.

4.4.8 The improvement of the yield of the electricity duty on account of reduction in line losses and better capacity utilisation is possible only when determined action in this regard is taken by the State Electricity Board. The Commercial Taxes Department can do very little in this regard. This is a matter of great concern not merely from the point of view of securing larger revenue from the electricity duty, but, more importantly, from the point of view of the earnings of the State Electricity Board and the growth of the State economy.

5. Recommendations

4.5.1 As shown in the earlier sections, from the point of view of the price charged to different categories of consumers, there is a case for enhancing the rate of duty

on agricultural consumption of energy. It does not seem to be rational to confer benefits on this category of consumers twice - once by having the tariff rate at a very low level and again by charging a very low rate of electricity duty. On the other hand, the tariff rate on industrial consumption is already so high that even in the absence of electricity duty the price of electricity for this category of consumption is higher than the prevailing prices in the neighbouring States. Thus, charging lower rates of electricity duty on industrial consumption to promote industrial growth does not really serve the intended purpose unless basic changes are effected in the tariff structure itself. Though on this ground there is no case for enhancing the rate of duty on industrial consumption, in the interests of uniformity, we prefer to keep this on par with that on agricultural consumption. We, therefore, recommend that the rate of duty on agricultural and industrial consumption should be enhanced to 3 paise per unit from the present level of 2-paise per unit.

4.5.2 As mentioned in the previous paragraph, rationalisation of the rates of electricity duty alone can help very little in attaining the overall objectives. More important is the need for rationalising the tariff structure to be in the tune with the overall objectives to be pursued. We have already mentioned that in Bihar the rates of tariff on the consumption of energy for agricultural purposes is much lower than the rates prevailing in the neighbouring States. On the other hand, the rate of tariff on industrial consumption of energy in the State is higher than those in the neighbouring State. Therefore, we

ANNEXURE I.1

QUESTIONNAIRE

1. Bihar Taxation on Passengers and Goods Act, 1961

1. What, on an average, is the kilometreage run by the passenger buses and goods vehicles?
2. What is the fare structure for passengers and freight structure for goods?
3. What is the range of gross earnings of the trucks of standard capacities? Please give the basis of your calculations.
4. What is the range of gross earnings of the passenger buses? Please give the basis of your calculations.
5. Would you prefer that there should be a separate tax on motor vehicles and another on goods and passengers as at present or should there be only one tax under a unified Act? If the structure is to be unified what should be the rate structure?
6. Do you think that the existing structure of taxing passengers and goods adversely affects the trade and business? If so, in what ways?
7. What, if any, are the other shortcomings of the existing structure of tax on passengers and goods?
8. What alternative tax structures would you suggest for,
 - i) Motor Vehicles:
 - ii) Goods: and
 - iii) Passengers
9. Would you prefer an ad valorem levy on goods with facility for compounding to a specific levy based on certain criteria? Please state reasons.
10. Do you consider that the differences in the rates of passengers and goods tax between the States create problems? If any, please enumerate.

would like to urge the State government to impress upon the Electricity Board the need to rationalise the tariff structure by raising the rate on agricultural consumption and lowering it on industrial consumption, so that the rates in the State are at levels comparable to those in the neighbouring States. This would, besides helping the State to improve the performance of the Electricity Board, prevent the diversion of industries from Bihar to other States.

4.5.3 As regards generation of electricity for self-consumption, our analysis reveals that the unit cost of generating electricity by bigger industrial units using the steam generation system is not necessarily high and therefore there is no case for exemption in respect of power so generated. On the other hand, the smaller units using the diesel generation system necessarily have to incur a higher unit cost of generation. It would therefore appear that an additional burden by way of duty should not be imposed on these units. At the same time, we have to avoid any step that would encourage industrial units to switch over to the diesel system. We, therefore, recommend that the State government should determine on the advice of an expert group as to which categories of industrial units would find the steam system of generation clearly uneconomical. In the case of units falling in these categories and using the diesel system, the rate of electricity duty may be kept as 1 paise per unit.

11. Do you consider the existing procedure for tax collection satisfactory? If not, please elucidate.
12. What, if any, are the problems faced in the system of goods tax collection through the check-points? What modifications would you suggest in the working of check-points?
13. To what extent do you think that there is an overlap between the taxation of road transport through passengers and goods tax on the one hand and of petroleum products on the other? If such an overlap is substantial, what methods would you suggest for harmonizing the two modes of taxation?
14. What suggestions would you like to make in respect of maintenance of records by the transport operators of goods and passengers, submission of returns and payment of taxes? Is the present system of verification of accounts of the assesseees of goods and passengers tax satisfactory? What modification would you like to suggest?
15. What are the lacunae in the existing provisions of the law that lead to evasion of the tax on motor vehicles goods and passengers? What modifications do you suggest to plug them?
16. What are the common ways through which the taxes on motor vehicles, goods and passengers are evaded? What suggestion would you like to offer to prevent such evasion?
17. Please comment on the exemption granted from these taxes. What, in your view, should be the principles governing such exemptions?
18. Enumerate the provisions of the Taxation of Passengers and Goods Act, which, according to you, are ambiguous or are amenable to different interpretations?
19. Please state whether the existing taxation laws impose hardships on the assesseees and create administrative complexities for the Government in relation to any of the following:

provisions regarding the provisions of the law...

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(i) Registration

ii) Submission of returns

iii) Payment of taxes

iv) Assessment

v) Verification of accounts

vi) Demands and penalties

vii) Refunds

viii) Revisions, and

ix) Appeals

20. What is the scope for simplifying tax laws/rules and procedures to ensure maximum satisfaction and least inconvenience to the taxpayers keeping in view the need for economy?

21. Do you consider that the provision relating to penalties are adequate and reasonable? Would you recommend stricter penalties to ensure better tax compliance?

22. Are the existing laws, rules and procedures adequate to guard against tax evasion; if not, please indicate the possible ways of plugging the loopholes,

23. Do you consider any of the forms and registers specified under the rules cumbersome? What changes leading to simplification of the form would you suggest?

24. Do you have any suggestions to make on any of the issues or any of the topics not covered above?

II. Bihar Entertainment Tax Act, 1948

1. Do you consider that the rate of tax on entertainments is unduly high as compared to other States? Please elaborate.

2. Do you favour a single rate of tax as prevalent at present or rates differing with the cost of entertainment ?
3. Would you suggest a uniform rate or differential rates for different classes of cities ? Please give reasons. Also indicate the degree of difference in rates that should be introduced.
4. Should the compounding alternative be provided only in less populous areas or also in cities and towns ?
5. What are the common means employed for evading the entertainment tax ? What suggestions do you put forth for preventing such evasion ?
6. Do you consider the existing policy of exemptions satisfactory ? If not, what changes would you like to suggest ? Do you favour the mode of taxation on a net basis as prevailing at present or is it proper to tax on a gross basis ?
7. Are the methods of collection of tax employed at present satisfactory ? What changes do you propose ?
8. Do you think that the system of asking for security deposits is necessary ? If not please enumerate how defaulting taxpayers can be brought to book ?
9. Do you have any suggestions regarding the provisions pertaining to printing, stamping and approval of the tickets ?
10. Is the system of verification of returns and assessment as prevalent at present satisfactory ? What changes would you suggest ?
11. Enumerate the provisions of the entertainment tax which are ambiguous and are inconsistent with other provisions.
12. Do you think that any of the registers and forms prescribed under the Act is unnecessary or complicated ? What improvements would you like to suggest in this regard ?
13. What measures or incentives would you suggest for the growth of new cinema houses in the State ?
14. Do you have any suggestion to make on any of the issues or any of the topics not covered above ?

III. Bihar Electricity Duty Act, 1948

1. Please enumerate whether the rate differentiation in the levy of electricity duty as prevailing at present is justified.
2. Would you prefer an ad valorem levy to the specific levy as prevailing at present ?
3. Is the the rate structure prevailing at present satisfactory? What changes would you like to suggest?
4. What are your observations on the policy of giving exemptions?
5. Do you consider the existing policy of levying concessional duty on certain uses of energy justified. If so, are the concessions adequate and satisfactory?
6. What, in your view, is the extent of evasion/avoidance of electricity duty? What are the methods employed for evasion/avoidance of the duty and what are your suggestions for preventing evasion/avoidance of the duty?
7. What measures would you suggest to render the tax elastic, particularly in respect of the revenue from the consumption of unmetered consumers?
8. Do you have any suggestions to make on any of the issues not covered above?

ANNEXURE I.2

List of Persons/Organisations Who Gave
Evidence Before the Study Team

1. Mr. Vinay Kumar, Eastern India Motion Picture Association, Patna
2. Mr. Ajay Sinha, Eastern India Motion Picture Association, Patna
3. Bihar Chamber of Commerce and Industries Judges Court Road, Patna
4. Bihar Transport Association, Agrawal Hotel, Patna
5. Bihar Industries Association, Sinha Library Road, Patna
6. Shri R.K. Sinha, former Commissioner of Commercial Taxes, Patna
7. Shri V.N. Vageesh, Deputy Commissioner of Commercial Taxes, Patna
8. Shri Akhileshwar Prasad, Joint Commissioner of Commercial Taxes, Patna
9. Shri R.R.V.P. Sinha, Deputy Commissioner of Commercial Taxes, Patna
10. Shri B.P. Verma, formerly Additional Finance Commissioner and at present, Commissioner, Commercial Taxes.

ANNEXURE I.3

List of Persons/Organisations who Submitted
Written Memoranda to the
Study Team

1. Eastern India Motion Pictures Association
North Congress Maidan, Patna 3
2. Ranchi District Cine Association, Sandhya
Cinema Compound, Purulia Road, Ranchi
3. Chotanagpur and Santhal Paragana Transport
Owner's Coordination Committee, Ranchi
4. Chotanagpur Chamber of Commerce and Industries,
Shardhanand Road, Ranchi
5. Raj kumar Jain, Advocate, Ranchi.

