

THE ANDHRA PRADESH ENTERTAINMENTS TAX ACT 1939

❑ In India, movie tickets, large commercial shows and large private festival celebrations may incur entertainment tax.

❑ Entertainment falls in entry 62 of list 2 of seventh schedule of the constitution of India and is exclusively reserved as a revenue source for the state governments.

The following entertainment tax rates in the various states across India.

S.No	STATE	RATE OF TAX
1	MAHARASHTRA	45%
2	Gujarat	20%
3	Delhi	20%
4	Uttar Pradesh	60%
5	Punjab	0%
6	Haryana	30%
7	J & K	0%
8	Himachal Pradesh	0%
9	Andhra Pradesh	20%(15% for Telugu)
10	Karnataka	30%
11	West Bengal	30%
12	Assam	15% if Ticket value less than Rs.20 20% if ticket value more than Rs.20
13	Orissa	25%
14	Bihar	50%
15	Jharkhand	110%
16	TN	15% (Nil for Tamil Film)
17	Kerala	30%
18	Rajasthan	0%
19	MP	20%

In India, state governments are primarily responsible for collecting the entertainment taxes.

❑ In Tamilnadu, no tax for Tamil films. Rajasthan become the first state to exempt theatres from entertainment tax, with effect from 01.03.2011.

❑ Originally APET Act 1939 is designed to levy entertainment tax on all entertainments.

❑ Under the legislative powers vested in entry 62 of list -II of the Seventh Schedule of the constitution of India, the State legislature are empowered to enact legislation to levy “taxes on luxuries, including taxes on entertainments, amusements, battings & gambling”.

❑ The Act originally contemplated levy of entertainment tax on the basis of prices of admission to the places of entertainment, but by Act No: 24 of 1984 with effect from 01-01-1984, levy of tax on the basis of slab system was introduced.

❑ Every master cable operator should pay entertainment tax on the connections provided to the sub-scribers directly or through the cable operator from his control room.

By Act No:30 of 2005, Government have decided to impose 20% of entertainment tax on admission charges to amusements and other forms of entertainment such as musical concerts, magic shows, Go-karting including recreation in theme parks and accordingly inserted Section 4-C in the Act.

❑ Again in respect of Cinema Halls situated under the jurisdiction of Municipal Corporations including Sec'bad cantonment, selection grade municipalities, special grade municipalities, by Act No: 32 of 2005 with effect from 02-04-2005 levy of tax on the basis of actual sale of tickets and in respect of Cinema Halls situated in other local areas, levy of tax on the basis of existing slab system based on the gross collection capacity.

❑ Every master cable operator should pay entertainment tax on the connections provided to the sub-scribers directly or through the cable operator from his control room.

❑ By Act No:30 of 2005, Government have decided to impose 20% of entertainment tax on admission charges to amusements and other forms of entertainment such as musical concerts, magic shows, Go-karting including recreation in theme parks and accordingly inserted Section 4-C in the Act.

Definitions under Section 3 of AP VAT Act, 1939 are as under:

“Admission” includes admission as a spectator or as one of an audience, to an entertainment.

1. “Admission” to an entertainment” includes admission to any place in which an entertainment is held.

2a) “Cinematograph” includes any apparatus for the representation of moving pictures or series of pictures.

2aa) “Cinematograph film” includes video films, the sound track and any work produced by any process analogous to cinematography.

2) X X X

3. “Entertainment” means cinematograph exhibition, to which persons are admitted on payment.

4. X X X

5) “Local authority” means–

a) In the city of Hyderabad and in the city of Secunderabad, excluding the cantonment area, the Municipal Corporation of Hyderabad, and in the city of Vijayawada, the Municipal Corporation of Vijayawada and in the city of Visakhapatnam, the Municipal Corporation of Visakhapatnam and in any other municipality, the municipal council concerned.

- b) In the Secunderabad Cantonment area, the Cantonment Board, Secunderabad.
- c) In any area which is comprised within the jurisdiction of a gram panchayat, the gram panchayat concerned.
- d) In any other area, the authority legally entitled to, or entrusted by the State Government with, the control or management of the local fund.

