

Report of the Bombay Sales
Tax Enquiry Committee

REPORT OF THE BOMBAY SALES TAX ENC

I. TERMS OF REFERENCE.

In a Press Note dated the 4th September 1946, the Government of Bombay announced that "in the light of the public scrutiny to which the Bombay Sales Tax Act, 1946, has been subjected, Government proposes to revise it in as comprehensive a manner as possible and to submit the revised measure to the Legislature before the end of the current financial year. An expert unofficial committee will be appointed to advise Government in this work of revision."

2. Accordingly, our Committee was appointed under Government Resolution, Finance Department, No. 6491/33, dated 12th October 1946, which is reproduced below :-

"In view of the criticisms and suggestions made by the various trade associations and the general public regarding the provisions of the Bombay Sales Tax Act, 1946, Government has decided to appoint the following Committee to make recommendations for its revision :-

Mr. D. R. Gadgil, M.A., M.Litt., Director, Gokhale Institute
of Politics and Economics, Poona Chairman.

Mr. Mahomed Husein Hashani Premji, B.A., President, Indian
Merchants' Chamber and Mr. Shantilal Shah, B.A., LL.B.,
Member, Legislative Council Members.

Mr. F. S. Nadkarni, B.A. (Hons.), Special Officer (Reconstruction Finance), will act as Secretary to the Committee.

"2. The terms of reference to the Committee are as follows :-

(i) to consider whether the scheme of sales tax adopted in the Bombay Sales Tax Act, 1946, and the Rules thereunder requires modification; and

(ii) if so, to indicate the lines of modification."

3. Under the terms of reference, the Committee has been given a wide scope for indicating whether the scheme of sales tax under the present Act needs modification. The Finance Minister in referring to these terms in his reply to a non-official Resolution on the sales tax in the Legislative Assembly interpreted them as enabling the committee, if it so desired, to suggest modification in the present Act to the point of abolition of the sales tax itself. We feel that the terms of reference give us full liberty to suggest any essential modifications in the present scheme itself or to devise and recommend any other scheme of sales taxation. An abolition could, however, be recommended by us under the terms of reference only if we found that with no modifications whatever could a sales tax be made workable in this Province. As such a position is obviously unobtainable, we think that it is not open to us to recommend cancellation or abolition of the sales tax. We have accordingly confined ourselves to examining the scheme of sales tax under the present Act in all its aspects with a view to recommending modifications in the basis, method and procedure of levying sales tax, which in our opinion, would meet the requirements of all interests concerned.

II. THE BOMBAY SALES TAX ACT, 1946—ITS GENESIS, FORMATION OF STRUCTURE AND IMPOSITION.

4. The sales tax is at present also levied in the Provinces of Madras, the Punjab, Bengal and Bihar. In Bombay under the Bombay Sales Tax Act, 1939, an attempt was first made to levy sales tax on selected articles, included in its schedule at a rate not exceeding 6½ per cent. Only two articles, viz., motor spirit and manufactured cloth were included in the schedule. The tax was levied on motor spirit and before it could be extended to manufactured cloth, the Ministry resigned. In 1943, with a view to combating inflation and building up a Post-War Reconstruction Fund, the Government of Bombay decided to explore the possibility of levying a General Sales Tax in this Province and deputed an Officer to study and to report on the different systems of sales tax prevalent in some of the Provinces. In the light of the reports submitted by the Officer, the Government of Bombay decided to levy a single-point sales tax on the last sales as is being levied in the Bengal and Bihar Provinces, in preference to a general turnover or multi-point tax as is being levied in the Province of Madras. The reasons as we have understood them, for this preference were that—

(i) the incidence of tax in a multi-point tax is unequal; it tends to be more in the case of essential and popular articles which pass through more stages of sales than in the case of non-essential or occasionally used articles. Commodities like foodgrains, groceries, edible oils, tobacco, clothing and shop articles change hands many times and more often than articles like tinned fruits, gold or silver ornaments, motor cars, etc. If, however, essential goods are exempted from the tax, the main advantages of a general turnover tax which are uniformity of procedure and simplicity in accounts, are lost;

(ii) being a direct tax, the consumer is aware of the full incidence of a multi-point tax and is able to resist any undue increase in the rate of levy;

(iii) the multi-point tax increases the cost of manufacture. The tax has to be paid on raw materials, on the subsidiary materials, on fuel or power etc., which are required for purposes of manufacturing goods for sale. In some of the industries, like pharmaceutical, textile, chemical industries, which utilise semi-finished or finished products, the incidence of tax becomes too high. In an industrially advanced province like Bombay, a multi-point tax would affect the competitive capacity of its manufactures and industries;

(iv) similarly, the large export trade of this Province would be affected if a general turnover tax is levied. The exportable goods have to bear the tax at every stage of its sale from production to processing and the cost thereon becomes heavier in comparison to the cost of similar goods in other Provinces where no sales tax is levied or a single-point sales tax is levied. Exports are exempted. Under a multi-point tax even if exports are exempted or a rebate is given, the exportable goods do not get much relief. Such an exemption or rebate of tax will be confined to the last stage of sale, viz., at the stage of export, and the goods have to bear the levy of the tax at each of the earlier stages of their production and processing;

(v) a general turnover tax tends to disturb the existing structure of trade and to eliminate some of the middlemen. In order to compete successfully, a manufacturer or an importer will seek direct contact with retailers or consumers so as to avoid the levy of the tax at the intermediary stages. Similarly there is the possibility of wholesalers and other middlemen evading the tax by posing themselves as mere brokers bringing together the manufacturer and the retailer or consumer; and

(vi) lastly the method of assessment and procedure adopted under a general turnover tax is not necessarily as simple as is argued. If a number of exemptions are granted to relieve to some extent, the burden of the tax on the poorer classes, then there is not much saving in the labour involved to the dealers in maintaining accounts. Further with a system of licensing of certain classes of dealers and of granting rebates on exports, the difficulties regarding interpretations of terms, of verification of accounts and of checking evasions persist more or less to the same extent even under a general turnover tax.

5. A Bombay Sales Tax Bill was accordingly drafted on the lines of the Bengal and Bihar Sales Tax Acts and published in the Official Gazette dated 7th December 1945 for public opinion. The Governor enacted this measure on 8th March 1946. The Act was however brought into force from 28th March 1946 and a notification was issued declaring that the tax would be imposed with effect from 1st July 1946. In April, when the Ministry assumed office, it postponed the date of levy of the tax from 1st July to 1st October 1946 to consider carefully the necessity and the basis of the tax. After much deliberation, the Ministry declared its intention of levying the tax, in a Press Note of 28th June 1946, in the following terms :—

“ In view of its large financial commitments, notably in the spheres of food, village water supply and education and generally in respect of the whole field of development and rehabilitation, the Government of Bombay has decided to proceed to implement the Bombay Sales Tax Act, 1946. The Ministry is in agreement with the main principles of the existing Act, which are the avoidance of a multiple tax on sales of the same commodity, the exclusion from the tax of sales for export, and the exemption from the tax of a wide range of items, chiefly those affecting the poorer consumer. This endorsement of the principles of the Act by no means implies that the Government is unaware of possible defects. But the defects will, for the most part, emerge from experience gained in the actual operation of the Act ; and it is proposed in due course to re-enact the measure in the light of such experience.”

6. Under the Bombay Sales Tax Act, 1946, the tax is levied at the rate of half anna per rupee. The levy at a single-point is ensured by a system of registration. Sales between registered dealers for resale are exempt. Similarly sales to registered manufacturers of articles used in the manufacture of goods for sale and to addresses outside the Province are exempted from the tax. A large number of essential goods like foodgrains, milk, kerosene, charcoal, etc., which enter into the cost of living of poorer classes are exempted from the tax. The exemption has also been extended, for other considerations, to certain classes of articles like goods that bear a separate tax, school requirements, products of certain cottage industries, sacred books, etc. The tax is payable by all dealers whose gross turnover in a year has exceeded Rs. 30,000 and all such dealers are required to be registered under the Act.

III. THE AGITATION AGAINST THE ACT AND ASSURANCE OF GOVERNMENT.

7. There was much agitation against the Act before and after its enactment. The agitation before the enactment of the measure was mainly directed against the section 93 regime : that it should not have imposed such a wide tax affecting practically every interest in the Province but should have left it to the popular Ministry and legislature to consider it in the light of public reaction. When the Ministry assumed office and the date of levy of tax was extended from 1st July to 1st October 1946, the general expectations were that the Act would not be enforced until it was considered afresh in the legislature. Therefore when in the Press Note

issued on 28 June 1946, the public was informed that the Ministry had decided to implement the Act with some minor improvements, the agitation against the tax became more violent. The trading community as a whole was very bitter in its attack on the Act and its provisions. Hartals were observed all over the Province, protest-meetings were held in practically every city and town, and numerous representations made and deputations sent to the Ministry to repeal the Act altogether or at least to revise it to conform to the wishes of the trading community. With a view to clearing some of the misconceptions created in the minds of the public and also explaining the reasons which guided the Ministry in arriving at its decision to implement the Act, the Finance Minister called a conference of journalists at Poona. He dealt with the criticisms levelled against the Ministry, and explained the improvements carried out by it in the Act and in the manner of its enforcement, in the following words :--

“ In the first place, the present Ministry have been told, that we have adopted a form of taxation which was foisted on us by the Advisers' regime. A general sales tax is however a common method of taxation known all over the world. We have been fortified in our decision by the reflection that there are, in other Provinces, not conspicuously different systems of taxation long since in force. The Sales Tax Act in Madras was introduced during the regime of the first Congress Ministry in that Province and it has now been in operation for seven years. The lead set by Madras has been followed in Bengal, Bihar and the Punjab. Coming as the Bombay Act did in the wake of the legislation enacted in these other Provinces, we find that an attempt was made by its authors to profit by experience gained elsewhere. Secondly, the charge has been levelled against Government that it has unduly rushed this measure. The fact of course is quite different. The Act was already there on the Statute Book when the Ministry assumed office. Far from rushing the measure, the present Government postponed the effective date of taxation from 1st July to 1st October. This was done in order not merely that the trade might have ample time to examine the draft rules which had been issued for public criticism but also that the Ministry might carefully examine the need for this tax and the general suitability of the scheme of taxation and then arrive at a considered decision whether to repeal the measure substantially modify, it, or proceed with it more or less as it stood. Various alternatives were carefully examined. It was considered, for example, whether it would not be more appropriate to levy the tax at the first stage of sale so that the persons from whom it would be collected would be producers, manufacturers and wholesalers. For several reasons, including the legal one that a tax of this type might conflict with the powers of the Central Government this particular alternative had to be eliminated. It was also examined whether a system of licence fees might not be adopted. But it was found that the total revenue derivable from any such system would be relatively inconsiderable. A tax at all stages, as in Madras, could readily have been adopted and would incidentally have brought in much larger revenue than the present scheme, one of the main principles of which is the avoidance, as far as possible, of a multiple sales tax on the sales of the same commodity. The Ministry were in agreement with this principle viz. the avoidance of a multiple sales tax on the same commodity. Along with it has had to be accepted the system of registration which is necessary in order to implement the principle. Export trade was safeguarded by the exclusion from the tax of all sales for export. There then remained one main point on which further examination seemed necessary, and that was the effect of the tax on the consumer. The Act as it stood already contained a large schedule

of exemptions. The present Government decided further to enlarge it in order that the burden on the poorer consumer might be further reduced. Briefly, the idea was to exclude all such articles as entered largely into the cost of living of those with low incomes. Steps have consequently been taken to extend the exemption to certain edible oils, firewood, charcoal, etc. In the same category of articles used by the poor may be mentioned woollen kambhis. The cultivator, it was decided, should be further safeguarded by the exclusion of manures including oil cakes, and of the more common agricultural implements. Hand-loom cotton cloth and various school requirements including text-books are other examples of the additional exemptions decided on by the Ministry.