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ANNEXURE III.1

Proposed Rates of Additional Motor Vehicles Tax
in the Place of Goods Tax

Registered laden weight (quintals)	Proposed Additional Motor Vehicles Tax			
	Per year	Per quarter	Per month	Per fort- night or part there thereof
5	200	50	16.67	8.34
10	400	100	33.33	16.67
15	600	150	50.00	25.00
20	800	200	66.69	33.34
25	1000	250	83.33	41.67
30	1200	300	100.00	50.00
35	1400	350	116.67	58.34
40	1600	400	133.33	66.67
45	1800	450	150.00	75.00
50	2000	500	166.67	83.34
55	2200	550	183.33	91.67
60	2400	600	200.00	100.00
65	2600	650	216.67	108.34
70	2800	700	233.33	116.67
75	3000	750	250.00	125.00
80	3200	800	266.67	133.34
85	3400	850	283.33	141.67
90	3600	900	300.00	150.00
95	3800	950	316.67	158.34
100	4000	1000	333.33	166.67
105	4200	1050	350.00	175.00
110	4400	1100	366.67	183.34
115	4600	1150	383.33	191.67
120	4800	1200	400.00	200.00
125	5000	1250	416.67	208.34
130	5200	1300	433.33	216.67
135	5400	1350	450.00	225.00
140	5600	1400	466.67	233.34
145	5800	1450	483.33	241.67
150	6000	1500	500.00	250.00
155	6200	1550	516.67	258.34
160	6400	1600	533.33	266.67
165	6600	1650	550.00	279.00
170	6800	1700	566.67	283.34
175	7000	1750	583.33	291.67
180	7200	1800	600.00	300.00
185	7400	1850	616.67	308.34
190	7600	1900	633.33	316.67
195	7800	1950	650.00	325.00
200	8000	2000	666.66	333.33

ANNEXURE III.2

Present Incidence of Passenger Tax Per Seat Per Quarter and Proposed Rates of Additional Motor Vehicles Tax for Passenger Buses

(In rupees)

Kilometre run per day	Kilometre run per quarter	Gross earnings per quarter*			Tax payable per quarter			Composition fee payable per quarter	Proposed rate per seat per quarter		
		Ordinary	Express	De luxe	Ordinary	Express	De luxe		Ordinary	Express	De luxe
80	7200	360	432	576	72	86.4	115.2	20.0	60	70	95
100	9000	450	540	720	90	108.0	144.0	25.0	75	88	119
130	11700	585	702	936	117	140.4	187.2	32.5	98	114	154
160	14400	720	864	1152	144	172.8	230.4	40.0	120	140	190
200	18000	900	1080	1440	180	216.0	288.0	50.0	150	175	238
240	21600	1080	1296	1728	216	259.2	345.6	60.0	180	210	285
280	25200	1260	1512	2016	252	302.4	403.2	70.0	210	245	332
320	28800	1440	1728	2304	288	345.6	460.8	80.0	240	280	380
360	32400	1620	1944	2592	324	388.8	518.4	90.0	270	315	428
400	36000	1800	2160	2880	360	432.0	576.0	100.0	300	350	475

* At 75 per cent occupancy ratio; the rates for a single ticket per kilometre of travel in ordinary, express and de luxe buses are taken as 5 paise, 6 paise and 8 paise, respectively.

ANNEXURE IV.1

Rates of Discretionary Changes in the Structure of Electricity Duty in Bihar

Premises	1948 ^{1/}	1953 ^{2/}	1964 ^{3/}	1971 ^{4/}	1974 ^{5/}
1. In respect of mines or industrial undertakings, save in respect of its premises used for residential office purposes	-	-	1 paise per unit of energy	2 paise for unit of energy	2 paise per unit of energy
2. In respect of all premises not falling under serial number (3)	6 pies per unit of energy	9 pies per unit of energy	6 paise per unit of energy	6 paise per unit of energy	7 paise per unit of energy
3. In respect of all premises where the supply of energy is unmetered:					
i. Every lamp of less than 30 watts	2 annas and 6 pies (per mensum)	3 annas and 9 pies (per mensum)	23 paise per unit of energy	23 paise per mensum	23 paise per mensum
ii. Every lamp of 30 watts or more but less than 40 watts	3 annas and 9 pies (per mensum)	5 annas and 9 pies (per mensum)	36 paise per unit of energy	36 paise per mensum	36 paise per mensum
iii. Every lamp of 40 watts or more but less than 60 watts	5 annas (per mensum)	7 annas and 6 pies (per mensum)	47 paise per unit of energy	47 paise per mensum	47 paise per mensum

Contd...../-

Premises	1948 ^{1/}	1953 ^{2/}	1964 ^{3/}	1971 ^{4/}	1974 ^{5/}
iv. Every lamp of 60 watts or more but not exceeding 100 watts ,	7 annas (per mensum)	10 annas and 6 pies (per mensum)	66 paise per unit of energy	66 paise per mensum	66 paise per mensum
v. Every additional 15 watts or fraction thereof in excess of 100 watts in any lamp.	2 annas and 6 pies (per mensum)	3 annas and 9 pies (per mensum)	12 paise per unit of energy	12 paise per mensum	12 paise per mensum

1/ With effect from 1st October 1948

2/ With effect from 1st April 1953

3/ With effect from 1st January 1964

4/ With effect from 1st September 1971

5/ With effect from 1st April 1974

Source: The Bihar Commercial Taxes Manual Volume IV. (Part II), Finance (Commercial Taxes) Department, Government of Bihar.

Government of Bihar, Commercial
Taxes Department, Patna.

ii) For other States - Budget Documents.

TABLE II.1

Entertainment Tax as Per Cent of Total Tax Revenue in
Bihar and the Neighbouring States

(Per cent)

Year	Bihar	Assam	Orissa	Uttar Pradesh	Madhya Pradesh	West Bengal
1961-62	2.05	2.06	1.45	2.92	2.80	3.53
1962-63	1.82	2.09	1.65	2.77	2.82	3.98
1963-64	2.33	2.10	1.39	3.25	2.77	3.66
1964-65	2.37	2.08	1.35	2.85	2.77	3.64
1965-66	2.51	2.06	1.52	3.43	3.41	3.38
1966-67	2.38	2.36	1.86	3.99	3.28	3.40
1967-68	2.08	1.87	1.50	3.69	2.81	3.00
1968-69	2.13	2.67	1.49	4.07	2.84	3.27
1969-70	2.29	5.22	1.55	4.31	2.79	3.64
1970-71	2.56	3.11	1.47	5.16	3.03	3.88
1971-72	2.68	3.21	1.75	5.31	2.84	3.81
1972-73	2.73	3.35	1.98	4.96	3.14	4.15
1973-74	2.73	3.48	1.62	4.70	3.63	3.31
1974-75	2.40	3.65	2.29	4.66	3.52	4.02
1975-76	2.53	2.68	1.92	4.48	3.10	3.97
1976-77	2.64	2.97	2.15	4.45	3.18	4.90
1977-78	2.38	3.19	2.27	4.43	3.07	4.80
1978-79	2.52	2.92	2.32	4.78	3.00	5.67

Source: i) For Bihar - Government of Bihar, Commercial Taxes Department, Patna.

ii) For other States - Budget Documents.

TABLE II.2

Share of Entertainment Tax in State Domestic
Product in Bihar and the Neighbouring States
(1961-62 to 1977-78)

(Per cent)

Year	Bihar	Assam	Orissa	Uttar Pradesh	Madhya Pradesh	West Bengal
1961-62	0.07	0.09	0.04	0.09	0.09	0.13
1962-63	0.07	0.09	0.04	0.10	0.10	0.16
1963-64	0.08	0.09	0.04	0.11	0.10	0.15
1964-65	0.08	0.09	0.04	0.10	0.11	0.16
1965-66	0.07	0.09	0.05	0.11	0.15	0.15
1966-67	0.08	0.09	0.05	0.12	0.14	0.14
1967-68	0.07	0.07	0.04	0.11	0.10	0.12
1968-69	0.08	0.10	0.04	0.14	0.12	0.14
1969-70	0.08	0.15	0.04	0.15	0.12	0.16
1970-71	0.09	0.11	0.05	0.19	0.13	0.16
1971-72	0.10	0.13	0.06	0.19	0.12	0.16
1972-73	0.10	0.14	0.06	0.16	0.14	0.20
1973-74	0.09	0.13	0.04	0.17	0.14	0.15
1974-75	0.08	0.11	0.07	0.18	0.16	0.18
1975-76	0.12	0.12	0.08	0.25	0.20	0.22
1976-77	0.13	0.13	0.11	0.25	0.22	0.27
1977-78	0.11	0.15	0.09	0.23	0.18	0.25

Source: Same as for Table II.1.

TABLE II.3

Growth of Entertainment Tax in Bihar and
the Neighbouring States

	Growth rate (per cent)	Buoyancy	Elasticity
Assam	13.471	1.291	1.033
Bihar	13.147	1.294	0.944
Madhya Pradesh	15.710	1.358	0.740
Orissa	15.827	1.502	1.309
Uttar Pradesh	16.755	1.644	1.125
West Bengal	14.224	1.324	0.910

- Note: 1. The reference period chosen for computing growth rate is from 1961-62 to 1978-79.
2. The reference period chosen for computing buoyancy and elasticity is from 1961-62 to 1977-78.
3. All coefficients are significant at 1 per cent level.

TABLE II.4

Capita Entertainment Tax in Bihar and
the Neighbouring States
(1961-62 to 1978-79)

Year	(Rupees)				
	Assam	Orissa	Uttar Pradesh	Madhya Pradesh	West Bengal
1961	0.27	0.08	0.23	0.25	0.52
1962	0.27	0.12	0.25	0.27	0.65
1963	0.30	0.12	0.32	0.31	0.69
1964	0.32	0.13	0.35	0.36	0.77
1965	0.34	0.15	0.40	0.45	0.80
1966	0.39	0.20	0.50	0.46	0.83
1967	0.36	0.18	0.54	0.46	0.78
1968	0.47	0.18	0.64	0.50	0.88
1969	0.72	0.20	0.70	0.54	1.07
1970	0.58	0.22	0.89	0.63	1.14
1971	0.67	0.27	0.92	0.63	1.22
1972-73	0.75	0.34	0.96	0.79	1.55
1973-74	0.79	0.29	1.14	1.03	1.33
1974-75	0.83	0.48	1.36	1.32	1.86
1975-76	0.92	0.54	1.83	1.52	2.28
1976-77	1.06	0.70	2.08	1.65	3.03
1977-78	1.37	0.75	2.10	1.62	3.18
1978-79	1.17	0.79	2.22	1.74	4.48

Source : Same as for Table II.1

TABLE II.5

Entertainment Tax Levels in Bihar and the
Neighbouring States

	Per capita entertainment tax	Entertainment tax as per cent of total tax	Entertainment tax as per cent of state domestic product
Assam	1.37	3.19	0.15
Bihar	0.80	2.38	0.11
Madhya Pradesh	1.62	3.07	0.18
Orissa	0.75	2.27	0.09
Uttar Pradesh	2.10	4.43	0.23
West Bengal	3.18	4.80	0.25

Source: Same as for Table II.1.

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TABLE II.6

Occupancy Ratios of Cinema Houses Located in Cities of Different Population
Groups and by Admission Rates in Bihar
(1975-76)

Population groups	Admission rates (Rupees)	Seating capacity (in thousands)	Seats occupied (in thousands)	Total tax payable (in Rs. thousand)	Actual tax paid (in Rs. thousand)	Seats occupied as per cent of seating capacity	Tax paid as a per cent of tax payable
1. Above 1 lakh	1.75	7088	2569	14053	5024	36.25	35.75
	1.00 - 1.74	19070	6131	27702	7917	32.15	28.58
	1.00	8422	4237	6601	2695	50.30	40.83
	Sub-total	34580	12937	48356	15636	37.41	32.33
2. 50,000 to 1 lakh	1.35	11044	3061	19316	4291	27.72	22.21
	0.75 - 1.34	29873	6700	30623	6830	22.43	22.30
	0.75	12964	3194	7557	1905	24.64	25.20
	Sub-total	53881	12955	57496	13026	24.04	22.66
3. Below 50,000	1.00	8847	1477	11982	2024	16.70	16.89
	0.75 - 0.99	6082	1033	5393	880	16.99	16.32
	0.75	3849	944	3163	527	25.84	24.39
	Sub-total	18778	3454	20538	3431	18.39	16.71
All cities	1.00	64264	17074	93927	23759	26.57	25.30
	1.00	42975	12323	32464	8334	28.67	26.49
	All classes	107239	29397	126391	32093	27.41	25.39

Source: Government of Bihar, Commercial Taxes Department, Patna.