6)“Payment for admission” includes–

a)Any payment made by the person, who, having been admitted to one part of a place of entertainment, is subsequently admitted to another part thereof, for admission to which a payment involving a tax or a higher tax is required.

b)Any payment for seats or other accommodation in a place of entertainment and

c)Any payment for any purpose whatsoever connected with an entertainment which a person is required to make as a condition of attending or continuing to attend the entertainment in addition to the payment, if any, for admission to the entertainment.

7) “Prescribed” means prescribed by rules made under this Act and

8)“Proprietor” in relation to any entertainment includes any person responsible for the management thereof.

9)“Master Cable Operator” means a person who receives signals for satellite and provides connections to the subscribers either directly or through the Cable Operator from his control room.

10) “Cable Operator” means a person who receives signals from the Master Cable Operator and provides connections to the subscribers.

• **Tax on Entertainments:** Section 4 contemplated that tax should be levied and paid to the State Government on the gross collection capacity on every show (hereinafter referred to as the entertainments tax) in respect of entertainments held in the theatres specified in Column. (2) of the table below and located in the local areas specified in the corresponding entry in Column (1) of the said table, calculated at the rates specified in the corresponding entry in Column (3) thereof. Tax liability on actual sale of tickets to every show in municipal corporations including Sec'bad cantonment area, selection grade and selection grade municipality's w.e.f:01-04-2008.

I. Rate of tax other than feature films produced in the State of A.P

Local Authority	Theatre	Rate of tax of sale of tickets
(a) Municipal Corporation	(i) A/C and Air Cooled Theatres	20%
	(i) Other Theatres	18%
(a) Selection Grade Municipality	(i) A/C and Air Cooled Theatres	20%
	(i) Other Theatres	18%
(a) Special Grade Municipality	(i) A/C and Air Cooled Theatres	20%
	(i) Other Theatres	18%

II. Rate of tax on feature films produced in the State of AP.

S. No	Local Area	Theatre (3)	Rate of tax (4)	Percentage of exemption (5)	Rate of tax after exemption as shown in column 5 (6)
1	Municipal corporations including Sec'bad cantonment area	1)Air conditions &Air cooled 2) Others	20% 18%	5% 5%	15% of the amount collected on actual sale of Tickets for admission to every show. 13% of the amount collected on actual sale of Tickets for admission to every show.
2	Selection grade municipality	1)Air conditions &Air cooler 2) Others	20% 18%	6% 6%	14% of the amount collected on actual sale of Tickets for admission to every show. 12% of the amount collected on actual sale of Tickets for admission to every show.
3	Special grade municipality	1)Air conditions &Air cooler 2) Others	20% 18%	7% 7%	13% of the amount collected on actual sale of Tickets for admission to every show. 11% of the amount collected on actual sale of Tickets for admission to every show.

III. Rate of tax on low budget feature films and old (5 years and above) and repeat run films:

S. No (1)	Local Area (2)	Theatre (3)	Rate of tax (4)	Percentage of exemption (5)	Rate of tax after exemption as shown in column 5 (6)
1	Municipal corporations including Sec'bad cantonment area	Air categories of theatres	20%	13%	7% of the amount collected on actual sale of Tickets for admission to every show.
2	Selection grade municipality	Air categories of theatres	20%	13%	7% of the amount collected on actual sale of Tickets for admission to every show.
3	Special grade municipality	Air categories of theatres	20%	13%	7% of the amount collected on actual sale of Tickets for admission to every show.

Explanation-I:– For the purpose of this subsection “the amount collected on the actual sale of tickets” means the total amount collected on the number of tickets sold for admission to each show excluding the permissible amount of service charge collected thereon but including the element of entertainment tax.

Explanation-II:– For the purpose of this subsection “Municipal Corporation of Hyderabad” means any local area as notified by the Government under Section 3 of the Hyderabad Municipal Corporations Act, 1955 and also includes the peripheral areas of Alwal, Rajendra Nagar, Gaddiannaram Municipalities and the Secunderabad Cantonment area.