“You will perhaps allow me to recapitulate the several alterations which have been made in the rules in order that all avoidable hardship and harassment might be eliminated. Such hardship and harassment have been most feared in respect of the maintenance of accounts, the submission of returns and the powers of inspection, search etc. vested in the Sales Tax authorities. It has been decided that only in those rare cases where accounts are incomprehensible or deliberately confused will such accounts be required to be kept in a particular form and it has been further decided to ensure by executive instructions that only a simple and uniform mode of accounts is prescribed in such cases. Returns cannot be called for, under the altered rules, over an indefinitely long period. They can only be called for in respect of a period which precedes the date of notice by not more than eighteen months. The returns will be quarterly, but Government has already given the assurance that a half-yearly or even a yearly interval will be prescribed should that prove desirable and feasible. The draft provisions under which the Sales Tax Inspectors would have been empowered to record the evidence of dealers or agents have been deleted. Further, no authority below the rank of a Sales Tax Officer will have the power to call for documents for the purpose of inspection. As already stated, the powers of seizure and search will be confined to even higher officers viz. Assistant Commissioners and above, and the power to sanction prosecutions will rest only with the Commissioner and the Deputy Commissioner.”

He also explained at length how the Ministry's programme of economic and social development involved a much higher expenditure than under a Section 93 regime and how the need for imposition of sales tax was greater now than before: and gave an assurance that the Act would be placed before the Legislature for re-enactment as soon as possible after some experience had been gained of the actual working of the measure. However, these explanations and assurances did not lessen public agitation against the Act and on 4th September 1946, Government announced its decision to appoint an expert non-official committee to indicate the lines on which the Bombay Sales Tax Act, 1946, required modifications, and to submit a revised measure to the Legislature on the lines of the Committee's recommendations, before the end of the current financial year.

IV. THE COMMITTEE: ITS PROCEDURE AND WORK.

8. Accordingly, our Committee was appointed on 12th October, and we held our first meeting on 19th October to discuss preliminaries and settle the line of work. We came to the conclusion that no useful purpose would be served by issuing a questionnaire and that it would be preferable to issue a general invitation to all concerned. A Press Note was accordingly issued on 21st October 1946

inviting the attention of members of the public to the terms of reference of the Committee and requesting them to send their suggestions regarding modifications of the Bombay Sales Act, 1946. Special invitations were sent to most of the important Chambers of Commerce, Trade Associations and other bodies. In response to this request, we received numerous representations and memoranda* from individuals, trading interests and commercial bodies. Government also made available to us all its files and papers regarding the Act, and the representations received by it before and after the measure was enacted. After going through all this material, we met representatives† of some of the important trading interests in the Province and discussed with them the various issues under consideration. We also had several discussions with the Commissioner and the Deputy Commissioner of sales Tax on matters relating to the administration of the Act.

V. THE MAIN COMPLAINTS AGAINST THE PRESENT ACT: THEIR VALIDITY AND THE NEED FOR RECTIFYING THE PROVISIONS IN THE ACT.

9. The main complaints against the present Act can be grouped broadly as under :—

(i) complaints regarding the registration system, the limit of gross turnover, and difficulties of registered dealers ;

(ii) complaints regarding exemptions, their inadequacy and difficulties of interpretation, special demands for extension by some and demand for reduction to a minimum by others ;

(iii) complaints arising from exemption granted to exports; regarding unfair advantage to consumers in other Provinces ; and regarding the competition of dealers in neighbouring state territories ;

(iv) complaints regarding difficulties of maintaining additional accounts, about the possible harassment from the powers given to the executive to prescribe accounts, to enter and search dealers premises ; and to seize and retain accounts books ;

(v) complaints regarding the trouble arising from too frequent submission of returns and assessment of tax ; about the difficulties experienced by certain classes of dealers in submitting returns in the prescribed form ; and about the difficulties of recovering tax in the case of certain sales ; and

(vi) complaints about the provisions regarding offences and appeals.

The nature of the various complaints under each of the above categories and their validity are examined below :—

10. *Complaints regarding registration.*—The main complaint against the present registration system is that it creates artificial barriers between trades and hampers their freedom of action. It is pointed out that because of the classification of goods under the registration certificate, traders have either to restrict their activities to goods specified in their certificates or wait till they have their certificates amended before they can extend their business to other classes of goods. Another complaint against the registration system is that it gives unfair advantages to the unregistered dealers in certain cases. For instance, unregistered retailers who are able to purchase directly from small producers or artisans and sell directly to customers, are able to sell their goods cheaper as they have no tax to pay. Similarly, an unregistered hotel keeper who gets most of his requirements free of tax under the schedule of exemptions and has not to pay any tax on his sales, has an unfair advantage over

*Appendix I.

†Appendix II.

a registered hotel keeper who has to pay tax on his sales. Further, unregistered importers are able to import from outside the Province and sell directly to their customers without payment of any tax. Against these advantages enjoyed by the unregistered dealers under the present registration system, there are certain instances where they are at a disadvantage in comparison to registered dealers. When an unregistered trader, intervenes in a chain of sales between registered dealers, there arises a case of double taxation : once when a registered dealer sells his goods to an unregistered dealer and again when another registered dealer sells the same goods after purchasing them from the unregistered dealer. In most such cases, unregistered dealer has himself to bear the tax as, in competition with registered dealers, he is not able to pass it on his sales to registered retailers. In a few cases, however, where such an unregistered dealer holds a monopoly or quasi-monopoly interest in the goods sold by him the goods bear the tax twice. Secondly, an unregistered manufacturer is not able to get his raw-materials and other requirements necessary for the manufacture of his goods free of tax in the manner that a registered dealer can. For instance, a registered manufacturer of tanned leather gets his raw-materials free of tax and can also sell his finished leather free of tax (because tanned leather is exempt under the schedule) while an unregistered tanner though he can similarly sell his tanned leather free of tax, has to pay tax on purchases of all his raw materials. Thus cottage workers and small manufacturers are at a disadvantage in comparison to their registered competitors. The effects of such handicaps arising from the registration system, become more acute where the limit of turnover prescribed for registration is comparatively high and also where business started newly or a dissolution of or separation from an old business during the course of any year is denied registration till the completion of the year. We are convinced that the difficulties pointed out by the trading community in regard to the registration system prescribed under the present Act are genuine and require to be removed.

11. *Complaints regarding exemptions.*-- A number of representations received by us laid stress on the need for exempting the particular goods in which they were interested. Some urged that all eatables should be exempted, while some wanted all edible oils to be tax free. A few went to the length of recommending the inclusion in the exemption list, of practically every kind of article that a consumer may require. While this represented mostly the point of view of the producers and manufacturers, there were others, consisting mostly of retailers, who complained that a wide range of exemptions complicated their accounts and their day to day working, and demanded that the exemptions should be restricted to the barest minimum and that the existing list should be drastically curtailed. As an alternative, some of these dealers suggested that the Schedule to the Act should specify the taxable articles instead of exempted articles. The other difficulties arising from exemptions mainly pertained to interpretations of the terms of exemptions. Terms such as "cooked food", "texts of sacred books", "newspapers", etc., in the exemption Schedule, are capable of different interpretations. Further, expressions like "text-books approved by the Director of Public Instruction", "slate and slate pencils when sold to *bona fide* students", etc., create difficulties for the traders in collecting the tax while expressions like "cloth woven on handlooms", "edible oil pressed on ghanis" etc., create difficulties for the public in recognising whether the tax is properly levied or not. We have carefully examined the present schedule of exemptions and feel that the exemptions granted by Government have been numerous, based on a variety of considerations. We have referred to this question later in our report. The grievances regarding interpretation of some of the loosely worded terms in the Schedule, are real and we are of opinion that care should be taken to denote the nature and scope of all such exemptions as are retained in as precise terms as possible.

12. *Complaints about exemption of exports.*—These are of two kinds. The first is on the ground that it is unfair to levy the tax only on the consumers in this Province and to leave the consumers of the same goods in areas outside this Province, untouched. The other arises from the unfair competition which the dealers in bordering areas of States and other Provinces are able to start against registered dealers in this Province. These dealers in the bordering territories are able to obtain goods from Bombay and other places in this Province free of tax and re-sell them directly to the consumers in the Bombay Province at rates cheaper by $3\frac{1}{2}$ per cent. (equivalent to the rate of tax). Even in respect of goods produced in any locality in the Province itself, the dealers in the neighbouring State territory can successfully compete with the local dealers as they are able to import these goods tax-free and sell them back to the public in that locality without charging the tax. The necessity for exempting exports outside the Province arises from the anxiety of the Government to protect the interests of manufacturers and exporters of this Province. Traders and dealers outside this Province are not likely to purchase goods produced or manufactured in this Province or goods exported from this Province if the same are costlier when they can obtain similar goods from other parts of India at cheaper rates. Accordingly, it will not be possible to restrict this exemption of exports only to goods sent outside India and not to goods sent outside the Province, unless and until all the bordering Provinces and States impose a Sales Tax with a uniform rate of levy and follow a common policy of taxing inter-territorial exports. We suggest therefore that the Government of Bombay should take early steps to get into touch with the Governments of these Provinces and States, to bring about uniformity in measures of such taxation.