Note: The data relate to 153 cinema houses for which information could be collected.

TABLE II, 7

Occupancy Ratios of Cinema Houses Located in Cities of Different Population
Groups and by Admission Rates in Bihar
(1979-80)

Population groups	Admission rates (Rupees)	Seating capacity (in thousands)	Seats occupied (in thousands)	Total tax payable (in Rs. thousand)	Actual tax paid (in Rs. thousand)	Seats occupied as per cent of seating capacity	Tax paid as a per cent of tax payable
1. Above 1 lakh	>1.75	9110	3823	19461	8132	41.96	41.78
	1.00 - 1.74	11008	5168	15180	7009	46.95	46.17
	<1.00	3826	2038	3193	1685	53.28	52.75
	Sub-total	23944	11029	37834	16825	46.06	44.47
2. 50,000 to 1 lakh	>1.35	14338	2192	27369	3687	15.29	13.47
	0.75 - 1.34	28335	5528	32606	6400	19.51	19.60
	<0.75	8891	2305	5938	1490	25.92	25.09
	Sub-total	51563	10024	65913	11577	19.44	17.56
3. Below 50,000	<1.00	11295	1529	16261	1777	13.54	10.93
	0.75 - 0.99	4870	739	4401	592	15.17	13.46
	<0.75	4041	829	2703	569	20.52	21.05
	Sub-total	20206	3097	23365	2938	15.33	12.57
4. All cities	>1.00	64735	16548	102264	25081	25.56	24.53
	<1.00	30979	7603	24848	6259	24.54	25.19
	All classes	95714	24151	127112	31340	25.21	24.61

Source: Government of Bihar, Commercial Taxes Department, Patna.

Note : The data relate to 141 cinema houses for which the information could be obtained.

TABLE II.8

Capacity and Occupancy of Cinema Houses in Different Groups of Cities in Bihar

(Percentages)

Population groups	Admission rates (Rupees)	1975-76				1979-80			
		Seating capacity	Seats occupied	Tax payable if all seats are occupied	Tax actually paid	Seating capacity	Seats occupied	Tax payable if all seats are occupied	Tax actually paid
1. Above 1 lakh	>1.75	6.61	8.74	11.21	15.65	9.52	15.83	15.31	26.00
	1.00 - 1.74	17.78	20.86	22.09	24.67	11.50	21.40	11.94	22.41
	≤0.99	7.85	14.41	5.26	8.40	4.00	8.44	2.51	5.38
	Sub-total	32.24	44.01	38.56	48.72	25.02	45.67	29.76	53.79
2. 50,000 to 1 lakh	≥1.35	10.30	10.41	15.40	13.37	14.98	9.07	21.53	11.78
	0.75 - 1.34	27.86	22.79	24.28	21.28	29.60	22.89	25.66	20.46
	<0.74	12.09	10.87	6.03	5.93	9.29	9.54	4.67	4.76
	Sub-total	50.25	44.07	45.86	40.86	53.87	41.50	51.86	37.00
3. Less than 50,000	≥1.00	8.25	5.02	9.56	6.32	11.80	6.33	12.79	5.68
	0.75 - 0.99	5.67	3.52	4.30	2.74	5.09	3.06	3.46	1.89
	<0.74	3.59	3.38	1.72	1.64	4.22	3.44	2.13	1.82
	Sub-total	17.51	11.92	15.58	10.70	21.11	12.83	18.38	9.39
4. All cities	All classes	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Tables II.6 and II.7.

TABLE 11.9

Occupancy Ratios in Cinema Houses Located in Different Districts of Bihar

District	Number of cinema houses covered	Seating capacity	Seats occupied	1975-76		Seats occupied as a proportion of capacity (Per cent)	Tax paid as proportion of tax payable if all seats are filled (Per cent)
				Tax payable if all seats are occupied (Rupees)	Tax actually paid (Rupees)		
1. Patna	14	13171102	6127730	19330514.60	7865880.49	46.52	40.69
2. Nalanda	0	0	0	0	0	0	0
3. Gaya	9	7769191	11848643	8740028.95	1922651.99	23.79	22.00
4. Nawadah	0	0	0	0	0	0	0
5. Aurangabad	0	0	0	0	0	0	0
6. Bhojpur	2	2454306	227043	1994638.50	187773.41	9.25	9.41
7. Rohtas	4	2294916	903680	2611025.70	956883.10	39.38	36.65
8. Saran	4	1677097	436598	1211115.10	382858.15	26.03	31.61
9. Siwan	0	0	0	0	0	0	0
10. Gopalganj	4	2252191	305992	2362605.50	284886.50	13.59	12.06
11. Champaran (E)	0	0	0	0	0	0	0
12. Champaran (W)	8	4527261	665929	4418941.70	489921.72	14.71	11.0
13. Muzaffarpur	11	9389681	1499894	11392051.50	1428004.70	15.97	12.5
14. Vaishali	2	1673734	422057	1808052.10	437514.55	25.22	24.2
15. Sitamarhi	4	2925400	586655	2915347.80	551319.93	20.05	18.5

TABLE II.9 (Contd...)

District	1975-76						
	Number of cinema houses covered	Seating capacity	Seats occupied	Tax payable if all seats are occupied (Rupees)	Tax actually paid (Rupees)	Seats occupied as a proportion of capacity (Per cent)	Tax paid as a proportion of tax payable if all seats are filled (Per cent)
1. Darbhanga	3	1909956	399026	2205199.00	452576.20	20.89	20.52
2. Samastipur	0	0	0	0	0	0	0
3. Madhubani	3	1985965	445247	1911343.80	343322.04	22.42	17.96
4. Begusarai	0	0	0	0	0	0	0
5. Monghyr	14	6486251	712387	5958309.94	656314.92	10.98	11.02
6. Bhagalpur	9	5614039	892370	7065105.75	999287.30	15.90	14.14
7. Santhal Parganas	10	4952001	818314	3515358.91	541258.40	16.52	15.40
8. Saharsa	2	438233	28886	387794.50	24233.70	6.59	6.25
9. Purnea	4	1769704	485263	1919567.21	483392.27	27.42	25.18
10. Kathihar	4	3405658	1392455	3596562.90	1304059.65	40.89	36.26
11. Hazaribagh	7	5579316	1545240	6310811.80	1539381.22	27.70	24.39
12. Giridh	0	0	0	0	0	0	0
13. Dhanbad	16	15565147	4503737	20835147.45	5210011.99	28.93	25.01
14. Ranchi	2	184762	41565	92265.50	17652.78	22.50	19.13
15. Palamu	3	1843588	436539	2147510.92	504646.00	23.14	23.50
16. Singhbhum	14	9369890	4681521	12661451.93	5508873.22	49.96	43.51
TOTAL	153	107239389	29396771	125390751.36	32092704.23	27.41	25.59

TABLE II.9 (contd....)

District	Number of cinema houses covered	Seating capacity	Seats occupied	1979-80		Tax actually paid (Rupees)	Seats occupied as a portion of capacity (Per cent)	Tax paid as a portion of tax payable if all seats are occupied (Rupees)	Tax paid as a portion of tax payable if all seats are filled (Per cent)
				Seating capacity	Seats occupied				
1. Patna	14	15438698	6453924	23651057.05	9619365.00	41.80	40.01		
2. Nalanda	0	0	0	0	0	0	0		
3. Gaya	10	6254915	1994713	8268299.30	2333387.55	31.89	28.22		
4. Nawadah	0	0	0	0	0	0	0		
5. Aurangabad	0	0	0	0	0	0	0		
6. Bhojpur	2	2065434	237702	2013980.00	216089.40	11.51	10.73		
7. Rohtas	4	4112981	1163395	5164994.00	1355021.95	28.29	26.24		
8. Saran	3	1786224	138444	2182615.55	155239.90	7.75	7.11		
9. Siwan	0	0	0	0	0	0	0		
10. Gopalganj	3	580881	18557	594264.00	14765.56	2.72	2.48		
11. Champaran (E)	0	0	0	0	0	0	0		
12. Champaran (W)	7	5536109	503843	4425911.69	455522.81	12.80	10.29		
13. Muzaffarpur	5	2112718	91558	2355759.50	84561.71	4.33	3.59		
14. Vaishali	3	1750840	338665	2277073.15	304432.70	19.34	13.37		
15. Sitamarhi	2	1777430	283740	2109695.4	675501.65	15.96	32.02		
16. Darbhanga	4	3186513	350199	4519653.00	505102.90	10.99	11.11		
17. Samastipur	0	0	0	0	0	0	0		
18. Madhubani	5	1958511	478767	2077294.10	468131.35	24.45	22.5		

Contd....

TABLE II.9 (Contd...)

District	Number of cinema houses covered	Seating capacity	Seats occupied	1979-80			
				Tax payable if all seats are occupied (Rupees)	Tax actually paid (Rupees)	Seats occupied as a proportion of capacity (Per cent)	Tax paid as proportion of tax payable if all seats filled (Per cent)
19. Begusarai	0	0	0	0	0	0	0
20. Monghyr	12	5444124	839474	5929983.23	983157.98	15.42	16.58
21. Bhagalpur	3	1323305	156327	1598764.25	178939.65	11.81	11.19
22. Santhal Parganas	13	5906797	891877	5072453.02	787230.16	15.10	15.52
23. Saharsa	1	325974	13221	3118351.00	14262.55	4.06	4.48
24. Purnea	4	2808625	407198	3054212.04	439247.79	14.50	14.38
25. Kathihar	3	2744883	925975	3625471.55	1017925.50	33.73	28.0
26. Hazaribagh	9	7571522	1626883	9600444.85	1546893.15	21.49	16.11
27. Giridh	0	0	0	0	0	0	0
28. Dhanbad	15	12771170	2928374	19983199.57	3557334.01	22.93	17.80
29. Ranchi	4	1222644	131691	1423848.00	138777.30	10.77	9.75
30. Palamu	2	1472310	250687	2178581.10	304639.10	17.03	13.98
31. Singhbhum	13	9060891	3913648	14687445.99	6110913.21	43.19	41.61
TOTAL	141	95713499	24150439	127112353.00	31276456.00	25.21	24.61

Source: Government of Bihar, Commercial Taxes Department, Patna.

Note: The data relate to 153 cinema houses in 1975-76 and 141 cinema houses in 1979-80.

TABLE II.10

Frequency Distribution of Cinema Houses According to Occupancy Ratio and Class of Cities in Bihar
(1975-76 and 1979-80)

Occupancy percentage	1975-76					1979-80				
	Number of theatres in class of cities					Number of theatres in class of cities				
	A ₁	A ₂	A ₃	Total	Per cent of total	A ₁	A ₂	A ₃	Total	Per cent of total
0 - 10	2	21	16	39	25.5	2	25	26	53	37.6
10 - 20	8	20	11	39	25.5	2	27	7	36	25.5
20 - 30	6	24	8	38	24.8	2	13	5	20	14.2
30 - 40	2	8	1	11	7.2	4	3	4	11	7.8
40 - 50	3	2	22	7	4.5	3	5	1	9	6.4
50 - 60	5	4	0	9	5.9	5	0	0	5	3.5
60 - 70	5	1	0	6	3.9	6	0	0	6	4.3
70 - 80	1	1	0	2	1.3	0	1	0	1	0.7
80 - 90	0	1	0	1	0.7	0	0	0	0	0
90 - 100	1	0	0	1	0.7	0	0	0	0	0
Total	33	82	38	153	100.0	24	74	43	141	100.