Explanation-III:- For the purpose of this sub-section and sub-section (1-A) any local area declared as a notified area and equated to that of a particular grade of Municipality under Section 398-A of the Andhra Pradesh Municipalities Act, 1965, shall be deemed to be a municipality on the same grade to which the notified area is equated};

1. Section-4(1-A): There shall be levied and paid to the State Government a tax on the Gross Collection Capacity on every show (hereinafter referred to as the Entertainments tax) in respect of entertainments held in the theatres specified in Column(2) of the table below and located in the local areas specified in the corresponding entry in Column(1) of the said table, calculated at the rates specified in the corresponding entry in Column (3) thereof for the number of shows prescribed therein for every week.

2. Tax liability on gross collection capacity per show multiplies by 21, in respect of first grade municipalities, second grade municipalities, on gross collection capacity per show multiply by 17, in respect of local areas of third grade municipalities, gram panchayaths, townships and other local areas, on gross collections capacity per show multiplied by 14 in respect of permanent and semi permanent theaters in local area with a population of 15,000 and above, on gross collection capacity per show in respect of touring and temporary theaters

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in above local area, on gross collection capacity per show multiplied by 14 in permanent & semi permanent theater, on gross collection capacity per show multiplied by 10 in touring and temporary theaters in local area with a population of 7500 and above; but below 15,000/-, on gross collection capacity per show multiplied by 14 in permanent & semi permanent on gross collection theaters capacity per show multiply by 7 in touring and temporary theater in local area with a population of less than 7500/-.

I. Rate of tax on feature films produced in the State of AP:

S. No (1)	Local Area (2)	Theatre (3)	Rate of tax (4)	Percentage of exemption (5)	Rate of tax after exemption as shown in column 5 (6)
1	First Grade Municipality	Air categories of theatres	10%	5%	5% of gross collection capacity per show multiplied by 21.
2	Second grade municipality	Air categories of theatres	9%	5%	4% of gross collection capacity per show multiplied by 21.
3	Third grade municipality	Air categories of theatres	8%	5%	3% of gross collection capacity per show multiplied by 17

4	Gram Panchayaths, townships and other local areas	Air categories of theatres	8%	5%	3% of gross collection capacity per show multiplied by 17
5	With a population of 15000 & above	1) Permanent & semi permanent 2) Touring and temporary	7% 7%	4% 5%	3% of gross collection capacity per show multiplied by 14 3% of gross collection capacity per show multiplied by 10
6	With a population 7500/- and above, but below 15,000/-	1) Permanent & semi permanent 2) Touring and temporary	6% 6%	5% 5%	1% of gross collection capacity per show multiplied by 14 1% of gross collection capacity per show multiplied by 10
7	With a population of less than 7500/-	1) Permanent & semi permanent 2) Touring and temporary	5% 5%	4% 4%	1% of gross collection capacity per show multiplied by 14 1% of gross collection capacity per show multiplied by 7

II. Rate of tax on low budget feature films produced in the State of AP and old (5 years and above) and repeat run of such films:

S. No (1)	Local Area (2)	Theatre (3)	Rate of tax (4)	Percentage of exemption (5)	Rate of tax after exemption as shown in column 5 (6)
1	First Grade Municipality	Air categories of theatres	10%	7%	3% of gross collection capacity per show multiplied by 21.
2	Second grade municipality	Air categories of theatres	9%	7%	2% of gross collection capacity per show multiplied by 21
3	Third grade municipality	Air categories of theatres	8%	7%	1% of gross collection capacity per show multiplied by 17

4	Gram Panchayaths, townships and other local areas	Air categories of theatres	8%	7%	1% of gross collection capacity per show multiplied by 17
5	With a population of 15000 & above	1) Permanent & semi permanent 2) Touring and temporary	7% 7%	6% 6%	1% of gross collection capacity per show multiplied by 14 1% of gross collection capacity per show multiplied by 10
6	With a population 7500/- and above, but below 15,000/-	1) Permanent & semi permanent 2) Touring and temporary	6% 6%	5% 5%	1% of gross collection capacity per show multiplied by 14 1% of gross collection capacity per show multiplied by 10
7	With a population of less than 7500/-	1) Permanent & semi permanent 2) Touring and temporary	5% 5%	4% 4%	1% of gross collection capacity per show multiplied by 14 1% of gross collection capacity per show multiplied by 7

Section 4-A: Tax on entertainment shows:- In addition to the entertainment tax under Section, show tax should be payable as under:

<u>S. No.</u>	<u>Local area</u>	<u>Rate of tax for every show</u>
1.	Municipal corporations including sec'bad cantonment area, Selection grade, special grade and first grade municipalities	Rs.12/-
2.	Second grade & third grade municipalities	Rs.8/-
3.	Gram panchayats, townships and any other local authorities	Rs.8/-
4.	Local areas with a population of 15,000 and above	Rs.4/-
5.	Local areas with a population of Less than 15,000	Rs.2/-

Section 4-B : This section envisaged that the state government may give remission the tax payable under section 4-A.