13. *Complaints about difficulties of maintaining accounts.*—Very strong and bitter complaints have been made by the trading community in general, against the provisions in the Act relating to maintenance of accounts; and about the powers given to the executive staff to inspect accounts, to enter and search the premises of the dealers, and to seize and retain books of accounts. It is pointed out that to maintain additional books of accounts for purposes of the sale-tax returns which require separate details of (i) total sales, (ii) sales to registered dealers, (iii) sales to addresses outside the Province and (iv) sales of exempted goods; and to submit these returns every quarter would require the employment of additional staff and entail much additional expenditure. Further, the power given to the Commissioner of Sales Tax to prescribe the manner in which a dealer should maintain his accounts will, it is feared by the trading community, result in the harassment of dealers. Similarly, most of the associations and trading concerns are very critical of the powers given to the executive to enter and search a dealer's premises and to seize and retain his accounts books, on the ground that this would unnecessarily interfere with the day to day business of the dealers and open opportunities for corruption on a large scale. We have had detailed discussions on these matters with several commercial bodies and with the Commissioner and the Deputy Commissioner of Sales Tax. It is clear that the submission of sales tax returns would necessitate some readjustments in the existing methods of keeping accounts. To minimise the difficulties of the dealers and to lessen their burden, we have recommended later some modifications in the system of registration and the present schedule of exemptions.

In regard to the powers given to the Commissioner to prescribe the manner of keeping accounts, it has been strongly represented to us that without such a provision in the Act there would be no sanction against dealers who deliberately do not maintain their accounts in a proper and intelligible manner. The absence of such power, might result in either a large scale evasion of tax or lead to a very large

proportion of best judgment assessments. We have, however, been assured that the Commissioner would not use this power ordinarily if the dealer maintains his accounts in an intelligible and clear manner. We recommend that this power should be retained but should only be exercised in cases of gross negligence or recalcitrance. The existence of this power on the statute book would give greater force or effectiveness to the Commissioner's suggestion for keeping better accounts and for making improvements in them without its actual use being called for. Fears have also been expressed that the power to prescribe accounts may be used to enforce the adoption of a particular system of accounting and in a manner prejudicial, especially to the Indian system of keeping accounts. There may not be any likelihood of the abuse, in this manner, of the power given to prescribe accounts. It, however, happens that the existing power to prescribe accounts is not specifically related to the purpose for which it is required. It would help to allay the apprehension of some traders and prevent any possibility of abuse if proper qualifying words are introduced in the Act, to bring this out. The powers regarding inspection of accounts, entry and search of dealers' premises and warehouses, and seizure and retention of accounts books are, it has been pointed out to us, necessary for checking evasion of tax by unscrupulous dealers. The trading community however is genuinely afraid that such powers would be misused and encourage corruption. In order to allay these fears Government should take particular care to see that these powers are delegated to only highly placed officers.

14. *Complaints regarding returns and assessment.*—Complaints under this category are of different kinds. First of all, the complaint is about prescribing the returns on the basis of the financial year instead of on the basis of the particular Indian year of account followed by a dealer. Then, it is pointed out that a quarter is too-short a period and that the submission of the return with its numerous details within one month of the close of a quarter, becomes a difficult task for the dealer. The other complaints are from specific trades. Dealers like grocers, hotel-keepers, etc. have complained that it is not possible for them to keep detailed accounts of sales which are mostly of small amounts and that it becomes practically impossible for them to fulfil the requirements of the sales-tax returns. Similarly, dealers who deal mostly in exempted articles complain that for a negligible volume of taxable turnover, they have to maintain elaborate accounts. Complaints about assessment of tax generally relate to the possible harassment to the dealers and interference in their normal activities that a quarterly assessment might involve; and to the difficulties of recovering the tax proportionately in the case of small-priced articles where, in most cases, the dealers have to bear the tax themselves. We have considered all these complaints. It should be possible for the dealers to submit returns of their sales and the tax payable for any quarter of the financial year without having to re-cast their existing accounts books. On the other hand a uniform year of assessment will facilitate the work of the Sales Tax Department and avoid the confusion likely to arise from basing the quarters on the different Indian years of accounts followed by different dealers. Regarding quarterly returns and quarterly payment of tax most of the difficulties anticipated by the dealers will be removed if the assessment and verification of accounts are not carried out during every quarter of the year. The dealers may pay the tax on the basis of their own returns, quarterly; but the actual assessment of tax and the verification of accounts can be done once a year. The necessary adjustments in the amounts of tax to be finally paid by the dealer can be made in accordance with this assessment. We understand from the Commissioner of Sales Tax that this would be the normal practice and we have referred to this question later in our report. Regarding the complaints about difficulties of maintaining accounts from some of the trades, we

think that it should be possible to minimise the burden of detailed accounting falling on these traders whose taxable turnover is negligible or where sales are mostly in small priced articles, and make later a specific recommendation in this behalf.

15. *Complaints about provisions relating to offences and appeals*—Fears have been expressed by some of the dealers that under the existing provisions in the Act regarding offences, the Sales Tax Department may harass them for any unintentional act of omission or breach of statutory provisions or call for unnecessary information under threat of prosecution. The provision regarding compounding of offences has been severely criticised by some on the ground that Government has no business to agree to hush up an offence on payment of money. There are also others who protest that a taxation measure should not provide for punishment with imprisonment. Regarding the fears expressed about unnecessary harassment by the Sales Tax Department, we have been assured by the Commissioner of Sales Tax that only very highly placed officers have been and will be entrusted with powers to prosecute for offences under the Act and the Rules, and that there is no likelihood of dealers being harassed for unintentional or *bona fide* mistakes. The provisions regarding compounding of offences and for punishment with imprisonment are usually common in a taxation measure as it may be desirable to have recourse either to one or the other of these provisions, depending on the nature and extent of the offence committed.

As regards appeals, suggestions have been made to us that appeals should be heard by Civil Courts and not by the Sales Tax Department itself, that Appellate Tribunals should be formed in each district from whom the final appeal should lie only to the District Judge or that the Appellate Sales Tax Authorities should hear appeals at their places of origin. We have considered all these suggestions but do not think them practicable. Leaving the appeals to be heard by the Civil Courts would involve great delay in the disposals thereof and would besides be costly. This would neither be in the interest of the dealer himself nor of the Sales Tax Department. Moreover District Appellate Tribunal with final appeals to the District Judge would lead to different decisions in appeal in different districts and would not be in the interest of anybody. To require the appellate Sales Tax Authorities to decide appeals at their places of origin, would restrict the movement of these officers and involve delay in disposals of appeals. We have had discussions with the Commissioner and the Deputy Commissioner of Sales Tax on this matter and have been assured that as far as feasible the Sales Tax Authorities would hear appeals at their places of origin but that there would be occasions when it would be in the interest of the dealers themselves to hear the appeals at the headquarters. We have examined the provisions of the Bombay Sales Tax Tribunal Rules which prescribe the constitution of the Tribunal and find them suitable. In regard to the reference to the High Court on the decisions of the Tribunal on any points of law, we find the provisions in the Act more or less similar to those in the Indian Income Tax Act and have no comments to make. We hope that the setting up of an independent Tribunal will ensure an impartial and unprejudiced Statement of case (to which we attach the greatest importance) being drawn up for reference to the High Court and the petitioner will have no ground for complaint of being treated unfairly.

VI. POSSIBILITY OF AMENDING THE EXISTING STRUCTURE OF THE ACT.

16. We have shown in our above analysis of the complaints against the present Act, how practically every section thereof has come to be severely criticised. While this criticism would seem to be justified in the case of certain provisions of the Act like registration, exemptions, etc., criticism in respect of other provisions like

verification of accounts, assessment of tax, offences and appeals seems to be premature and mostly based on the experience of the individual dealers of the procedure followed in income-tax matters. The actual levy of the tax under the Act started only from 1st October 1946, i.e., twelve days before the appointment of our committee and we are required to submit our Report before the end of January 1947 so as to enable Government to introduce a revised measure in the Legislature before the end of the current financial year. In other words, we started our work when the preliminaries regarding the registration system were being settled and the exemption lists were being liberalised and had to hear most of the evidence even before the beginning of the payments of tax for the first quarter. Therefore in important matters like assessment of tax, verification of accounts, prosecution for offences and hearing of appeals, etc. we could not get any guidance from the actual working of the Act. Both the trading community and the Sales Tax Department suffered from the same handicap when making their suggestions to us. Even so, we have tried to examine carefully each and every section of the Act and the Rules made thereunder in the light of all possible difficulties likely to be experienced by dealers in this Province. We have also scrutinised the provisions in the Sales Tax Acts and Rules of different Provinces with a view to suggesting improvements and modifications in the Bombay Act. Our suggestions in this respect are specified below in detail.

VII. MODIFICATION WITHIN THE PRESENT STRUCTURE OF THE ACT.

17. Taking the different sections of the Act according to their numbers, we consider the following modifications necessary for the reasons specified against each of them :—

(a) *Section 2.*—Delete the definition of “contract” and all consequential references to contracts in this section and other sections.

We do not think that contractors as defined in the Act should be registered and held liable to pay the tax. Usually in such contracts, labour and service charges form a large part and the inclusion of such contractors for liability of tax would only complicate the administrative work without much benefit. On the other hand, if contractors are allowed to be registered it would be necessary to watch that all the goods that they buy from others without paying a tax are used by them only in the works on which they ultimately pay the tax.