Source: Government of Bihar, Commercial Taxes Department, Patna.

Note: A₁ = Cities having population of 1 lakh and above.
 A₂ = Towns having population between 50,000 and 1 lakh.
 A₃ = Towns having population less than 50,000.

TABLE II.11

Number of Permanent Cinema Halls per Lakh of
Population in Different States in 1975-76

Name of State	Population (in lakhs)	Number of per- manent cinema halls	Number of permanent cinema halls/ lakh of population
1. Andhra Pradesh	447	650	1.37
2. Assam	170	128	0.75
3. Bihar	608	216	0.36
4. Gujarat	298	243	0.82
5. Haryana	112	100	0.89
6. Karnataka	320	326	1.02
7. Kerala	236	205	0.87
8. Madhya Pradesh	472	407	0.86
9. Maharashtra	555	559	1.01
10. Orissa	244	100	0.41
11. Punjab	150	145	0.97
12. Rajasthan	284*	180*	0.63
13. Tamil Nadu	449	654	1.46
14. Uttar Pradesh	951	502	0.71
15. West Bengal	490	446	0.71

Source: Government of Uttar Pradesh (1980) Report of the Taxation
Inquiry Committee.

* Relates to 1974-75.

TABLE II.12

Planning Standard for Getting Licence for New Cinema
Houses in Bihar

	In towns with population less than 50,000	In towns with population of 50,000 and above
1. Size requirements of plots		
(i) Existing build-up area		
(a) minimum width	20 metres	30 metres
(b) width of the street in front of which the cinema house could be situated	15 metres	10 metres
(ii) Newly developed area		
(a) minimum width	30 metres	45 metres
(b) width of the street in front of which the cinema house would be situated	20 metres	30 metres
2. Minimum set back from the property line		
(i) front	9 metres	9 metres
(ii) side	4 metres	6 metres
(iii) rear	4 metres	8 metres
3. Parking space *		
(i) cars	2 per cent of the number of seats	3.3
(ii) scooters/motor cycles	8 "	10.0
(iii) bicycles	20 "	25

* Parking space for each car, scooter and bicycle shall not be less than 20 sq. metres, 3 sq. metres and 1.4 sq. metres, respectively.

Source : Government of Bihar, Commercial Taxes Department, Patna.

TABLE II.13

Rate Structure of Entertainment Tax, Cinema Show Tax and Betting Tax in Major States

Particulars	Uttar Pradesh	Karnataka	Orissa	Himachal Pradesh
<u>Entertainment Tax</u>				
(a) Cinematograph exhibitions	100 per cent on admission rate (without tax) plus surcharge of twenty five paise on payment for admission where the rate of such payment does not exceed Rs 1, and fifty paise when the admission rate exceeds one rupee	Upto 50 paise-20 per cent between 50 paise to Rs 1.50-25 per cent between Rs 1.50 to Rs 3.00 - 30 per cent. In addition to these basic rates a surcharge at 100 per cent of the entertainment tax & an additional tax from 10 to 40 paise is also charged.	Upto Rs 1.00-40 per cent 3.00-Re.1.00 to 60 per cent. More than Rs 3.00-70 per cent. A surcharge of 10 to 15 paise is also levied. 25 per cent of the tax is levied as an additional tax in specified local area. Cinema show tax ranging from Rs 5 to Rs 10 per show is charged.	75 per cent of the value of admission ticket is levied.
(b) Cinema show tax	Levied by corporations and municipalities	Cinema show tax ranging from Rs 4 to Rs 20 per show is charged		Cinema show tax is levied at the rate of Rs 1 to Rs 3 per show per hundred seats occupied according to categories of towns.
(c) Betting tax	10 per cent & a surcharge of 10 paise on each payment for admission	Betting tax $7\frac{1}{2}$ per cent to 15 per cent totalisator tax 10 to 15 per cent	Nil	No betting tax is applicable

TABLE II.13 (continued)

Madhya Pradesh

Maharashtra

Gujarat

Entertainment tax

(a) Cinematograph exhibition

Upto 100 paise, 35 to 40 per cent; Rs 1 to Rs 2, 50 to 55 per cent; above Rs 2.00, 60 to 65 per cent. An additional duty at the rate of 10 paise on every payment for admission is levied

Upto 100 paise, 32½-37½ per cent; Re. 1.00 to Rs 2.00, 47½ to 55 per cent; on the balance of total payment, 60 to 65 per cent.

A surcharge at 5 per cent upto Re 1.00 and 10 per cent in other cases is levied. Entertainment duty at the rate of 50 per cent of the payment for admission is charged for admission to a race course.

13 paise to Rs 1.50, 40 per cent; Rs 1.50 and above, 50 per cent

(b) Cinema show tax

Nil

Levied by corporations & municipalities

Nil

(c) Betting Tax

Nil

Totalisator tax - 15 per cent
Book-maker tax - 10 to 15 per cent

Nil

TABLE II.13 (continued)

Particulars	Punjab	West Bengal	Andhra Pradesh	Haryana
Entertainment tax				
(a) Cinematograph exhibitions	Entertainment duty Lowest class- 100 per cent Other classes- 125 per cent	20 to 50 paise - 30 per cent; 50 to Rs 1.20 - 60 per cent; Rs 1.20 to Rs 2.25 - 90 per cent; Rs 2.25 & above - 120 per cent. Surcharge at the rate of 10 paise on each admission is levied An additional surcharge ranging from 25 paise to Re 1.00 is charged on colour film	Upto Rs 1.50 - 35 per cent; more than Rs 1.50 - 45 per cent. In addition to entertainment tax an additional tax is also levied Upto 50 paise - 10 paise; 50 paise to Re 1.00, 20 paise; Rs 1.00 to Rs 1.50- 30 paise; Rs 1.50 to 2.00- 40 paise; Rs 2.00 to Rs 2.50-50 paise; Rs 2.50 to 3.00-60 paise; more than Rs 3.00-70 paise	Entertainment duty- 125 per cent of the admission fee
(b) Cinema show tax	Cinema show tax ranging from Rs 4 to 8 per show per hundred Occupied seats	Show tax varies from 3/4 paise to 1 1/2 paise per person admitted	Below 25,000 population 13 to 14 1/2 per cent of the gross collection capacity per show. 25,000 to 50,000 population. Rs 4 for every show; 50,000 and above population - Rs 6 for every show.	Show tax is being charged at the rate of 10 per cent of the entertainment duty payable
(c) Betting tax	No betting tax is levied	Betting tax - 18 per cent; totalisator tax - 22 1/2 per cent; on horse races conducted outside the State but on which betting is done inside West Bengal-totalisator tax 18 per cent, betting tax 15 per cent. A sur-	Admission-35 per cent of the payment for admission; Bets with totalisator 15 per cent of the payment for admission; Bets with bookmakers -15 per cent of the payment for admission	Not levied

also levied on these

Rate Structure of Entertainment and Betting Tax in Major States

Particulars	Tamil Nadu	Rajasthan	Assam	Kerala	Bihar
<u>Entertainment tax</u>					
a) Cinematograph exhibitions	Upto 30 paise-25 per cent; from 30 paise up to Rs 1.50-33.3 per cent; and for more than Rs 1.50-40 per cent. An additional surcharge is imposed as follows: upto 25 paise - 5 paise; 25 paise to Re 1.00 - 10 paise; Re 1.00 to Rs 2.00 30 paise; Rs 2.00 to Rs 3.00 - 40 paise; and for more than Rs 3.00 - 50 paise.	Upto Rs 1-60 paise; more than Re 1 100 per cent	Upto Re 1 40 per cent; from Re 1 to Rs 2-80 per cent; for more than Rs 2 100 per cent	Local authorities are empowered to levy the tax at the rate not less than 15 per cent and not more than 30 per cent on each price of admission of entertainment. An additional surcharge also is levied at the rate of 60 per cent of the entertainment tax.	110 per cent of the admission fee
Cinema show tax	Ranging from Rs 2.00 to Rs 5.00 per show. Besides, in the city of Madras an additional show tax for air-conditioned theatre of Rs 27.50 and for others Rs 17.50 per show ^{is} levied. An additional surcharge of Rs 17.50 per show is levied in Madurai. In notified municipalities the surcharge is Rs 10 per show; in other municipalities, it is Rs 7.50 per show and	* For seats not exceeding 300 Re 1 per 100 or part thereof per show and for seats exceeding 300, for the first 300 seats as above and Rs 2 per show for every additional 100 seats or part thereof. But the maximum amount of tax should not exceed Rs 10, Rs 6, Rs 3, and Rs 2 in towns where the	A show tax is levied per show at the rate of 10 per cent of the total value of tickets sold net of entertainment tax payable or Rs 10, whichever is less.	Municipalities and Panchayats levy a show tax of Rs 2 and Re 1, respectively, for cinema and Rs 5 and Rs 3 respectively, for other shows.	A show tax is levied at the rate of Rs 10 per show in Ranchi, Dhanbani, Jharia, Jamshedpur and Jugsalai and the rate of Rs 10 in all other

Rate Structure of Entertainment and Betting Tax in Major States

Particulars	Tamil Nadu	Rajasthan	Assam	Kerala	Bihar
	In other places it is Rs 5.00 per show	where the population is above 1 lakh, between 0.5 and 1 lakh, between 15,000 and 50,000 and in other places, respectively			
(c) Betting tax	The effective betting tax ranges from 20 to 10 per cent; the maximum rate is 25 per cent of every sum paid into the totalisator or on every sum liable to betting tax. Surcharge of 5 per cent is levied on all betting and totalisator taxes	Nil	Nil	Nil	Nil

* Under additional entertainment tax

Source: (1) Memorandum submitted by various State governments to the Seventh Finance Commission

Revision of Admission Fee and Tax Rates of Cinema Houses in Patna City

(In Rupees)

Class	From 1960 to 1963 (Entertainment tax 50 per cent)			From 1963 to 1973 (Entertainment tax 75 per cent)			From 1973 to 1975 (Entertainment tax 100 per cent)			From 1975 (Entertainment tax 110 per cent)		
	Admission fee	Entertainment tax	Gross admission rates	Admission fee	Entertainment tax	Gross admission rates	Admission fee	Entertainment tax	Gross admission rates	Admission fee	Entertainment tax	Gross admission rates
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
R/S	2.00	1.00	3.00	2.00	1.50	3.50	2.10	2.10	4.20	2.15	2.15	4.55
Balcony	1.50	0.75	2.25	1.60	1.20	2.80	1.75	1.95	3.70	1.95	2.15	4.10
First class	1.00	0.50	1.50	1.00	0.75	3.75	1.10	1.10	2.20	1.20	1.35	2.55
Second class	0.50	0.25	0.75	0.60	0.45	1.05	0.80	0.90	1.70	0.80	0.90	1.70

Source: Memorandum submitted by the East India Motion Pictures Association

TABLE II.15

Increases in the Rates of Admission and
Entertainment Tax
(1960-61 to 1978-79)

Class of admission	Percentage in- crease in admission fee	Percentage in- crease in entertainment tax	Percentage increase in gross admi- ssion charges
Rear Stall	7.5	140	52.7
Balcony	30.0	187	82.2
First Class	20.0	170	70.0
Second Class	60.0	260	126.7

Source: Table II.14.