Section 4-C: This section contemplated that Tax @20% should be levied and paid to the government on each payment of admission in amusement or recreation.

Section-6: No person shall be admitted on payment to an entertainment except with a ticket issued.

Section-8: Entertainments exempted from payment of tax: State Govt. can grant exemption from payment of entertainment tax to any entertainments.

Section 9: RETURNS:

1. Returns: – Every proprietor should submit a return in Form VI for each week from Friday and ending with Thursday immediately following the week to which it relates Master Cable operator should submit return in Form VI- A on or before 20th day of the immediate following month to which it relates.

2. Assessment:- If the prescribed authority is satisfied that any return submitted is correct and complete, it should assess the amount of tax payable on the basis of the return within four years.

3. Best judgement assessment:– if no return is filed or if the return filed appears to be incorrect or incomplete, the assessing authority, after giving an opportunity of proving correctness and completeness of any return, assess to the best of its judgement.

Section 9.

(A)- Any entertainment show has been assessed at a lower rate than the rate at which it is assessable the entertainment tax officer may re-Assess the tax due.

(B) Penalty – If evasion of tax is willful, penalty is not less than three times but it may extend to five times. The entertainment tax due. If it is not willful, not exceed one half of such tax. If it is bonafide mistake, no such penalty should be levied.

(B) Appeal:– If the proprietor aggrieved by an order passed appeal can be preferred within thirty days from the date of receipt of the order. Appeal fee is one percent of the disputed tax, subject to a maximum of Rs.50/–.

(C) Revision:– Commissioner or joint commissioner or Deputy Commissioner or Commercial Tax Officer can revise the assessment passed by their sub-ordinate officers within 4 years from the date of service of the order.

(D) Revision by High Court:- The proprietor or Department, within sixty days from the date of order served can prefer a petitioner to the High Court.

(E) Appeal to High Court.

(F) Limitation for certain assessments or re-assessment on order of higher authority should be completed within three years from the date of receipt of the order.

10. Interest:- 1 1/2% per month.

(A) Power of Deputy Commissioner under R.R. Act power of DCTO under A.P. Rent and revenue sales Act 1939.

(B) Recover of tax from third parties.

(C) Liability under the Act to be the first charge.

11. Inspection.

12. Exemption from payment for admission: officer shall not be required to pay for his admission to the entertainment.

13. Payment of compensation to local authorities:-

The entertainment tax collected should be apportioned to local authorities as under:

- (a) 3% to be credited to the State Government.
- (b) 90% to the local authority.
- (c) 7% to be expended for the purpose of promoting the cinematograph films and arts.

14. Offences and penalties:-

- Offences:-**
- (1) Admit any person without payment.
 - (2) Fails to pay tax due within the prescribed time.
 - (3) Fraudulently evades payment of tax due.
 - (4) Contravenes any provisions of the Act.

Penalties:—on conviction by a magistrate, be liable to fine for each offence to a fine of one thousand in addition to liable to pay tax.

15. Power to compound offence:— the authority may accept not exceeding one thousand or double the amount of tax due, in addition to tax, whichever is greater in other cases, not exceeding one thousand rupees.

Section 15-A: Levy of Entertainment Tax on Cable Services:

This section contemplated that, the master cable operator should pay Entertainment Tax every month for the number of connections provided to the sub-scribers either directly or through the cable operators from his control room at the rates specified below on or before 20th day of the immediately.

Sl. No	Category	Local Area	Rate per Connection per month
1.	A	Municipal Corporations and Secunderabad Cantonment area	Rs.5/-
2.	B	Selection Grade Municipalities	Rs.4/-
3.	C	Grade I & II Municipalities	Rs.3/-
4.	D	Other Municipalities	Rs.2/-
5.	E	Major Gram Panchayats	Rs.200/- p.m.(Irrespective of no. of connections)
6.	F	Minor Gram Panchayats	Rs.100/- p.m.(Irrespective of no. of connections)

Rule 9-B prescribed the procedure to obtain license.