(b) *Section 5.*—This section requires to be drafted on the lines of section 4 of the Bengal Sales Tax Act, specifying different turnover limits for different types of dealers. The increase in the gross turnover limit from Rs. 10,000 to Rs. 30,000 in the Bombay Act has intensified the difficulties in the operation of the system of registration. Smaller manufacturers have been excluded from the registration system with the result that they have to pay tax on their raw materials and other goods required for manufacture and are unable to compete with registered dealers. Similarly the higher limit has excluded a large number of importers who are able to import and sell directly to the consumers without liability to pay tax and thus compete unfairly with registered dealers. A lower turnover limit of Rs. 10,000 is therefore necessary for manufactures and importers. But such a lower limit in the case of other dealers would, however, necessitate the maintenance of accounts and submission of returns by petty dealers without any advantage to Government. We, therefore, recommend that for manufacturers, processors and importers, the limit should be Rs. 10,000 and for other dealers the present limit of Rs. 30,000 should continue to be in force. We, however, recommend that provision for

voluntary registration should be included so as to allow dealers other than manufacturers and importers to get themselves registered if their annual gross turnovers exceed Rs. 10,000. This would enable a wholesale dealer whose gross annual turnover is below Rs. 30,000 to get himself registered so as to avoid the risk of double taxation on his sales to registered retail dealers. Similarly, we recommend that dealers who start business newly and satisfy the Commissioner of Sales Tax that their anticipated annual turnovers would be above the prescribed limits, should be permitted to voluntarily register themselves. Briefly, our proposals would mean the following modifications in the Act :

(i) For Section 5, substitute —

5 (1) Subject to the provisions of sections 6 and 7 and with effect from such date as the Provincial Government may, by notification in the Official Gazette, appoint, being not earlier than thirty days after the date of the said notification, every dealer whose gross turnover during the year ending 31st March 1947 exceeded the taxable quantum shall be liable to pay tax under this Act on his turnover in respect of sales or supplies of goods effected after the date so notified ;

(2) Every dealer to whom sub-section (1) does not apply, shall, if his gross turnover from 1st of April of any year up to the end of any calendar month exceeds the taxable quantum, be liable to pay tax under this Act on sales or supplies of goods effected after the date of expiry of two months next following.

(3) Every dealer who has become liable to pay tax under this Act shall continue to be so liable until the expiry of three consecutive years, during each of which his gross turnover has failed to exceed the taxable quantum and such further period after the date of such expiry as may be prescribed, and on the expiry of this latter period his liability to pay tax shall cease.

(4) Every dealer whose liability to pay tax has ceased under the provisions of sub-section (3) shall again be liable to pay tax under this Act with effect from three months after the commencement of the year immediately following that during which his gross turnover again exceeds the taxable quantum.

(5) In this Act the expression " taxable quantum " means—

(a) in relation to any dealer who imports for sale any goods into the Province of Bombay or himself manufactures or processes any goods for sale, Rs. 10,000 ; and

(b) in relation to any other dealer, Rs. 30,000 :

Provided that clause (a) if this sub-section shall not apply to any dealer other than a manufacturer or processor, who imports goods of a value not exceeding Rs. 1,000 into the Province of Bombay during any year.

(ii) Add a new Section 8A—

8A (1) If on the application of any dealer the authority prescribed for the purposes of section 8 is satisfied, that his gross turnover during a year has exceeded or is likely to exceed Rs. 10,000, the said authority may notwithstanding that the dealer may not be liable to pay tax under section 5 register the dealer and grant him a certificate of registration in the prescribed manner.

(2) The provisions of sub-sections (3) and (4) and clause (a) of sub-section (6) of section 8 shall apply in respect of applications for registration under this section.

(3) Every dealer who has been registered upon application made under this section shall, for so long as his registration remains in force, be liable to pay tax under this Act.

(4) The registration of a dealer upon application made under this section shall be in force for a period of not less than three complete years and shall remain in force thereafter unless cancelled under the provisions of this Act.

(5) Subject to the provisions of sub-section (4), a dealer registered upon application made under this section may apply in the prescribed manner not less than six months before the end of a year to the authority which granted him his certificate of registration for the cancellation of such registration to take effect at the end of the year in which the application for such cancellation is made ; and the said authority shall, unless the dealer is liable to pay tax under section 5, cancel the registration accordingly."

(c) *Section 6 (2) (a) (ii)*.—Under this section, a dealer is entitled to get tax-free only such goods as are specified in his certificate of registration as being intended for resale. This means that every time a dealer wants to extend his business to cover goods other than those specified in this certificate, he has either to pay tax on them even though they are for resale or wait till he gets his certificate amended. We think that as the specification, of goods intended for resale, in the certificate or registration is meant for ensuring that a dealer does not evade the tax by using the goods which he has obtained taxfree on the plea of being intended for resale, for purposes other than resale. If a separate provision is included in the Act to safeguard against such evasions, we do not think there would be any need for specification of goods intended for resale in a dealer's certificate. Specification of goods intended for use in the manufacture or processing of any goods for sale would, however, be necessary in the certificate to be granted to a manufacturer or a processor. Accordingly, we suggest the following modifications :—

" 6(2) (a) (ii). Sales to a registered dealer of goods certified by him as being intended for resale by him, or of goods specified in the purchasing dealer's certificate of registration as being intended for use by him in the manufacture or processing of any goods for sale or on sales to a registered dealer of containers and other materials for the packing of such goods ;

Add new section 6A :—

6A Where a registered dealer has obtained goods under sub-section (2) (a) (ii) of section 6 and has utilised them for purposes other than those specified in his certificate of registration, the price of goods so utilised shall be included in his taxable turnover and be liable to tax."

(d) *Section 7 (2)*.—This section as at present worded does not allow the Provincial Government to modify any existing entry in the Schedule of Exemptions. Though we agree that Government should not have power to restrict by a notification, the scope or extent of any exemption granted under the Act we consider that it is necessary that power should be given to Government to extent or enlarge the scope of any entry in the Schedule in the light of actual experience gained or any hardship involved. We therefore, suggest that sub-section (2) of section 7 should be modified as under :—

" The Provincial Government after giving by notification in the *Official Gazette* not less than one month's notice of its intention so to do, may by like notification extend or enlarge the scope of any entry in the Schedule or add to the Schedule and thereupon the Schedule shall be deemed to be amended accordingly."

(e) *Section 8 (3)*.—In view of our recommendation that the certificate of registration need not specify the classes of goods intended for resale, the words " which shall specify the class or classes or goods in which at the time of the grant of the said certificate the dealer carried on business and such other particulars as may be prescribed " may be deleted. The specification of classes of goods which a dealer can obtain tax-free for purpose of manufacturing goods for sale, may however be provided for, in the Form of the Registration Certificate itself.

(f) *Section 9*.—This section read with Rules 8 to 16 imposes a statutory liability of publishing in the *Official Gazette* the names of registered dealers, the amendments carried out in their certificates and the registrations cancelled. We do not think that the publication of such lists in the *Official Gazette* is necessary or serves any useful purpose. We agree, however, that the publication of such lists would be helpful to the dealers and also to the Sales Tax Department and we recommend that these lists should be published as priced publications.

(g) *Section 10 (2)*.—This section provides that the return shall be in the manner prescribed by Rules and in sub-section (2) thereof the dealer is given an opportunity to send revised returns when he discovers any omission or wrong statement in his original return at any time before the assessment is made. We are recommending elsewhere that while the return should continue to be submitted quarterly the assessment should as far as possible be annual. It seems therefore necessary that the revised return, if any, should be submitted within some definite period and not linked to the assessment as at present. We recommend, therefore, that sub-section (2) may be modified as follows :—

“ If any dealer having furnished a return under sub-section (1) discovers any omission or wrong statement therein, he may furnish a revised return before the expiry of the quarter next following the period to which the return relates.”

(h) *Section 11 (3)*.—The word “ all ” appearing in this sub-section seems to be unnecessary and may be deleted.

(i) *Section 13*.—In addition to the refunds granted under this section we feel that sales tax on goods returned to the dealer within a period of three months, should be refunded provided the refund is claimed before the submission of the next return. A new sub-section may be added to this section as follows :—

“ 13. (2) The Commissioner may refund to a registered dealer applying in this behalf in the prescribed manner the amount of tax paid by such dealer in respect of any goods which have been returned to him by a purchaser within the prescribed period and the sale price of which has been refunded in full to the purchaser concerned.”

In the alternative the sales of such returned goods should be excluded in determining the taxable turnover by a rule under section 6 (2) (a) (iv) of the Act.

(j) *Section 14*.—In view of our remarks in paragraph 13 above, we recommend that this section should be modified as follows :—

“ Every registered dealer and every other dealer on whom a notice has been served to furnish returns under sub-section (1) of section 10 shall keep a true account of the value of goods bought and sold by him, and if the Commissioner considers that such account is not sufficiently clear and intelligible to enable him to make a proper check of the returns referred to in that sub-section, he may require such dealer by notice in writing to keep such accounts (including records of sales), necessary for purposes of proper assessment, as he may, subject to anything that may be prescribed in that behalf, in writing direct.”

(k) *Section 15*.—We have already referred in paragraph 13 above to the complaints about the powers granted to the executive staff, of inspection of accounts; of entry and search of places of business and warehouses; and of seizure and retention of account books. We would, again like to emphasise here that the powers under sub-sections (3) and (4) of this section, *i.e.*, powers regarding seizure and retention of account books and also of entry and search, should be exercised very sparingly and on really valid grounds. We understand that even at present these powers have been entrusted to officers not below the rank of Assistant Commissioners and are therefore content to

recommend that these powers should be delegated to highly placed officers and in no case to officers below the rank of gazetted officers. We further recommend that sub-section (3) of section 15 should be modified as follows:—

For the word "reason" occurring in the first line of sub-section (3) of section 15, substitute, "reasonable grounds".

(l) Section 16.—On the basis of our recommendation regarding section 15 we consider that a proviso may be added to this section in the following terms:—

"Provided that the powers under sub-sections (3) and (4) of section 15 shall not be delegated to any officer below the rank of a gazetted officer."

(m) Section 17.—We suggest the following amendments:—

(i) In clause (a) for the words "comes to know of" occurring in line 2 substitute "effects or comes to know of"; and (ii) in clause (c) delete the words "or effects any change in the classes of goods in which he carries on business" and substitute "or effects any change in the classes of goods manufactured or processed by him".

(n) Section 18.—The following new sub-sections may be added to this section so as to provide for the payment of tax on part transfer of business, and on stock of goods remaining unsold when a partnership is dissolved or when a registration certificate is cancelled:—

"(2) When a registered dealer transfers the ownership of a part of his business the transferor shall be liable to pay the sales tax in respect of the stock of goods transferred along with that part of his business, as if the goods had been sold, unless the transferee holds or obtains within the prescribed period a certificate of registration covering such goods.

(3) When the partnership of the business of a registered dealer is dissolved, the distribution of stocks of goods unsold between the partner shall be deemed to be sales for purposes of this Act and the tax shall be recovered from the partners concerned, unless such partners hold or obtain within the prescribed period a certificate of registration covering such goods.