TABLE II.16

Distribution of the Cinema Halls Paying Composition
Fee

Divisions	Number of cinema halls in places having population			Total
	More than 1 lakh	50,000 to 1 lakh	Less than 50,000	
1. Patna	1	6	1	8
2. Gaya	2	1	-	3
3. Bhagalpur	9	7	3	19
4. Dharbanga	2	3	2	7
5. Ranchi	-	4	3	7
6. Jamshedpur	-	1	-	1
7. Dhanbad	-	3	2	5
8. Tirhut	9	11	3	23
9. Purnea	2	12	-	14
Total of all divisions	25	48	15	87

Source : Government of Bihar, Commercial Taxes Department.

TABLE III.1

Rate of Composition Fee Payable by Different Vehicles
(Notification dated 31st March 1980, S.O.375)

Sl. No.	Description of vehicles	Rate of composition fee per month
	Vehicles, the permits in respect of which have been granted by a regional or State Transport Authority of this State	
1.	Trucks -	
	a) For a period upto five years from 1st January following the date of registration of the vehicle under Motor Vehicles Act as recorded in the certificate of registration	Rs. 350.00
	b) For a period of subsequent five years	Rs. 275.00
	c) For the subsequent period	Rs. 200.00
2.	a) Public Service Bus/Mini Bus	Total number of seats multiplied by total kilometers to be carried in a day as per permit will be the amount of fixed fee in rupees in lieu of tax per annum for a particular vehicle
	b) Buses/Mini Buses of Bihar State Road Transport Corporation	
3.	Contract carriages (Buses and Mini Buses) registered in this State	Rs. 300.00

Cont'd....

TABLE III.1 (Cont'd)

Sl. No.	Description of vehicles	Rate of composition fee per month		
		For a period of 15 days or less	For a period excluding 15 days and upto one month	For a period more than a month
		(1)	(2)	(3)
4.	Taxis (including tempos used as taxis having sitting capacity of four or more than four passengers)			Rs. 80.00
5.	Auto-Rickshaw (including tempos used as Baby Taxis)			Rs. 30.00
6.	Vehicles registered in other States but operating inside Bihar on the basis of temporary permits granted by the State of origin:			
		Rs.	Rs.	
(a)	Trucks	175	350	Rs. 350 per month or part thereof
(b)	Taxis and tempos with capacity four or more passengers	50	100	Rs. 100 per month or part thereof
(c)	Contract carriages including Mini Buses	150	300	Rs. 300 per month or part thereof

N.B. This notification shall remain effective from 1st April 1980.

Source : Bihar Gazette (extra ordinary 285), dated 31st March, 1980

TABLE III.2

Passengers and Goods Tax as a Proportion of Total Tax Revenue
in Bihar and the Neighbouring States

(in per cent)

Years	Bihar	Assam	Madhya Pradesh	Orissa	Uttar Pradesh
	(1)	(2)	(3)	(4)	(5)
1965-66	2.07	2.02	6.54	0.61	4.49
1966-67	2.49	1.95	6.45	0.66	5.39
1967-68	2.31	2.11	5.59	0.05	5.12
1968-69	1.21	1.76	5.86	0.03	5.32
1969-70	2.15	2.49	5.73	1.23	5.50
1970-71	2.34	1.63	6.04	2.58	5.73
1971-72	2.38	0.80	6.10	2.80	6.35
1972-73	3.05	1.19	7.13	2.48	4.88
1973-74	2.99	1.61	7.14	2.82	5.86
1974-75	2.70	1.37	6.23	2.91	5.17
1975-76	2.22	1.57	5.83	2.87	5.94
1976-77	3.11	1.88	10.15	2.71	5.80
1977-78	2.17	1.55	10.93	2.94	5.48

Source : 1. Government of Bihar, Commercial Taxes Department
2. State Budgets of Different State governments.

TABLE III.3

Per Capita Passengers and Goods Tax in Bihar
and the Neighbouring States

(in Rs.)

Year	Bihar	Assam	Madhya Pradesh	Orissa	Uttar Pradesh
	(1)	(2)	(3)	(4)	(5)
1965-66	0.22	0.29	0.86	0.06	0.53
1966-67	0.26	0.32	0.91	0.07	0.67
1967-68	0.28	0.37	0.91	0.01	0.76
1968-69	0.16	0.28	1.03	n	0.83
1969-70	0.30	0.48	1.12	0.16	0.89
1970-71	0.33	0.31	1.25	0.39	0.99
1971-72	0.36	0.17	1.35	0.43	1.10
1972-73	0.55	0.23	1.80	0.43	0.95
1973-74	0.58	0.33	2.03	0.51	1.42
1974-75	0.64	0.36	2.33	0.61	1.50
1975-76	0.67	0.54	2.86	0.80	2.43
1976-77	1.03	0.67	5.25	0.88	2.71
1977-78	0.73	0.67	5.77	0.97	2.60

Note : n - negligible

Source : 1 Same as for III.2

TABLE III.4

Buoyancy and Elasticity of Passengers and Goods Tax in Bihar and the
Neighbouring States
(1968-69 to 1977-78)

States	Buoyancy coefficient	E-value	R ²	Elasticity coefficient	E-value	R ²
Bihar	1.668	6.846	0.854	0.836	3.207	0.562
Assam	1.189	3.213	0.563	1.189	3.213	0.563
Madhya Pradesh	1.852	6.889	0.856	1.792	6.32	0.846
Orissa	4.426	2.626	0.463	2.848	3.001	0.530
Uttar Pradesh	1.550	7.026	0.861	1.106	6.678	0.848
West Bengal	2.583	5.618	0.798	2.583	5.618	0.798

Source : Budget documents of the State governments.

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TABLE - III.5

Growth of Passengers and Goods Tax - Automatic
and Discretionary Components (1968-69 to
1977-78

(in Rupees lakh)

State	Total increase in the yield from 1968-69 to 1977-78	Increase in the yield due to expansion of base	Increase in the yield due to dis- cretionary changes
1. Bihar	3233 (100)	1783.52 (0.55)	1449.48 (0.45)
2. Assam	699 (100)	669 (100)	0 (0)
3. Madhya Pradesh	11477 (100)	11054.78 (0.97)	373.57 (0.03)
4. Orissa ^{1/}	1244.67 (100)	139.81 (0.11)	1104.86 (0.89)
5. Uttar Pradesh	14499 (100)	11900.79 (0.82)	2598.22 (0.18)
6. West Bengal	13517 (100)	13517 (100)	0 (0)

N.B. : Figures in parentheses indicate the percentage of total increase.

^{1/} Only passengers tax; goods tax is not levied.

TABLE III.6

Yield of Passengers and Goods Tax in
Different States (1977-78)

State	Per capita passengers and goods tax (Rs.)	Per cent of total tax	Per cent of State domestic product	Tax per vehicle (trucks and buses) 1975-76 (Rs. lakh)
	(1)	(2)	(3)	(4)
1. Assam	0.67	1.55	0.074	0.063
2. Bihar	0.73	2.17	0.099	0.020
3. Gujarat	7.83	7.51	0.553	0.075
4. Haryana	16.24	12.71	0.990	0.290
5. Madhya Pradesh	5.77	10.93	0.638	0.061
6. Maharashtra	5.36	4.40	0.336	0.040
7. Orissa ^{1/}	0.97	2.94	0.121	0.063
8. Punjab	12.20	8.05	0.627	0.110
9. Rajasthan	3.76	6.57	0.392	0.052
10. Uttar Pradesh	2.60	5.48	0.281	0.066
11. West Bengal	4.74	7.16	0.372	0.054

Notes : 1/ Only passengers tax; goods tax is not levied.
2/ Passengers and goods tax in the form levy under Calcutta Improvement Act 1911 and Howrah Bridge Act 1926 for the improvement of Calcutta and Howrah.

Source : 1. Government of Bihar, Commercial Taxes Department, Patna.

2. Government of Bihar, Transport Department, Patna.

TABLE III.7

Rates of Passengers and Goods Tax in Different States
(1978)

(percentages)

State	Rates of passenger tax	Rates of goods tax
Assam	10	10
Bihar	25	20
Gujarat	25	3
Haryana	60	50
Madhya Pradesh	25*	10
Maharashtra	17.5*	4.5
Orissa	15	-
Punjab	35	35
Rajasthan	30	30
Uttar Pradesh	16	10

* inclusive of the fare

Source : Memorandum submitted by the State governments to the Seventh Finance Commission.

TABLE III.8

Compounding Rate per Year in Bihar and the Neighbouring States

1. Bihar	:	Number of seats as per permit x total kilometre to be covered in a day as permit
2. Madhya Pradesh	:	$\frac{R (F \times T) \times 365 \times 65}{100}$ (minimum)
Composition fee payable in a year	:	

where R = Rate of tax

F = Total amount of fare inclusive of tax for the full complement of passengers on the entire route for single one way trips

T = number of trips permitted on the route per day

3. Orissa		
i) ordinary stage carriage	:	$1.85 \times \text{number of seats as per permit(s)} \times \text{total kilometre to be covered in a day as per permit (D)}$
ii) express stage carriage	:	$2.05 \times S \times D$
iii) Deluxe carriage	:	$2.60 \times S \times D$
4. Uttar Pradesh	:	$F \times T \times R$

where F = Fare for the full complement of passengers on the entire route of single one way trips; T = number of one way trips during the period and R = Rate of tax : A complement of passengers is determined at 75 per cent occupancy ratio.

Source: 1. Government of Bihar, Commercial Taxes Department, Patna.
2. Memoranda submitted to the Seventh Finance Commission by the State governments.

TABLE III.9

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A Comparative Study of Taxes to/Paid and the Position Fee
Payable by Buses, Trucks and Autorikhs

Year	Total no. of goods vehicles taxes	Total tax payable at compounded (Rs lakh)	Tax payable according to rates ^{2/} (Rs Lakh)	Total no. of buses and mini buses	Composition fee payable ^{3/} by buses and mini buses (Rs lakh)	Tax payable according to the tax rate ^{4/}	Total no. of autorickshaws, tempos and scooters	Composition fee payable ^{5/} (Rs lakh)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1975-76	16214	389.1	389.4	4370	296.8	550.6	4212	25.53
1976-77	17835	428.0	4280.4	5096	642.1	642.1	5436	32.29
1977-78	21184	508.4	5084.2	6728	847.1	847.1	5895	38.80
1978-79	25483	611.7	6117.1	7991	375.9	1007.6	6534	42.36

- Note: 1. Composition fee payable for trucks is taken as Rs 200 perth per vehicle (Rs 2400 per truck per year)
2. Tax payable for trucks at the existing rates - Assuming freight charges of Rs 3/ km. (inclusive of tax) for a 10-ton payload vehicle covering 4000 km. a m. tax payable at 20 per cent of the freight; the tax component is Rs 0.50 per km. run by the ple. Thus the tax payable is Rs 0.5 x 4000 x 12 = Rs 24000 per vehicle per year.