□ Rule 9-B contemplated that every cable operator liable to pay tax should make an application for issue of license in Form IV-A to the ETO within 30 days of the commencement of the cable services duly furnishing the details of area covered by his cable TV network services provided by him, number of connections given to the subscribers either directly or through the cable operator from his control room with names and address of the subscribers, amount of subscription for charged, amount of tax payable etc.

❑ Every application should be accompanied by a demand draft in favor of ETO for Rs.100/-.

❑ Every master cable operator who is seeking license under Section 15(B) should deposit an amount at the rates specified under Section 15-C in the form fixed deposit or National Saving Certificate in the name of licensing authority.

❑ After making such enquiry, that the application is bonafide and the particulars contained therein are correct and complete, license in form IV-B should issued.

❑ Any master cable operator, if fails to apply for license, he should be liable to pay penalties equivalent to Rs.1000 or Rs.100 for each day of default subject to a maximum of Rs.5000/- per month in addition to tax due.

- ❑ Rule 10 prescribed that the ticket should be serially numbered.
- ❑ Rule 12 envisaged that the security furnished under Rule 6 be liable to adjust towards tax, penalty at any time.

❑ Rule 15 contemplated that return in form V for each week not later than Monday immediately following week to which it relates.

❑ As per Rule 3(n) week means the period commencing from Friday and ending with Thursday.

❑ Rule 16-A(2) envisaged that every proprietor of entertainment or Master Cable Operator should be deemed to have been assessed to tax based on the returns filed by him, if no assessment is made within a period of four years from the date of filing of return or returns.

16. Power to make rules.
17. Bar of certain proceedings. No suit or prosecution or other proceedings shall be lie against any officer.
18. Limitation for certain suits and prosecutions: within six months only.
19. Proceedings etc against officers and servants of a local authority collecting the tax.
20. Delegation of certain power of the State Government.

Payment of Entertainment tax under Section 4 of the Act.

- ❑ Rule 5 of the APET Rules 1939 says that the proprietor should apply to the ETO at least three days before the entertainment in Form 1 furnishing the details to the place, date, time and nature of the entertainment and also rates of the payment for admission to it.

❑ The ETO should fix the security deposit equal to the tax payable for two weeks. When the security is furnished, the ETO should grant a permit in Form II. The security deposit is in the Form national saving bonds or fixed deposit certificate, the security furnished should be adjusted in the event of default of tax payable.

❑ Master Cable Operator, under Rule 9B, should make an application for issue of license in Form IV-A to ETO within thirty days of commencement of the cable service duly furnishing the details of area covered by his cable TV network services provided by him, number of connections given to the subscribers directly or through the cables operators with names and address of the subscribes, amount of subscription fee charged, amount of tax payable, license fee is Rs.100/-. He should furnish fixed deposit as under:

See Section 15–C:

- ❑ After that the ETO should issue the license to the applicant in Form IV–B, valid till the completion of the year.
- ❑ Government vide GO Ms.No.538 Home Dept, dt.11–07–1994 permitted the cinema theatres to collect Tax free maintenance charges from the audience @ Rs.2 / in respect of AC / Air Cooled Theatres and @ Rs.1 / – in respect of other Theatres

Sl. No.	Category	Local Area	Amount of deposit
1	A	Municipal Corporations and Secunderabad Cantonment area	Rs.10,000/-
2	B	Selection Grade Municipalities	Rs.5,000/-
3	C	Grade I & II Municipalities	Rs.3,000/-
4	D	Other Municipalities	Rs.2,000/-
5	E	Major Gram Panchayats	Rs.1,000/-
6.	F	Minor Gram Panchayats	Rs. 500/-

Calculation of tax due under Section 4 (1):

Rate of tax X (Total collection – Tax free collection)

Rate of tax + 100

Tax free maintenance charges:

One rupee in respect of Air-Conditioned/
Air cooled theaters and fifty paise in
respect of other theaters except in respect
of lower classes.