(4) When a certificate of registration granted to a dealer is required to be cancelled under any of the provisions of this Act, the dealer shall be liable to pay tax on his stocks of goods remaining unsold at the time of cancellation of the certificate.

(5) When a dealer to whom a business or part of a business has been transferred, or who has obtained the whole or part of the stock relating to the business of a partnership which has been discontinued or dissolved, obtains a certificate of registration under sub-sections (1) to (3) of this section, he shall be liable to pay the sales tax on the sales or supplies effected by him with effect from the date of such transfer of business, or discontinuance or dissolution of the partnership."

(o) Section 19 (a).—It has been represented to us by the Commissioner of Sales Tax that under the present Act, the Commissioner has no power to obtain the evidence of third parties whenever he has to make investigations or check evasions. It has been urged that a provision similar to section 37 of the Indian Income Tax Act is essential. After careful consideration, we feel that such a provision may be necessary in the interest of efficient administration and we recommend that the following new section may be added:—

"19-A. Power to take evidence on oath.—The Commissioner shall for purposes of this Act have the same powers as are vested in a court under the Code

In Rule 27, we would like to suggest a small change, specifying that the notice to be issued under that Rule shall provide for a period of not less than 10 days from the date of issue of notice for compliance of the requirements of the notice.

Regarding other Rules we have no special comments to make, except that they may need alterations in the light of our recommendations regarding the modification of the Act.

VIII. MODIFICATIONS IN THE PRESENT BASIS OF THE ACT.

19. We have so far confined ourselves to suggesting modifications which we consider necessary in the present structure of the Act to make it acceptable to all concerned. Numerous suggestions were received by us that the basis of the tax itself should be modified. Some suggested that the tax should be collected only from producers, manufacturers and importers, some that it should be collected from wholesalers only, while some others preferred a low rate of tax on all stages of sales. The advisability of levying a licence fee on all dealers in lieu of the sales tax was also pressed upon us by some. We have considered all these suggestions. A tax on producers, manufacturers or importers will, it is pointed out by its advocates, be easy to collect and will not involve any hardship to them. They point out that there will be a fewer number of such dealers to assess for the Sales Tax Department and the dealers being organised and well staffed, will not feel the burden of maintaining the additional accounts necessary for the tax. In our opinion, it will not be correct to say that all producers or manufacturers are organised and well staffed. There will be numerous small manufacturers and producers who are neither organised nor well staffed. There are workers in handicrafts, manufacturers of articles used in large industries, etc., who would be liable to pay tax under this system and who would find the necessity of maintaining accounts to suit the tax requirements at least as irksome as small dealers. Further, the work of the Sales Tax Department in checking evasion will not in any way, be easier. In the case of importers, the scope for evasion will be particularly large, as imports would not only be by rail or steamer, but also by road, through postal delivery or by coastal traffic. Moreover as most of the retailers themselves import some goods or other from abroad or from neighbouring provinces or states, they would be liable to pay tax and have to maintain separate accounts of such imports. Accordingly the number of dealers to be assessed will not be as small as the advocates of this system suppose it to be. It is evident therefore that under this system of taxation, there will not be much relief either to the dealers, or to the Sales Tax Department.

The suggestion about taxing only the wholesalers also presents more or less similar difficulties. The first difficulty would be to define a wholesale dealer. If sales other than those made directly to consumers, are to be treated as wholesale sales, then most of the dealers would be liable to pay the tax and there would be many possibilities of taxing the same goods more than once. If second sales, i.e., the next stage of sales after the sales by producers, manufacturers or importers, are treated as wholesale sales, the determination of this stage of sale would be difficult in the case of unorganised industries and manufactures and also in the case of many of the imported articles, and large-scale evasion would be possible. The rate of a single-point tax levied on first or second sales must be much higher, to give the same yield of revenue, than the rate of the tax on last sales. A single-point sales tax on first or second sales will also be impossible to collect on imports made directly by consumers and the higher the rate of the single-point tax, the greater will be encouragement for such direct imports.

In regard to the licensing system advocated by some, there are two methods by which such a licence fee can be imposed. The licence fee can either be levied on the basis of the income of a dealer or his gross turnover. If it is linked with his income, it becomes a tax on professions, trades and callings and under section 142A of the Government of India Act, 1935, the Provinces have no power to levy a tax of this nature exceeding Rs. 50 a year. Such a licence fee will not therefore yield any substantial revenue to Government. The other method of levying a licence fee on the basis of gross turnover is more or less a variation of the general turnover tax which we have discussed below at length. The slab rates of fees under this kind of licensing system work inequitably between dealers within the same slab. For instance, if a uniform licence fee of Rs. 1,000 is levied on dealers having gross turnovers between Rs. 30,000 to Rs. 50,000, the dealers having turnover nearer the lower limit will have to bear comparatively a higher rate of tax than those who have turnovers reaching the higher limit.

IX. ADVISABILITY OF IMPOSING A GENERAL TURNOVER TAX.

20. Lastly, there is the alternative of adopting a general turnover tax such as is being levied in Madras. A number of organizations of merchants have urged the adoption of this type of taxation in preference to the single-point system and a majority of the Committee are in favour of this step. Mr. Mahomed Husein Hasham Premji, however, is strongly of opinion that as between the two systems namely the single-point tax and the general turnover tax, the single-point tax has definite advantages over the general turnover tax and favours the single-point tax. He does not therefore agree with the views expressed by the majority of the Committee in the following paragraphs regarding the advisability of imposing a general turnover tax.

21. The reasons of the majority for expressing this view will appear from the following brief discussion of the merits of the two systems. The main objection that has been put forward against general turnover taxation is that it involves taxation at each stage at which an article changes hands and leads to taxing an article many times over. It should, however, be clear that there is nothing intrinsically wrong in taxing an article at each stage instead of at one stage only, so long as the total incidence of the tax on the consumer is not different under the two systems. Multiple taxation is not double taxation. Whereas in the single-point system the total burden that an article is intended to bear is imposed on it at one particular stage under the multiple tax system or the general turnover tax the total burden is so divided that a part of it is borne whenever a commodity changes hands.

22. The second and the real objection against the general turnover tax is that its incidence varies from commodity to commodity according to the difference in the number of hands through which it passes before reaching the final consumer. The difference in incidence under the general turnover tax is obvious and inevitable. However, a differential incidence is not necessarily unjust. The number of times that a commodity changes hands is indicative of the amount of trading and transport charges that its final consumer is able to bear; and it may be argued that taxation which is related to the number of occasions of trading conforms to economic facts better than the single uniform tax system. It is also not true to say that the incidence of the turnover tax will be larger on the commodities consumed by the poorer classes than on those consumed by the richer. In a large number of instances of produce locally made and locally dealt in, the incidence of the general turnover tax will be distinctly

lighter than that of the single-point tax. It is true that some luxury goods change hands a fewer number of times than a number of necessaries. It is equally true, on the other hand, that the consumer goods required by the richer classes pass through a large number of hands for purposes of refining etc. and that these will, under the general turnover tax, be liable to higher rates than under the single-point tax. In the absence of adequate data regarding the structure of trading in all the major types of commodities it is not possible to make any generalisation regarding the incidence on the poor, of the particular system of taxation. When the total revenue receipts under the two systems are the same the total burden on the body of consumers will be broadly the same. The distribution of the burden among different goods will be different; some types of goods will be taxed heavier under one system than in the other and *vice versa*. Only such commodities as are more traded in, will be taxed correspondingly more in the general turnover tax and there is, therefore, no presumption that such a tax will levy a heavier burden on the poorer classes than the single-point tax.

23. Another objection against the general turnover tax is its supposed burden on manufacturers and on exports from a Province. It is argued that the general turnover tax will, to a certain extent, be incorporated in the cost of production of each manufacturer and that the price of manufactured goods will be correspondingly high. It is true that whereas the single-point tax is levied almost entirely after the stage of manufacture, a part of the payment of general turnover tax will be made by the manufacturer himself. To the extent that the raw materials and other goods bought by the manufacturer pay the general turnover tax, it will be reflected in the cost of production of the manufacturer. The final prices of goods to the consumer within the Province itself will, however, not differ under the two systems except for the differential incidence discussed above. The price charged to the consumer for any article will, the revenue raised under the two systems being the same, be the same to the ultimate consumer. Under the single-point tax, the tax will be added only at the last stage, that is at the stage of sale to the consumer himself, whereas in the general turnover tax it will have been partly incorporated in the prices at stages earlier than the stage of the sale to the consumer. The prices to the consumer of commodities and, therefore, the demand for them and the competitive position of internal producers amongst themselves will in no way be affected by the substitution of the general turnover tax for the single point tax.

There will, however, be some difference made in the position of the internal producer in relation to the imports from and exports to a region where no sales tax is imposed. Imported goods will bear the tax to the extent that they are traded in within the province and for exports provision can be made, as in Madras, for rebate of the last tax paid. The competitive handicap on the internal producer can, in the circumstances, be measured by the extent to which the tax falls on the components of his cost of production. The tax element is likely to be significant only in some types of manufactures. That part of the cost of production which is represented by payments of wages or other services or interest, profits, etc., will in no case bear the tax. If, as we suggest below, certain generalized exemptions as that of power and fuel are provided for in the general turnover tax, that element of the cost of production will also bear no taxation. Only taxable materials purchased by the manufacturer and used in his manufacture will bear the turnover tax to the extent to which they have been traded in before they reach the manufacturer. Against this will have to be set off the tax that the manufacturer will have to pay on the goods

consumed by him for which he is unable to obtain exemption in the single-point system. It is obvious that the element of the tax will thus differ from industry to industry according as the element of the cost of raw material bearing the tax is larger or smaller in it. The tax element is not likely in any event to be material. With a general turnover tax of one per cent., an increase of one per cent. in the cost of production of a manufacturer will be brought about if the cost of his taxed materials account for half of the total cost of production of goods produced and if these materials have on an average changed hands twice before being bought by him.