TABLE III.9 (Notes Contd.)

3. Composition fee payable for bus is 26 paise per kilometer. Assuming that each bus on an average covers 100 kms and that there are 300 working days, the fee works out to $(0.26 \times 300 \times 100)$ Rs 7800 per bus per year (assuming a capacity of 47) composition fee payable for mini-buses is Rs 125 per month per vehicle.
 4. Tax payable for buses according to rates is calculated by assuming 90 per cent capacity. Average distance covered is assumed to be 100 km. in a day and the number of working days in a year as 300. Tax component is $(Rs\ 1.0\ per\ seat \times number\ of\ seats\ occupied \times number\ of\ working\ days)$.
 5. Autorickshaws pay a composition fee of Rs 30 per vehicle per month and cabs pay Rs 80 per vehicle per month.
 6. Computed on the basis of the used compounding formula: no. of seats x total km. covered in a day (47×100)
- * 90 per cent of 47 is 42.
- ** No composition fee for these years; hence, the tax at actual rates is taken.

TABLE III.10

Comparison of Tax to be Paid at Existing Rates, Composition
Fee Payable and Actual Tax Accruing to the State

Year	Total composition fee payable for Buses, Trucks, Autorickshaws and Taxicabs	Composition fee payable (Buses, Trucks)	Tax payable at statutory rates (buses and trucks)	Actual tax yield	Amount Evaded (1)-(4)	Difference between tax paid by the people and the government	Difference between tax paid by the people and the tax payable by the transporters	Extent of evasion (5/1) (Percent)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1975-76	711.41	685.9	4442.0	413.0	298.43	4029.0	3756.1	41.9
1976-77	1102.4*	1070.1*	4922.5	648.0	454.4	4274.5	3852.4	41.2
1977-78	1394.3*	1355.5*	5931.9	468.0	887.4	5463.9	4576.4	63.6
1978-79	1030.0	987.60	7124.7	670.0	360.00	6454.7	6138.10	35.0

Note: *For the year 1976-77 and 1977-78 there was no composition fee; hence tax paid at statutory rates has been taken for buses and mini buses.

TABLE IV.1

Revenue From Elasticity Duty as Per Cent of Total Tax
Revenue in Bihar and the Neighbouring States

(Percentages)

Year	Bihar	Assam	Madhya Pradesh	Orissa	Uttar Pradesh	West Bengal
1961-62	1.63	0.00	3.45	0.39	1.17	7.89
1962-63	1.59	0.00	3.34	3.90	1.01	7.61
1963-64	2.53	0.00	3.03	4.32	0.93	7.93
1964-65	6.13	0.04	3.25	6.49	0.77	7.89
1965-66	6.82	0.31	3.43	4.42	0.93	7.42
1966-67	6.11	0.52	3.30	5.21	1.00	6.86
1967-68	6.18	0.82	3.74	10.50	0.84	6.63
1968-69	5.47	0.69	3.75	7.98	0.93	8.05
1969-70	5.42	0.93	3.59	7.54	1.02	6.52
1970-71	5.96	0.65	3.65	8.40	1.43	6.77
1971-72	7.24	0.67	3.80	8.43	2.35	5.84
1972-73	7.43	0.60	3.98	8.24	2.97	6.62
1973-74	6.53	0.78	4.01	7.80	1.37	6.05
1974-75	5.45	1.06	4.35	6.84	0.76	4.60
1975-76	4.62	0.71	3.23	9.83	2.78	4.50
1976-77	4.25	0.81	3.20	9.84	1.28	4.44
1977-78	3.52	0.74	3.27	10.17	1.36	5.00
1978-79	6.47	0.76	4.63	10.51	1.30	4.98

- Source : (i) Government of Bihar, Commercial Taxes Department, Patna.
(ii) Budget documents of the State Governments.

TABLE IV.2

Share of Electricity Duty in State Domestic Product
in Bihar and the Neighbouring States
(1961-62 to 1977-78)

(in per cent)

Year	Bihar	Assam	Madhya Pradesh	Orissa	Uttar Pradesh	West Bengal
1961-62	0.06	0.00	0.11	0.01	0.04	0.30
1962-63	0.06	0.00	0.12	0.10	0.04	0.31
1963-64	0.09	0.00	0.11	0.14	0.03	0.33
1964-65	0.21	0.00	0.12	0.19	0.03	0.34
1965-66	0.20	0.01	0.15	0.14	0.03	0.34
1966-67	0.21	0.02	0.16	0.14	0.03	0.29
1967-68	0.19	0.03	0.13	0.29	0.03	0.27
1968-69	0.20	0.02	0.16	0.22	0.03	0.34
1969-70	0.19	0.03	0.15	0.21	0.03	0.28
1970-71	0.20	0.02	0.16	0.27	0.05	0.28
1971-72	0.26	0.03	0.16	0.28	0.10	0.24
1972-73	0.28	0.02	0.18	0.25	0.10	0.32
1973-74	0.22	0.03	0.16	0.20	0.07	0.27
1974-75	0.19	0.03	0.20	0.21	0.03	0.20
1975-76	0.21	0.03	0.21	0.39	0.16	0.24
1976-77	0.20	0.03	0.22	0.49	0.07	0.25
1977-78	0.16	0.04	0.19	0.42	0.07	0.26

Source : Same as for Table IV.1.

TABLE IV.3

Buoyancy and Elasticity of Electricity Duty
in Bihar and the Neighbouring States

States	Buoyancy coefficient	t-value	R ²	Elasticity coefficient	t-value	R ²
Bihar	1.590	8.050	0.81	0.852	6.630	0.75
Assam ^{1/}	1.525	13.985	0.94	1.357	11.185	0.91
Uttar Pradesh	1.689	6.960	0.76	1.352	6.521	0.74
Madhya Pradesh	1.328	23.258	0.98	1.189	31.504	0.99
Orissa	2.378	7.882	0.81	2.217	7.047	0.77
West Bengal	0.782	14.439	0.93	0.461	7.402	0.79

Note : ^{1/} 1966-67 to 1977-78

Source: Budget documents of the State governments

TABLE IV.4

Regression Results

Dependent variable	Taxable consumption of electricity	Percentage of industrial and agricultural consumption of electricity	Dummy 1	Dummy 2	Constant	\bar{R}^2	F
1. Electricity duty (Gross yield)	1.9934 (8.4835) ^{***}	-0.0396 (-0.2416)	-	-	-9.0146 (-4.6910) ^{***}	0.8140	36.0043 ^{***}
2. Electricity duty	1.0927 (7.6147) ^{***}	-0.0338 (-0.3380)	-	-	-3.0201 (-2.5735) ^{**}	0.7780	29.0367 ^{***}
3. Electricity duty	0.7082 (3.5205) ^{***}	-0.0072 (-0.1075)	1.2443 (8.9561) ^{***}	0.4028 (2.2936) ^{***}	-0.5896 (-0.3981)	0.9718	138.9623 ^{***}

Source: i) Government of Bihar, Commercial Taxes Department, Patna.
 ii) Government of India, Central Electricity Authority, Public Electricity Supply - All India Statistics - General Review (yearly).

Note : *** Significant at 99 per cent probability level.
 ** Significant at 95 per cent probability level.

TABLE IV.5

Installed Generating Capacity and Actual Generation of Electricity in Bihar

	U t i l i t i e s									
	State Electricity Board		Government department		Public Sector		Private sector		Total Utilities	
	Installed capacity (MW)	Generation Mkw/h	Installed capacity (MW)	Generation Mkw/h	Installed capacity (MW)	Generation Mkw/h	Installed capacity (MW)	Generation Mkw/h		
1961-62	21.93 (3.44)	32.79 (1.28)	299.00 ^{1/} (46.84)	1358.07 (52.88)	320.93 (50.27)	1390.86 (54.16)	33.77 (5.28)	129.21 (5.03)	354.70 (55.56)	1520.07 (59.19)
1965-66	59.54 (14.42)	107.81 (8.41)	0.00 (0.00)	0.00 (0.00)	59.54 (14.42)	107.81 (8.41)	33.76 (8.17)	104.59 (8.16)	93.30 (22.59)	212.40 (16.57)
1970-71	458.27 (55.83)	1270.30 (49.76)	10.00 (1.21)	0.98 (0.04)	468.27 (57.04)	1271.28 (49.80)	30.84 (3.76)	101.13 (3.96)	499.11 (60.80)	1372.41 (53.76)
1971-72	558.33 (61.04)	1433.20 (53.80)	9.60 (1.05)	2.80 (0.10)	567.93 (62.09)	1441.00 (53.90)	30.84 (3.37)	95.99 (3.59)	598.77 (65.46)	1536.99 (57.49)
1972-73	558.33 (57.24)	1953.34 (56.71)	14.40 (1.48)	4.32 (0.13)	572.73 (58.72)	1957.66 (56.83)	30.84 (3.16)	97.09 (2.82)	603.57 (61.88)	2054.75 (59.65)
1973-74	571.95 (56.30)	1889.99 (53.83)	15.00 (1.48)	4.59 (0.13)	586.95 (57.78)	1894.58 (53.96)	17.34 (1.70)	59.16 (1.68)	604.29 (59.48)	1953.74 (55.64)

Cont'd.....

TABLE IV.5 (Cont'd)

	State Electricity Board		Government department		Total Public Sector		Private Sector		Total Utilities	
	Install- ed capacity (MW)	Genera- tion MkWh								
1974-75	571.79 (54.51)	2111.71 (57.17)	15.00 (1.43)	6.31 (0.17)	586.79 (55.94)	2118.02 (57.34)	17.34 (1.65)	10.16 (0.28)	604.13 (57.59)	2128.18 (57.62)
1975-76	589.39 (56.31)	2124.82 (56.96)	15.00 (1.43)	0.08 (0.22)	604.39 (57.74)	2132.90 (57.18)	0.00 (0.00)	0.00 (0.00)	604.39 (57.74)	2132.90 (57.74)
1976-77	696.64 (60.63)	2465.56 (60.06)	15.00 (1.31)	12.21 (0.30)	711.64 (61.94)	2477.77 (60.36)	0.00 (0.00)	0.00 (0.00)	711.64 (61.94)	2477.77 (60.36)
1977-78	870.27 (65.09)	2578.44 (61.35)	20.00 (1.50)	11.62 (0.28)	890.27 (66.59)	2590.06 (61.63)	0.00 (0.00)	0.00 (0.00)	890.27 (66.61)	2590.06 (61.63)
Compound growth rate (1970-71 to 1977-78) per cent per annum	7.10	10.01	8.96	37.70	7.13	10.07	-	-	6.03	8.73

TABLE IV.5 (Cont'd)

Installed Generating Capacity and Actual Generation of Electricity in Bihar

	Non-Utilities						Grand total	
	Selected industries		Railways		Total non-utilities		Install- ed capacity (MW)	Genera- tion MkWh
	Install- ed capacity (MW)	Genera- tion MkWh	Install- ed capacity (MW)	Genera- tion MkWh	Install- ed capacity (MW)	Genera- tion MkWh		
1961-62	283.68 (44.44)	1048.11 (40.81)	0.00 (0.00)	0.00 (0.00)	283.68 (44.44)	1048.11 (40.81)	638.38	568.18
1965-66	319.66 (77.41)	1069.64 (83.43)	0.00 (0.00)	0.00 (0.00)	319.66 (77.41)	1069.64 (83.43)	412.96	1232.04
1970-71	312.93 (38.12)	1170.54 (45.85)	8.85 (1.08)	10.08 (0.39)	321.78 (39.20)	1180.62 (46.24)	820.89	2553.34
1971-72	309.48 (33.84)	1125.88 (42.12)	6.42 (0.70)	10.47 (0.39)	315.90 (34.54)	1136.35 (42.51)	914.67	2673.34
1972-73	365.40 (37.46)	1379.41 (40.05)	6.42 (0.66)	10.47 (0.30)	371.82 (38.12)	1389.88 (40.35)	975.39	3444.63
1973-74	405.28 (39.84)	1546.24 (44.04)	6.34 (0.63)	11.16 (0.32)	411.62 (40.52)	1557.40 (44.36)	1015.90	3511.14

Cont'd....