24. There is one general aspect of the question of competition to which we would like to refer in this connection. In comparing the competitive capacity of producers residing in different administrative regimes, a comparison confined to a particular tax does not give a true picture. The comparison between administrations must be drawn with reference to the total burden of taxation imposed by each administration and its incidence on different productive activities within their borders. This is the only manner in which the comparative incidence and the resulting competitive positions of industries in different regions could be judged. Strictly speaking, even this is not sufficient. It would be further necessary to judge of the effects of the expenditure of tax proceeds, so that the burden on industry must be off-set by the advantages accruing to industry from the services etc., rendered by the administration either directly or indirectly to the industry or those employed by it. A heavy tax burden which yields a literate labour force may actually be, in its competitive effects, an advantage instead of being a handicap to industry. It is unnecessary to labour this point. We merely desire to emphasize that whereas manufacturers are often ready to lay stress on even comparatively small burdens, such as those as are likely to be imposed by a general turnover tax, they do not seem to make adequate allowance in their statements for all parts of a tax system or for the effects of expenditure by Governments without which a true comparison could not be made.

Another ground on which superiority is claimed for single-point taxation is that the consumer has under it direct and clear knowledge of the incidence of the tax on himself. The working of the single-point system even for a few months in Bombay has proved that this ground is untenable. It has already been found impossible in this Province to give definite directions, on the one hand, to traders as to the manner in which they should collect the sales tax from their customers; and it has been found impossible on the other hand to detect or to take any action when noticed against either a larger charge than warranted or a charge on goods not liable to taxation, of sales tax by dealers. In the event, it is no longer true to say that in the single-point system, the consumer either definitely knows what tax he has to pay or is able to resist an illegal charge or an overcharge by a dealer. When as in the single-point or in the general turnover system the tax is collected from the trader, the extent to which and the manner in which it is passed on to the consumer is no concern of the taxing authority. It is a matter in which no action could be taken by Government or the Sales Tax Department unless the structure of the tax is radically altered so as to make it a tax directly payable by the consumer as, for instance, where the sales tax is collected by the affixing of stamps to cash memos. It might, on the other hand, be taken as a possible merit of general turnover taxation that its incidence being small at each stage, there is more likelihood of its being absorbed in appropriate circumstances by the

dealer and that at almost every stage of its incidence there is less likelihood of the dealer wanting to pass the tax on even the smallest sales than in a system where the tax is comparatively heavy at a single-point. Ultimately, of course, it is generally realised that the passing on to the consumer of the tax will depend essentially on the state of the market and the comparative strength of the positions of the seller and the buyer.

While in this manner, the criticisms against the system of general turnover taxation do not appear to be of importance, the advantages, administrative and others, that may accrue under this system seem to be very large. The chief of such advantages is that the general turnover tax can be operated without adopting the system of registration. We have pointed out above the difficulties experienced in administration of the system of registration. We have also suggested ways in which some modification of it would lessen these difficulties. It is clear, however, that even the modifications we suggest will not entirely do away with them. The lowering of the limit for importers and manufacturers will not do away with the large advantage enjoyed by unregistered dealers in the sphere of all trading, in especially primary produce, in the province within which the intervention of a registered dealer is unnecessary. A number of instances of diversion of trade to unregistered dealers and other practices in this sphere were brought to our notice. Further, the enforcement of the provision of a lower limit for importers and manufacturers, recommended by us, will itself be subject to all the difficulties which we have noticed in discussing the levy of the tax at the first stage. With the maintenance of the system of registration is also involved the need to watch that registered dealers obtain tax exemption only on goods re-sold and all the problems of interpretation arising out of the specification of goods for dealers who are manufacturers. The complications created by the contiguity of the borders of other administrations cannot also be materially lessened by the modifications recommended by us in the single-point tax system. The operator or dealer in a State centre will, under the single-point system, have considerable advantage over a dealer within the Province. Also evasion is likely to be specially large in the single-point system in relation to the exemption of exports. The fact of export, especially by road, is not easy to check and evasion in most districts where State boundaries are contiguous and the exports are by road, will be very considerable.

25. It has been reckoned a merit of the single-point system that it would enable an article to be traced through various stages to the final consumer completely, because of the series of detailed accounts that traders at all stages will have to submit and because of the necessity of claiming exemption by traders at all except the final stage of the sale of a commodity. Theoretically, the claim may be conceded. Practically, it is doubtful whether any normally staffed Sales Tax Department will be able really to check in detail the passage of the bulk of all commodities in this manner from hand to hand. If the check is complete, the single tax system may be able to operate perfectly. If the check is at all incomplete, it encourages and leaves room for very considerable evasion. Under the general turnover tax, the returns will not be as detailed and may not be as full as in the single-point system. On the other hand, their supply will tax the staff of the trader and the trader himself less, their scrutiny will prove less of a burden on the Sales Tax Department and the temptation to evade, the burden of the tax being materially less, will to each individual trader, be substantially less.

26. All the complaints regarding elaborate accounts that had been put forward by various bodies of traders are likely to diminish very materially by the adoption

of a system of general turnover taxation. In the same manner the complaints regarding harrassment of dealers by officers are likely to diminish, because of the greater simplicity of the structure and administration of the general turnover tax. The greater the difficulties in interpretation and the more the complexities of accounting, the larger the number of occasions where a dealer may be troubled; and therefore, the adoption of the general turnover tax may secure, to a material extent, greater co-operation in the working of the tax from the trading community.

27. Again, the single tax system depends, for its proper working, on an assumed chain of transactions. It takes for granted that the registered dealers will always sell to registered dealers through a series until finally the consumer or an unregistered dealer steps in, at which point the tax is levied and collected. We have pointed out that in actual practice an unregistered dealer or processor or manufacturer may intervene at any stage before the final sale to the consumer of the commodity in question. Each time there is such an intervention, a case of double taxation occurs. We have noted this fact, but have not been able to suggest any remedy against it. It needs to be emphasized that wherever this happens the total tax borne by the commodity increases immediately from that of $3\frac{1}{8}$ to $6\frac{1}{4}$ per cent. It is not possible for us to say to what extent double taxation will actually prevail. We merely note that the extent of it will be larger, the larger is the operation of small processors, manufacturers or dealers in the intermediate stages.

28. It has been contended that the general turnover tax brings in a much larger number of units in sales tax administration and, therefore, makes administration more cumbersome and difficult. It may, however, be pointed out that in the area above the limit laid down, the single tax system with its compulsion of registration for all makes for an equally large number of dealers being brought under the purview of the sales tax administration. It will merely happen that in the one, the tax is not recovered from a large majority of these dealers in respect of a large part of their transactions, i.e. of those transactions which represent sales to other registered dealers. This does not, however, mean that the work of either dealing with the number of returns or the need of scrutinising them is any the less under the single-point system. As pointed out above, the need for tracing commodities successfully through a chain actually makes the scrutiny more elaborate in the single-point system. The taxation limit under the general turnover tax will, of course, have to be low. But it has already been found necessary by us to lower the compulsory limit for importers, etc. and to allow voluntary registration from this lower limit. In a number of trades, dealers who import part of their requirements form a large proportion of the total. Hence, the actual number of dealers who will come within the operation of the general turnover tax will not be very much larger than under the single-point system.

29. There is no justification for the claim that the general turnover tax would lead to a greater disturbance of the trading structure than the single-point tax. Little more than a generalization can be made in this respect. It may, however, be claimed that any tax burden which is substantial and which impinges only at a particular point will lead to a greater disturbance in existing trade arrangements than a tax burden which is slight and whose incidence is widespread. A small tax gives less incentive to evasion. A small tax also gives less incentive for bringing about actively, change in the type of trader or in the place of trading. Thus, on general considerations, the turnover tax

should lead to less of a disturbance in the existing trading structure than the single-point taxation.

This last point has very considerable relevance when we look to the future of this system of taxation and the possible yield from it. The Ministry has justified the imposition of a sales tax by pointing to their large commitments regarding expenditure on development of the resources of the Province. The sales tax is intended, presumably, to be an important instrument of financing this expenditure. The yield estimated, at present, of the sales tax is not very large in relation to these future requirements. The rates of the tax may, therefore, have to be raised in the future. If this is so, the merits of a general turnover tax become specially important. All the difficulties regarding passing on the tax to the consumer, regarding evasion, regarding differentiation between registered and unregistered dealers, or differentiation between State and Provincial territory will become considerably aggravated, the higher the rate of the single-point taxation. Therefore, a tax which is expected to yield substantial revenue had best be a tax whose rate is low, but whose incidence is universal.

30. The adoption of the general turnover tax does not involve, in our opinion, any disturbance of the other parts of the structure of the existing Bombay Act. It also makes no difference to the recommendations made by us above in regard to these other parts. If it is decided to adopt a general turnover tax we would suggest that the liability to tax may be defined by compelling all dealers with a gross annual turnover exceeding Rs. 10,000, to register.

For a turnover in a year up to Rs. 20,000 the tax should be laid at flat rates as under: Rs. 10,000 to Rs. 15,000—Eight Rupees per month. Rs. 15,000 to Rs. 20,000—Twelve rupees per month. For a turnover exceeding Rs. 20,000 the tax should be at the rate of one per cent. of taxable turnover. Two other features of the Madras Act we would recommend for adoption. These are the treatment of exports and the licensing, etc., of agents. If relief to exports is given by the method of rebates on restricted and defined categories this will make for a considerable check on evasion. The adoption of licensing of certain classes may meet the difficulties of large numbers of traders who have made strong representations and whose case can be fairly met under such a provision.

X. EXEMPTIONS UNDER THE PRESENT ACT AND THE NEED FOR REVISING THE POLICY UNDERLYING THEM.

31. We have now practically completed our detailed examination of the basis and structure of the Bombay Sales Tax Act, 1946, excepting that of the exemptions granted under it. In our opinion, the present list of exemptions is large and seems to have been made up on a variety of considerations. There is a large class of goods included within it which are consumed by the poor. But there are still other classes whose inclusion in the exempted list can only be justified on other grounds such as encouraging particular types of production or producers, or exempting particular types of purchases because they are invested with religious or other importance. We think it essential that in a sales tax of any type the list of exemptions shall be as small as possible. Theoretically, the more universal the incidence of a sale tax the easier, in every way is its administration. It is obvious, however, that the incidence of any sales tax is so highly regressive that as large a part, as possible, of the essential consumption of the very poor should be exempted

from such taxation. In making up an exemption list it is, however, necessary to keep in the foreground the point of view of its practical administration. A large exemption list has not, by itself, any merit. Exemptions which are confined to a few large and well-defined categories and which lead to exempting almost whole trades or the dominant activities of specific types of traders as a whole, operate very much better than numerous, narrowly defined exemptions which cut across the trading operations of large classes of dealers. We have prepared our list of exemptions with these considerations in mind. In the light of certain recent information regarding family budgets we estimate that the exemptions retained by us in the list will free from taxation almost half of the total expenditure on consumable goods by an average working-class family.

32. Exemptions other than those justified on the ground of freeing the consumption of the very poor should not, as a rule, be incorporated in the list. To this general rule we have allowed only two types of exemption. Firstly goods like cotton and cotton yarn which are almost invariably producers' raw materials and secondly the fuel and power group which, on the one hand, is very important in the family budget of the poor and on the other is a common essential of all industrial activity. Encouragement to particular traders, producers or activities is best and most efficaciously given by direct action, in this behalf, on the part of Government. Inclusion in the sales tax exemption list does not perhaps give very substantial help to any activity. On the other hand, every such exemption adds to the difficulties of traders and of the administration and every exemption that leads to evasion, leads to loss of revenue, undermines the administration of the Act and effectively increases the gap between the burden on the consumer and the revenue accruing to Government. A small number of specific, clearly-formulated and easily-administered exemptions are, therefore, preferable to a large imposing list which, however, results only in considerable evasion and in perhaps still taxing the consumer through illegitimate activities of traders without corresponding benefit to Government. A large field of exemption also necessarily involves a higher rate of taxation on the non-exempted goods.

33. We have in all our recommendations treated the tax under consideration as a general tax which is meant to be imposed on all types of goods. We are aware of the regressive nature of such taxation. We think that it might be desirable and also possible to offset partly this regressive effect by some type of special taxation on luxury consumption. We, would, however, not recommend mixing the system of such taxation with this general sales tax. It would be better if that type of taxation is undertaken as an extension of the earlier measure of 1939, of taxation of specific commodities.

34. We give below a list of goods which in our opinion should be exempted from the tax :—

All cereals and pulses including all forms of rice (except when sold in sealed containers) ;

Flour including atta, maida, suji and bran (except when sold in sealed containers) ;

Bread.

Meat

Fish

Fresh eggs.

} except when sold in sealed containers.

Cattle, sheep and goats.

Vegetables green or dried other than medical preparations.

Fresh fruits.

Salt.

Fresh milk, butter milk and curds.

Kerosene.

Coal Gas.—When sold by a Gas Supply Co., for consumption—

(a) by Government or any Local Authority, or

(b) in respect of any industrial undertaking (other than in residential or office premises).

Goods on which duty is or may be levied under the Bombay Abkari Act, 1878, or the Opium Act, 1878.

Electrical Energy.

Motor Spirit, meaning any liquid or admixture of liquids which is capable of providing reasonably efficient motive power for any form of motor vehicle and which has a flashing point below 76°F.

Water (other than aerated and mineral waters).

Firewood and charcoal.

Stamp paper sold by vendors duly authorised under the provisions of the Indian Stamp Act, 1899.

Cotton (whether ginned or unginned).

Cotton yarn.

35. Besides the exemptions specified in the Schedule to the Act, certain sales of goods are allowed tax-free under the interpretation of some terms occurring in the Act or by specific provision in the Rules. One such term is "for use by him (a registered dealer) in the manufacture of any goods for sale" occurring in section 6 (2)(a) (ii) of the Act. In our opinion, this exemption should cover raw materials, subsidiary materials, fuel and lubricants, and basic machinery and replacements of broken or worn out parts thereof. Under Rule 5A of the Bombay Sales Tax Rules certain other sales are also excluded from liability to tax. Where these exclusions have been provided for to ensure solely that the tax is levied only at a single point or to remove any technical difficulties under the Act, we have no objection. But where these exclusions give specific concessions to a particular class or classes of goods or dealers we, for reasons already stated, see no justification for granting them. The types of exemptions referred to in this paragraph arise only if the present structure of a single point tax is retained and would not arise in a general turnover tax recommended by a majority of us. Under the latter kind of tax, it would be enough if coal, coke and fuel oil are added to the schedule of exemptions.

XI. ACKNOWLEDGMENTS.

36. Before concluding our Report, we wish to place on record our grateful appreciation of the active help rendered to us by various chambers, associations and other commercial bodies and also by several individuals in submitting memoranda and communicating their views and suggestions on the Bombay Sales Tax Act, 1946. We are also grateful to the representatives of several important associations who met us and gave us the benefit of their advice. We received valuable help and assistance from Mr. M. D. Bhat, C.I.E., I.C.S., the Commissioner of Sales Tax, and from Mr. V. L. Gidwani, I.C.S., the Deputy Commissioner. Our thanks are also due to the Indian Merchants' Chamber for making available to us its Committee Room for holding meetings.

We desire also to place on record our high appreciation of the work of the Secretary of the Committee Mr. P. S. Nadkarni. Mr. Nadkarni's specialised knowledge of the structure and working of the Sales Tax in this and other provinces and the ability shown by him in dealing with the mass of evidence and in drafting were of great assistance in enabling the Committee to complete its work in time. We are also indebted to the staff under him for their diligent work.

D. R. GADGIL,
Chairman.

M. H. HASHAM PREMJI,
Member.

P. S. NADKARNI,
Secretary.

SHANTILAL H. SHAH,
Member.

Dated Bombay, 15th January 1947.

APPENDIX I.

List of Individuals, Associations, Chambers etc., who sent suggestions to the Committee.

Name.	Address.
Ahmedabad Aerated Water Works Association ...	Ahmedabad.
Abbasbhai Essufalli Pistolwala ...	Dohad.
A. F. Coelho ...	Bombay.
Ahmedabad Coke Merchants' Association ...	Ahmedabad.
Amrut Trading Company ...	Bombay.
Ahmedabad Gumasta Maha Mandal ...	Ahmedabad.
Ahmedabad Chemists Mandal ...	Ahmedabad.
Ahmednagar Commercial Union ...	Ahmednagar.
Akhil Karnatak Brass, Copper and Metal Merchants' Association.	Hubli.
All-India Food Preservers' Association ...	Dadar, Bombay.
Ambalal & Company ...	Bombay.
Ahmedabad Muslim Wholesale Co-operative Stores Ltd. ...	Ahmedabad.
Ahmednagar District Chamber of Commerce ...	Ahmednagar.
Association of Indian Industries ...	Bombay.
Association of Electrical Undertakings, Bombay Province ...	Bombay.
Akhil Bharat Charkha Sangh, Gujarat Branch ...	Bardoli.
Anaj Kariana Vepari Mandal ...	Kadod.
Ambalal Narandas Mali ...	Ahmedabad.
Ahmedabad Publishers & Book Sellers' Association ...	Ahmedabad.
Ahmedabad Sales Tax Protest Committee ...	Ahmedabad.
Babubhai Chhotalal, Cloth Merchant ...	Ahmedabad.
Bharat Boot House ...	Ahmedabad.
Bombay Provincial Merchants' Conference ...	Poona.
Bombay Provision Merchants' Association ...	Bombay.
Balkrishna Pitambar Talathi (Mahadwale) Pleader ...	Satara.
B. K. Kulkarni, B.A., LL.B. ...	Poona.
Bombay Lodging & Boarding House Association ...	Bombay.
B. Mukundlal & Co. ...	Bombay.
Bombay Coastal Refrigerating Co. Ltd. ...	Bombay.
Bombay Sales Tax Protest Committee ...	Bombay.
Bombay Press Owners' Association ...	Bombay.
Bombay Provincial Hotels' Federation ...	Bombay.
Bombay Provincial Muslim Chamber of Commerce ...	Bombay.
Bai Jerbai Wadia Hospital for Children ...	Bombay.
Bombay Piecegoods Native Merchants' Association & Bombay Country Fancy & Grey Piecegoods Merchants' Association.	Bombay.
Badri Ice Factory ...	Surat.
Belgaum Jilha Vepari Sangh ...	Belgaum.
Bhuleshwar Swadeshi Mart ...	Bombay.
Brass & Copper Merchants' Association ...	Poona.
Bombay Genuine Pearls' Dealers' Association ...	Bombay.
Bombay Province Sales Tax Protest Front ...	Bombay.

Name.	Address.
Bansilal H. Mehta	Ahmedabad.
Bombay Grain Dealers' Association	Bombay.
Bombay Shroffs (Bankers) Association Ltd.	Bombay.
Barsi Teli Sangh	Barsi.
Bombay Presidency Traders Association	Bombay.
Bombay Wool Merchants' Association	Bombay.
Bharat Mercantile Corporation	Bombay.
Bombay Sweetmeat Merchants' Association	Bombay.
Bombay Book Sellers' Association	Bombay.
B. R. Dhekney	Dharwar.
Belgaum Construction Works	Belgaum.
Bhavnagar Jain Temple	Bhavnagar.
Bombay Kariana Colour & Chemical Merchants' Association.	Bombay.
Bombay Provincial Saraf (Gold Silver) Merchants' Conference.	Belgaum.
Choksi Kanchanlal Maganlal	Umreth.
Chandulal Chhotalal Gheewala	Kapadwanj.
Chairman, School Board L. A. Municipality	Dharwar.
C. K. Butala & Co.	Bombay.
Chamber of Commerce	Bombay.
Cardamom Merchants	Haveri.
Champaklal Maneklal	Dohad.
Chalisgaon Merchants	Chalisgaon.
D. C. Shah, B.A., LL.B., Advocate	Ahmedabad.
Dossabhai S. Dalal	Bombay.
Dahyabhai Parsotam	Surat.
Messrs. Raghulal Premji & Nandlal Premji	Bombay.
Dalal Merchants' Association	Dharwar.
D. C. Savadi & Co.	Nipani.
Dunlop Rubber Co. (India) Ltd	Bombay.
Dadar Retail Cloth Merchants' Association	Bombay.
Dharwar District Cloth & Yarn Merchants' Association	Hubli.
Eckke Ltd.	Bombay.
Eastley Lam & Co., Solicitors & Notaries Public (for Messrs. Bennett & Co., Messrs. Ghandy & Co., Messrs. J. S. Mody & Co. Messrs. Sorabji Cowasji & Co., Auctioners)	Bombay.
Elphinstone Paint & Colour Manufacturing Co.	Bombay.
Eagle Star Trading Corporation	Bombay.
Educational Publishers Association	Bombay.
Foot-wear Merchants' Association	Belgaum.
Federation of Caps Merchants' Associations of Bombay	Bombay.
Grain & Grocery Merchants' Association	Jambusar.
Gold & Silver Ornaments Merchants' Association	Bombay.
Gordhandas Vandravan, C/o Digvijay Spg. & Wvg. Co. Ltd.	Bombay.
Grain & Rice Merchants' Association	Surat.
Ganpat Vithal Shete, Wholesale & Retail Merchant	Jaigad.
Govind Ganesh Patekar, C/o The Saswad Mali Co	Akluj.
Ghongadi Vyapari Sangh	Pandharpur.
Ghatkopar-Kirol Municipality	Ghatkopar.