TABLE IV.5 (Cont'd)

	Non-Utilities						Grand total	
	Selected industries		Railways		Total non-utilities			
	Install- ed capacity (MW)	Genera- tion MkWh	Install- ed capacity (MW)	Genera- tion MkWh	Install- ed capacity (MW)	Genera- tion MkWh	Installed capacity (MW)	Genera- tion MkWh
1974-75	435.06 (41.48)	1554.22 (42.08)	9.75 (0.93)	11.29 (0.30)	444.81 (42.41)	1565.51 (42.38)	1048.94	3693.69
1975-76	434.52 (41.51)	1585.54 (42.50)	7.87 (0.75)	11.81 (0.32)	442.39 (42.26)	1597.35 (42.82)	1046.78	3730.25
1976-77	429.23 (37.36)	1617.51 (39.40)	8.10 (0.70)	9.75 (0.24)	437.33 (38.06)	1627.26 (39.64)	1148.97	4105.03
1977-78	438.63 (32.81)	1604.43 (38.17)	8.10 (0.60)	8.24 (0.20)	446.73 (33.41)	1612.17 (38.37)	1337.00	4202.73
Compound growth rate (1970-71 to 1977-78) per cent per annum	5.62	5.43	1.90	-1.65	5.53	5.38	5.88	7.31

Note : 1/ Inclusive of DVC power houses located in Bihar. 2/ Figures with parentheses indicate percentages of the grand total

Source : (i) Government of India, Central Electricity Authority, Public Electricity Supply - All India Statistics - A General Review (Yearly)
(ii) Bihar State Electricity Board, Electricity Board at a Glance (Yearly)

TABLE IV.6

Average Rate of Duty per unit of Energy

(In paise)

	Bihar	Assam	Uttar Pradesh	Orissa	Madhya pradesh	West Bengal
1961-62	0.58	-	0.63	0.07	1.74	1.53
1965-66	1.75	0.95	0.37	0.90	1.63	1.72
1970-71	1.78	0.62	0.51	1.75	1.68	1.86
1971-72	2.25	0.64	1.02	1.69	1.74	1.76
1972-73	2.88	0.56	1.13	1.99	1.91	2.20
1973-74	2.78	0.77	1.02	2.11	2.02	2.28
1974-75	2.73	0.96	0.45	2.12	2.70	2.04
1975-76	2.29	0.96	1.85	3.21	2.24	2.33
1976-77	2.17	0.96	0.82	3.70	2.14	2.38
1977-78	1.79	1.03	0.94	3.74	2.09	3.01

- Source : (i) Government of India, Central Electricity Authority; Public Electricity Supply - All India Statistics - General review (yearly)
- (ii) State government budgets

TABLE IV.7

Energy Sales to Category-Wise Consumers in Bihar^{1/}

1961-62 to 1977-78

(in Mega W)

	Total energy sold	Domestic	Commercial	Industrial power (low medium voltage)	Industrial power (high voltage)	Public lighting	Traction	Agriculture	Public water works and sewage pumping	Miscellaneous
1961-62	971.69	47.49 (4.89)	25.47 (2.62)	55.72 (5.73)	746.17 (76.79)	3.98 (0.40)	61.60 (6.34)	18.46 (1.90)	12.79 (1.33)	0.00
1962-63	1279.86	58.71 (4.59)	40.61 (3.17)	76.45 (5.97)	927.39 (72.46)	4.73 (0.38)	130.84 (10.22)	19.99 (1.56)	21.15 (1.65)	0.00
1963-64	1628.16	60.78 (3.98)	45.52 (2.98)	86.68 (5.67)	1133.18 (74.15)	4.91 (0.32)	153.65 (10.06)	19.45 (1.27)	23.99 (1.57)	0.00
1964-65	1742.89	66.22 (3.80)	50.21 (2.88)	93.26 (5.35)	1212.18 (69.55)	4.92 (0.28)	268.05 (15.38)	22.35 (1.28)	25.69 (1.48)	0.00
1965-66	1932.55	61.09 (3.16)	69.35 (3.59)	100.42 (5.20)	1396.83 (72.28)	4.80 (0.25)	343.09 (17.75)	29.33 (1.52)	27.64 (1.43)	0.00
1966-67	2121.89	64.64 (3.05)	84.61 (3.99)	106.55 (5.02)	1393.52 (65.67)	4.87 (0.23)	388.41 (18.30)	49.25 (2.32)	30.03 (1.42)	0.00
1967-68	2195.40	71.30 (3.25)	82.50 (3.76)	126.43 (5.76)	1459.93 (66.50)	4.91 (0.22)	349.99 (15.94)	61.05 (2.78)	31.80 (1.45)	7.49 (0.34)

TABLE IV.7 (Cont'd)

	Total energy sold	Domestic	Commercial	Industrial power (low medium voltage)	Industrial power (high voltage)	Public lighting	Transmission	Agriculture	Public works sewage pumping	Miscellaneous
1968-69	2369.94	73.92 (3.33)	88.96 (3.75)	132.51 (5.59)	1575.41 (66.47)	5.04 (0.21)	382.41 (16.19)	67.88 (2.86)	31.38 (1.32)	7.43 (0.32)
1969-70	2503.54	86.27 (3.45)	98.50 (3.93)	138.94 (5.55)	1655.81 (66.14)	5.40 (0.22)	406.61 (16.24)	71.39 (2.85)	32.53 (1.30)	8.09 (0.32)
1970-71	2585.27	91.36 (3.53)	96.27 (3.72)	154.89 (5.99)	1753.75 (67.84)	5.34 (0.21)	371.08 (14.35)	69.13 (2.67)	34.96 (1.35)	8.49 (0.34)
1971-72	2749.04	97.33 (3.54)	97.45 (3.54)	166.78 (6.06)	1907.07 (69.37)	5.80 (0.21)	372.97 (13.57)	56.00 (2.05)	37.29 (1.36)	8.35 (0.30)
1972-73	2708.85	103.85 (3.83)	111.28 (4.11)	173.23 (6.39)	1826.85 (67.44)	6.30 (0.23)	364.19 (13.45)	75.03 (2.77)	40.65 (1.50)	7.47 (0.28)
1973-74	2636.26 (4.11)	110.55 (4.11)	117.13 (4.36)	416.74 (15.51)	1589.86 (59.17)	6.45 (0.24)	322.87 (12.01)	73.81 (2.75)	42.05 (1.56)	7.80 (0.29)
1974-75	2881.17	113.52 (3.94)	106.09 (3.68)	195.28 (6.78)	1993.27 (69.18)	5.87 (0.20)	340.00 (11.80)	75.13 (2.62)	40.93 (1.42)	11.06 (0.38)
1975-76	3764.64	129.73 (3.45)	113.79 (3.02)	221.79 (5.89)	2376.69 (63.13)	5.99 (0.16)	398.83 (10.59)	454.16 ² / _(12.06)	51.96 (1.38)	11.70 (0.32)

(Cont'd..)

TABLE IV.7 (Cont'd)

	Total energy sold	Domestic	Commercial	Industrial power (low medium voltage)	Industrial power (high voltage)	Public lighting	Transportation	Agriculture	Public water works and sewage pumping	Miscellaneous
1976-77	4095.31	145.56 (3.55)	113.19 (2.76)	247.21 (6.04)	2674.54 (65.31)	5.58 (0.14)	399.54 (9.76)	449.37 ^{2/} (10.97)	48.83 (1.19)	11.49 (0.28)
1977-78	4209.51	168.47 (4.00)	329.02 (3.06)	305.70 (7.26)	2790.16 (66.28)	5.11 (0.12)	428.01 (10.17)	299.08 (7.10)	50.98 (1.23)	32.98 (0.78)

Notes: 1/ Sales by the Bihar State Electricity Board, Government department and the private sector.

2/ Includes consumption by the agricultural processing industries also

Figures in parentheses are percentages of the total.

Source: Same as for Table IV.5.

TABLE IV.8

State-Wise Electricity Tariff and Electricity Duty
(1979)

(in paise per unit)

State	Domestic lights and fans 30 kWh/month			Commercial lights and fans 50 kWh/month			Agriculture 10 HP			Small industry			Large industry		
	Rate	Duty	Total	Rate	Duty	Total	Rate	Duty	Total	Rate	Duty	Total	Rate	Duty	Total
Andhra Pradesh	43.00	-	43.00	84.00	-	84.00	17.22	-	17.22	39.00	-	39.00	34.77	-	34.77
Assam	48.00	3.00	51.00	60.00	3.00	63.00	18.00	3.00	21.00	25.00	2.00	27.00	24.70 ^{1/}	0.19	24.89
Bihar	46.00	7.00	53.00	66.00	7.00	73.00	5.15 ^{2/}	2.00	7.15	36.00 ^{1/}	2.00	38.00	36.15 ^{1/}	2.00	38.15
Gujarat	35.47	6.69	42.16	36.63	8.66	45.29	23.94	1.20	25.14	30.08	0.84	30.92	29.66	4.15	33.81
Kerala	38.33	2.50	40.83	38.00	3.80	41.80	11.22	1.12	12.34	15.00	1.50	16.50	16.23	3.87	20.10
Madhya Pradesh	32.50	6.50	39.00	47.00	8.00	55.00	22.12 ^{1/}	-	22.12	27.00	1.50	23.50	21.02 ^{1/}	3.00	24.82
Tamil Nadu	38.00	-	38.00	73.00	-	73.00	14.61	-	14.61	73.00	-	73.00	31.06	3.09	34.15
Maharashtra	33.25	5.00	38.25	42.25	15.00	57.25	12.75	-	12.75	27.25	1.00	28.25	18.41 ^{1/}	3.50	21.91
Karnataka	45.00	4.50	49.50	62.00	4.50	66.50	21.51	1.00	22.51	27.51	4.50	31.02	20.09	2.25	22.34
Orissa	32.00	5.25	37.25	44.50	7.12	51.62	15.00 ^{1/}	2.50	17.50	22.00 ^{1/}	3.40	25.40	20.50	7.07	27.57
Punjab	31.62	10.25	41.87	46.00	8.80	54.80	15.30	-	15.30	21.27	4.26	25.53	17.84	4.46	22.30
Haryana	29.75	10.25	40.00	40.00	11.00	51.00	22.45	-	22.45	24.00	3.60	27.60	21.16	6.35	27.51
Rajasthan	38.00	6.00	44.00	55.00	6.00	61.00	21.00	-	21.00	25.00	2.00	27.00	26.09 ^{1/}	2.00	28.09
Uttar Pradesh	45.00	2.00	47.00	120.00	2.00	122.00	14.69	-	14.69	35.00	1.00	36.00	36.38	1.00	37.38
West Bengal	48.00	3.00	51.00	60.00	3.00	63.00	35.00	6.00	41.00	37.00	0.33	37.33	26.14 ^{1/}	1.50	27.64

Cont'd. . .)

TABLE IV.8 (Cont'd)

(in paise per unit)

State	Domestic lights and fans 30 kWh/month			Commercial lights and fans 50 kWh/month			Agriculture 10HP			Small industry			Large industry		
	Rate	Duty	Total	Rate	Duty	Total	Rate	Duty	Total	Rate	Duty	Total	Rate	Duty	Total
Himachal Pradesh	37.50	1.50	39.00	48.00	2.00	50.00	9.00	1.98	10.98	21.84	4.00	25.84	19.77	4.00	23.71
Jammu and Kashmir	28.00	3.08	31.08	38.00	3.88	41.88	10.00	1.50	11.50	18.00	2.78	20.78	16.00	2.40	18.40

Notes : 1/ Excluding fuel surcharge

2/ For 9 months only

Source : Government of India, Central Electricity Authority (1979), Average Electric Rates and Duties in India, Delhi.

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TABLE IV.9

Average Cost of Power per Unit Produced Under Various
Systems of Power Generation in Bihar

(In paise)

Year	Steam	Diesel	Hydel
1971-72	8.93	113.34	8.35
1972-73	9.56	213.53	97.06
1973-74	12.58	138.10	94.47
1974-75	15.42	211.90	90.65
1975-76	16.43	235.50	62.52
1976-77	14.93	233.39	61.83
1977-78	16.23	299.45	78.50 ^{1/}
1978-79	21.64	887.50	53.81 ^{1/}

^{1/} With respect to Kosi project alone

Source : Government of Bihar (1978), Materials on subsidiary points presented to the Finance Commission, Finance Department, Patna.

TABLE IV.10

Installed Capacity and Generation in Selected Industries in Bihar:1978

	Install- ed capa- city (KW)	Installed capacity (per cent)	Genera- tion (MkWh)	Genera- tion (per cent)
Aluminium	4000	0.91	21.843	1.36
Cement (primary)	32144	7.33	119.619	7.46
Collieries	15000	3.42	48.597	3.03
Engineering (elec)	1000	0.23	0.160	Neg
Fertilizer	81780	18.64	268.437	16.73
Heavy engineering	750	0.17	-	-
Iron and steel (primary)	245000	55.86	1000.718	62.39
Iron and steel (Secondary)	600	0.14	0.14	-
Jute	1500	0.34	6.470	0.40
Mineral oil and petroleum	24000	5.47	107.886	6.72
Mining and quarrying	150	0.03	0.037	Neg
Non-ferrous	9350	2.25	9.970	0.62
Sugar	21971	5.01	20.248	1.26
Miscellaneous	875	0.20	0.449	0.03
TOTAL	438628	100.00	1604.434	100.00

Source : Government of India, Central Electricity Authority, (1977-78), General Review - Public Electricity Supply - All India Statistics.

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TABLE IV.11

Rates of Duty for Self-Generated Electricity in Different States

State	Rate		
Assam	3 paise per unit		
Gujarat	<u>Domestic Consumption</u>	<u>Industrial Consumption</u>	<u>Cinema house/theatre</u>
	in rural area : 5 paise per unit in urban area : upto 20 units - 6 paise per unit next 30 units - 10 paise per unit excess of 50 - 15 paise per unit units	7 paise per unit	10 paise per unit
Jammu & Kashmir	4 paise per unit		
Karnataka	2.25 paise per unit		
Kerala	1.20 paise per unit		
Punjab	1.25 paise per unit		
Rajasthan	2.00 paise per unit		
Tamil Nadu 1/	<u>High Tension Supply</u>	<u>Low Tension Supply</u>	
	Textile industry: 30 per cent of the price of energy Cement industry : 15 per cent of the price of energy Energy intensive: 10 per cent of the price of energy units Other industry : 35 per cent of the price of energy	Domestic consumption	: 10 per cent on the price of energy Non-domestic consumption: 20 per cent on the price of energy Public lighting : 20 per cent on the price of energy
Uttar Pradesh	1 paise per unit		

1/ Energy generated from captive generating sets using diesel oil is exempted from duty w.e.f. 1.3.1977.

Source: Government of India, Central Electricity Authority, (December 1979), Schedules of Electricity Duty Tax Leviable on Generation, Sale and Consumption of Electricity in various States of India.

TABLE IV.12

Exemptions from the Levy of Electricity Duty

State	Exempted categories of electricity consumption
Bihar	<ul style="list-style-type: none"> i) Electricity consumed by Public Works Department for lift irrigation, ii) Any local authority for lighting of public streets, and iii) Sale for consumption of electricity in iron and steel industry, electro-chemical or electro-metallurgical industry for a period of five years from the date of commencement of production.
Assam	<ul style="list-style-type: none"> i) On that part of electrical energy used by industrial concerns in Assam exclusively for industrial production which exceeds 40,000 units, ii) Electrical energy used by vessels (sea-going or inland), and iii) Electrical energy used for agricultural or horticultural purposes.
Madhya Pradesh	<p>Energy sold or supplied or consumed by</p> <ul style="list-style-type: none"> i) State government, ii) Agriculture pumping and other operations, iii) Power house auxiliaries, and iv) In excess of 1.5 paise per unit of electrical energy sold by any distributors of electrical energy or producers in respect of the electrical energy sold or supplied to the following consumers: a) small scale industries registered with the State Industries Department, b) mini steel plants, c) electrode units, d) caustic soda units, e) steel casting units, f) oxygen-nitrogen industries, g) ferrous and non-ferrous alloy units, and h) calcium carbide units.

Contd.....2

TABLE IV.12 (Contd...2)

State	Exempted categories of electricity consumption
Orissa	i) Energy consumed by, or sold to, the State government.
Uttar Pradesh	i) Energy sold to/consumed by the State government, ii) Energy consumed by a cultivator in agricultural operations carried on in or near his fields such as for the pumping of water for irrigation, crushing, milling or treating of produce of those fields or chaff cutting, iii) Energy consumed by any person from his own source of generation installed after January 2, 1973, and iv) Energy sold to a consumer establishing a factory having a capital investment upto Rs 25 lakh in the 36 backward district of the State.
West Bengal	Energy sold to/consumed by i) State government, ii) Places of public workship, public burial or burning ground or other-places for disposal of the dead, iii) Premises declared by the State government to be used exclusively for purposes of public charity, iv) Any consumer using not more than 25 kWh/month, and v) Local authorities like Municipalities and Corporations.

Source : i) Government of India, Central Electricity Authority, (1979). Schedules of Electricity Duty Tax Leviable on Generation, Sale and Consumption of Electricity in Various States of India.

ii) Materials on Subsidiary Points submitted to the Seventh Finance Commission by State governments.

TABLE IV.13

Collection of Electricity Duty in Bihar: Applying All-India Transmission
Distribution and Unaccounted Losses

Year	Electricity available for sale (MkWh)	Line loss ^{1/} (MkWh)	Line loss All-India (in percent)	Line loss if All-India percentage is applied (in percent)	Difference between 2 and 4 (MkWh)	Possible ^{2/} collection of electricity duty (Rs.lakh)	Possible collection of electricity duty as a per cent of total collection
1971-72	2496.48	610.35	18.75	468.09	142.26	32.01	5.18
1972-73	2806.29	870.40	19.94	559.57	310.83	89.52	11.46
1973-74	2685.90	733.52	20.46	549.54	183.98	51.15	6.85
1974-75	3279.85	829.18	20.48	671.71	157.47	42.99	5.46
1975-76	3791.98	926.18	19.42	736.40	189.78	43.46	5.04
1976-77	3967.95	939.69	19.29	785.26	154.43	33.51	3.78
1977-78	3929.16	952.48	19.26	756.76	195.72	35.03	4.65

- Source : 1. Bihar State Electricity Board (1978-79), Electricity Board At A Glance.
2. Government of India, Central Electricity Authority, (1977-78), General Review - Public Electricity Supply - All India Statistics.

Collection of Electricity Duty in Bihar : Applying All-India
Utilisation of Installed Capacity

	Installed Capacity (in MW)			Generation of Electricity (Mkwh)				Total net of auxiliary consumption
	Hydel	Thermal	Diesel	Total	Hydel	Thermal	Diesel	
1971-72	9.60	445.00	13.45	468.05	2.80	1431.50	3.90	1263.89
1972-73	9.60	545.00	13.45	568.05	4.32	1947.38	1.64	1723.00
1973-74	14.40	545.00	13.45	572.85	4.59	1883.29	2.11	1665.30
1974-75	14.40	558.50	12.78	585.68	6.31	2104.30	1.10	1852.11
1975-76	14.40	572.50	16.63	603.53	8.08	2115.55	1.19	1831.35
1976-77	14.40	572.50	16.21	603.11	12.21	2452.35	1.00	2102.36
1977-78	79.40	682.50	13.58	775.48	42.62	2535.25	0.57	2220.66

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TABLE IV.14 (Contd.)

Collection of Electricity Duty in Bihar : Applying All-India
Utilisation of Installed Capacity

Years	All India capacity utilisation (in percent)			Potential generation of electricity (MkWh)				Time less (in percent)	Difference between actual & potential generation on net of time less (MkWh)	Possible collection of electricity duty (Rs lakh)	Possible collection of electricity duty as percent of total
	Hydel	Thermal	Diesel	Hydel	Thermal	Diesel	Total (Potential)				
1971-72	48.39	45.61	5.60	40.54	1617.78	6.32	1664.64	24.45	302.77	68.12	11.02
1972-73	45.76	48.01	7.17	38.34	2087.64	8.07	2134.05	31.02	284.23	81.86	10.47
1973-74	47.48	45.99	5.90	59.66	1990.36	6.57	2056.59	27.31	284.43	79.07	10.59
1974-75	42.26	46.28	6.03	53.05	2048.45	6.48	2107.98	25.28	191.19	52.19	6.63
1975-76	44.92	46.14	3.01	56.38	2088.59	4.23	2149.20	24.42	240.23	55.01	6.38
1976-77	44.07	49.67	3.26	55.38	2245.89	4.40	2305.67	23.68	155.17	33.67	4.00
1977-78	43.30	45.51	4.50	299.84	2439.02	5.14	2744.00	24.24	396.48	70.97	9.42

Source: Same as for Table III.13.