Name.	Address.
Gold-filled Leather Works	Bombay.
Govindjee Murarjee	Bombay.
Gandiv Sahitya Mandir	Surat.
Govardhandas Ranchhoddas	Mahad.
Grain and Oil Seeds Merchants' Association	Bombay.
Gold and Silver Ware Merchants' Association	Bombay.
Girgaon Gold and Silver Merchants' Association	Bombay.
G. M. Kapadia & Co., Registered Accountants	Bombay.
Homi N. Driver	Poona.
Hindu-Muslim Hotel Union	Ahmedabad.
Hotel Trade Organisations of the City and Suburb of Bombay.	Bombay.
Hariprasad B. Shukla, B.A., LL.B., Advocate	Bombay.
International Services, Book Sellers and Agents etc.	Dadar.
Indian Grain Dealers' Federation	Bombay.
Indian Medical Association	Bombay.
Industrial Co-operatives and Village Industries	Poona.
International Lubricants Ltd.	Bombay.
Jethabhai Narsee	Bombay.
Jamshedji Rustomji Pagdiwalla	Malcom Baug, Jogeshwari.
Jasmine Agency	Nadiad.
Javerilal M. Choksi	Bombay.
J. B. Kothari	Bombay.
J. D. Khandhadia, D. Com., (I.M.C.)	Bombay.
J. V. Dharmsey, Merchants and Commission Agents	Bombay.
J. L. Morison, Son & Jones (India) Ltd.	Bombay.
J. Stone & Company (India) Ltd. (Engineers)	Bombay.
Joshi & Co.	Bombay.
Jahengir Jamshedji Shroff	Bombay.
Jayshankar Mehta & Co.	Ahmedabad.
Kirtilal Kalidas & Co.	Bombay.
Kanchan M. Patel	Borivli.
Kariani Dalal and Merchants' Association	Sirsi.
Keshav Vaman Shanbhag	Honavar.
Karnatak Oil Mill Owners' Association	Gadag.
Khansaheb Sarosh K. Irani	Ahmednagar.
Kapadvanj Choksi Mahajan	Kapadvanj.
Kapadvanj Vepari Mahamandal	Kapadvanj.
Kolaba Jilha Vyapari Parishad	Panvel.
K. C. Mehta, Jeweller	Palanpur.
Khalsa College	Bombay.
Kagdi Merchant Association	Bombay.
Karimbhoy Laljee	Bombay.
Karnatak Chamber of Commerce	Hubli.
K. K. Sanghavi, B.A., LL.B., Advocate	Bombay.

Name.	Address.
Lalita Factory	Ahmedabad.
Laxmi Oil Mills	Bombay.
Leather Goods Manufacturers and Dealers Association ...	Bombay.
Liberty and Co.	Patna.
Laxmi Oil Mills	Surat.
Lavji Ranchhodas Thakkar	Kalyan.
M. K. Soudagar	Belgaum.
Mackinnon Mackenzie & Co.	Bombay.
M. R. Patel	Bombay.
Milowners' Association	Bombay.
Merchants' Association	Karwar.
Marwari Chamber of Commerce Ltd.	Bombay.
Madhavbaug and Kapadgalli Retail Cloth Dealers' Association.	Bombay.
Maganlal Trikamalal Dave	Daskroi.
Maskati Panchkuva Cloth Market Association	Ahmedabad.
Mulchand Premchand	Ahmedabad.
Manufacturers of Aerated Waters	Surat.
M. B. Wooka	Bandra.
Motion Picture Society of India	Bombay.
Murtaza Alikhan (Nawabzada)	Bombay.
Mehemdabad Ghee Mahajan	Mehemdabad.
Motichand & Co., Engineers & Contractors	Bombay.
M. K. Soudagar & Sons	Belgaum.
Managing Agents, Mazgaon Docks Ltd.	Bombay.
M. Premji & Co.	Bombay.
Mahratta Chamber of Commerce and Industries	Poona.
Madhavlal & Co. Ltd.	Bombay.
Navjiwan Karyalay	Ahmedabad.
National Hing Supplying Co.	Bombay.
N. Thakordas and Co., Importers, Exporters and Commission Agents.	Bombay.
N. Kusumagar & Co.	Ahmedabad.
Narayan Ramchandra Patankar, President, Rajapur Merchants' Meeting.	Rajapur.
Navjiwan Sangh	Bombay.
Narothoram Ragnunath Mehta	Bombay.
Nimco Soap Works	Ahmedabad.
Punjalal Bhogilal Ghewala	Kapadvanj.
Pratapkumar Popatbhai Vaidya	Bombay.
The Premshaw Motor Co., Wireless & Motor Depot ...	Bombay.
Panwala Electric Stores	Surat.
Mr. P. G. Bhatya, Pleader and Business Adviser	Satara.
Polson Limited	Bombay.
Patel Brothers	Nasik.
Parik Lallubhai Jesingbhai's Pedhi	Viramgam.
Poona Footwear Merchants' Association	Poona.

Name.	Address.
Prabhashankar G. Upadhya	Bombay.
Prabhakar Agency	Poona.
Ralli Brothers Limited	Bombay.
Ramchandra Ambalal Bhatt	Broach.
R. A. Patel	Ahmedabad.
Ratilal K. Modi	Ahmedabad.
Shivangowda Pedi Gowda Patil, Biscuit Bakery	Belgaum.
Steamship Agents in Bombay	Bombay.
S. D. Mehta & Co. Ltd., Colliery Agents and Merchants	Bombay.
Shri Gold and Silver Ornaments Merchants' Association	Bombay.
Somabhai Becharbhai Patel	Borsad.
S. B. Patil, M.L.A.	Pachora.
Sadashiv Narayan Paranjape	Belgaum.
Seed Traders Association Ltd.	Bombay.
Seva Sadan	Bombay.
Shree Mandvi Pole Gold and Silver Ornaments Merchants' Association.	Ahmedabad.
Shree Atmanand Jain Sabha	Bombay.
Shree Krishna Weaving Mills	Belgaum.
Subhodchandra H. Merchant	Ahmedabad.
Surat Ghee Merchants' Association	Surat.
Sholapur Kapad Vyapari Mahajan	Sholapur.
S. N. Datar, Joint Editor "Vyapari Maharashtra"	Poona.
Shah Birchand Ramchand Rakecha	Ahmednagar.
Saraf Mandal	Belgaum.
Scindia Steam Navigation Co. Ltd.	Bombay.
Shankar Ganesh Date, President, Thana District Library Conference.	Poona.
Sadashiv Balvant Sakunde	Wai.
Shah Somachand Chhotalal	Nadiad.
Sholapur Handloom Weaving Merchants' Association	Sholapur.
Sorab B. Bilimoria	Ahmedabad.
Shroff Association	Ahmednagar.
Shree Ratan Pole and Richey Road, Gold, Silver and Jewellery Ornaments Merchants' Association.	Ahmedabad.
Sarabhai M. Dalal, High Court Pleader	Ahmedabad.
Sholapur Hatnag Asami Singh	Sholapur.
Sastu Sahitya Mudranalaya Trust	Ahmedabad.
Sukhadia Gandadal Mohanlal	Godhra.
S. S. Mani, Colour and Chemical Merchant	Bombay.
Shankarlal Bhagwandas Biyani	Poona.
Surat Book Sellers' Association	Surat.
Surat Chamber of Commerce	Surat.
Shantinathji Jain Temple	Bombay.
Shri Jain Swetamber Conference	Bombay.
Shree Shawl and Benarasi Cloth Merchants' Association	Bombay.
Surat Sales Tax Virodhak Mandal	Surat.

Name.	Address.
The Thana Retail Cloth Merchants' Association	Thana.
Trikamdas Udeshi	Bombay.
Thakkar Brothers	Bombay.
Todi and Company	Bombay.
Trimbeklal Anulakchand Doshi	Bombay.
Tasgaon Taluka Merchants' Association	Tasgaon.
T. H. Sonavane, B.A. (Hons.), LL.B., Advocate, High Court	Bombay.
Virangam Timber Merchants' Association	Virangaum.
Virangaum Shuddha Ghee Merchants' Association	Virangaum.
Vithal Yeshwant Gawde Merchant	Belgaum.
Vyapari Mandal	Satara.
Vyapari Sangh	Shiroda.
Vyapari Association	Keni.
Valimuhmed P. Shaikh, M.A., LL.B., Pleader	Ahmedabad.
Vanaspati Manufacturers' Association of India	Bombay.
Vithalbhai R. Darji, Newspaper Agent	Kadod.
V. V. Nene, Merchant	Deogad
Western India Builders' Association	Poona.
Warden's (Mysore) Limited	Bombay.
Wholesale Ghee Merchants	Ahmedabad.
Western India Prospecting Syndicate Ltd.	Bombay.
Zoroastrian Cost Price Stores	Bombay.

APPENDIX II.

List of Associations whose representatives met the Committee.

1. Bombay Grain Dealers' Federation.
2. Bombay Grain Merchants' Association.
3. Seeds Traders' Association.
4. Bombay Shroffs' Association.
5. Mr. Ratilal Gandhi, Vice-President. I.M.C.
6. The Memon Chamber of Commerce.
7. Bombay Provincial Muslim Chamber of Commerce.
8. All-India Muslim Chamber of Commerce and Industry.
9. The Nadiad Chamber of Commerce.
10. The Sales Tax Protest Committee.
11. The Mahratta Chamber of Commerce and Industry.
12. The Bombay Provincial Saraf (Gold-Silver) Merchants' Conference.
13. The Karnatak Chamber of Commerce.
14. Bombay Provincial Merchants' Conference.
15. The East India Cotton Association.
16. The Marwari Chamber of Commerce.
17. The Sales Tax Protest Front.
18. The Presidency Traders' Association.
19. The Surat Merchants' Chamber.
20. The Booksellers Associations of Bombay, Ahmedabad and Surat.
21. The Kagadi Merchants' Association of Bombay.