

CHAPTER-III

REVENUE RECEIPTS

3.1. Outstanding Property tax

The position of arrear & current demand, collection and outstanding property tax at the end of 2005-06 in respect of 13 ULBs (except RMC) were as under:

(Rs in lakh)

<i>Arrear demand</i>	<i>Current demand</i>	<i>Total</i>	<i>Collection</i>	<i>Outstanding</i>
639.55	232.42	871.97	179.67	692.30

(Unit-wise details are given in Appendix- 7)

Half yearly list of outstanding taxes as required under Rule 39 of Municipal Accounts Rules (Recovery of Taxes), 1951 was not prepared by the ULBs. Thus, year-wise break up of arrear demand could not be furnished.

Local bodies did not take any of the following steps, prescribed in the Act, for recovery of huge outstanding dues:

- If the tax is not paid within fifteen days from the first day of the quarter, in respect of which it is payable, the local body may issue demand notice under section 205 and 123 of Ranchi Municipal Corporation Act and Jharkhand Municipal Act;
- If tax not paid within twenty one/ fifteen days after receipt of the notice, *ibid*, the local body may issue warrant under Sections 206 and 124 respectively, of the Acts, *ibid* ;
- May take action under Jharkhand and Orissa Public Demand Recovery Act, 1914 for recovery of the arrear as public demand under Section 218 and 129 A respectively, of the Acts; and
- May bring suit in any civil court of competent jurisdiction for recovery of the arrears under Sections 219 and 130 respectively, of the Acts.

3.2. **Separate Accounts of Latrine and Water tax**

Rule 14 of Bihar Municipal Account Rules, 1928 stipulates that the net receipts on account of water and latrine taxes shall be spent only for the execution of works for water supply and cleansing of private and public latrines urinals and cess pool as required under Rule 69 (1). Further, under Rule 69 (2), money which has been received for specific objects shall not be expended on any other objects.

As Separate Accounts of Latrine Tax and Water Tax were not maintained by the Urban Local Bodies, as under the Rule, collections on these accounts and their proper utilization could not be ascertained separately.

3.3 **Revision of Tax**

Section 138 of Ranchi Municipal Corporation Act and Section 106 of Jharkhand Municipal Act, 2000 provide for revision of tax once in every five years. Test check of assessment register revealed the following position:

<i>Sl.No.</i>	<i>Name of the Urban Local Bodies</i>	<i>Year of last assessment</i>	<i>Year when assessment due</i>	<i>Year in which assessment initiated</i>	<i>Position of revision as of March 06</i>
1	R.M.C.	1992-93	1997-98	1992-93	Not completed
2	Deoghar	1998-99	2003-04	1998-99	Not completed
3	Dumka	1992-93	1997-98	Nil	Nil
4	Hazaribagh	1994-95	1999-2000	Nil	Nil
5	Daltonganj	1994-95 (partial)	1999-2000	1997-98	Not completed
6	Lohardaga	1989-90	1994-95	1995-96	Not completed
7	Chas	1977-78	1982-83	1995-96	Not completed
8	Jugsalai	1974-75	1979-80	1997-98	Not completed
9	Chaibasa	1982-83	1987-88	Nil	Nil
10	Mihijam	1965-66	1970-71	2000-01	Not completed
11	Adityapur	1965-66	1970-71	1996-97	Not completed
12	Khunti	1985-86	1990-91	2001-02	Not completed
13	Bundu	1985-86	1990-91	2001-02	Completed

From the above table it is evident that:

- (1) three ULBs had not at all initiated the revision of assessment process though it was due for the last seven to 19 years;
- (2) In the other 10 ULBs, the revision was pending for the last three to 36 years. The process of revision was initiated after a lapse of one to 30 years from the year in which revision was due. The process was still incomplete in all these cases;
- (3) Non-revision of assessment resulted in loss of revenue to the local bodies. As provisions for the rate of increase or decrease per year were not made in the Municipal Act or Rules, the loss due to non revision of Tax was not ascertainable in audit.

3.4. *Loss of revenue due to non- observance of the provision of the Act and the Rules*

Section 205 of Ranchi Municipal Corporation Act, 2001, provides that if bills of taxes (Holding tax, Water tax and Latrine tax) not paid within fifteen days from their presentation under Section 204, *ibid*, a notice of demand shall be served upon the tax-payer and a fee of twentyfive paise per rupee of the demand shall be payable by him (tax payer) as per Rule 3 of Ranchi Municipal Corporation Accounts (Recovery of Taxes) Rules, 2001.

Further, if the tax payer to whom notice of demand is served does not, within twenty one days of the service of such notice, pay the sum demanded, a warrant may be issued under Section 206 for which a fee of twelve paise per rupee of the demand shall be charged, *vide* Rule 4.

Due to non service of notice of demand and warrant to tax payers for collection of arrear of holding tax etc., as required above, the Corporation was deprived of revenue of Rs 2.07 crore in the shape of fine Rs 0.37 per rupee (25 paise per rupee to be included in demand notice for failure to pay tax within 15 days from presentation of

bill and 12 paise to be included in warrant for failure to pay tax within 21 days of issue of demand notice). Ranchi Municipal Corporation neither maintained any register showing issue of notice of demand warrants and fee claimed and realized against it nor any amount was shown to have been realized by Ranchi Municipal Corporation in the shape of above fee. This is evident from Cashier's Cash Book and Accountant's Cash Book, though arrear tax of Rs 5.58 crore was realized by Corporation during 2004-05 and 2005-06 in which Corporation's loss of fee worked out to Rs 2.06 crore. Due to maintenance of register exact amount to be realized and the balance amount to be realized could not be ascertained in audit.

3.5. **Non credit and short credit of collection money**

As per instructions of the Government under Rule 22 of Bihar Municipal Accounts Rules, 1928, all money received on account of the Municipality shall be remitted intact into the treasury as often as can be conveniently managed. In contravention of the above rule, 12 ULBs did not remit Rs 28.98 lakh out of Rs 97.81 lakh of collected money during 1999-2006. Out of the above Rs 28.98 lakh, Rs 6.11 lakh was recovered from the staff of the ULBs at the instance of audit (Appendix-8). Rs 22.87 lakh was lying in the personal/private custody of the officials concerned which was improper as possibility of misappropriation or loss of money can not be ruled out.

3.6. **Money receipt Books kept out of stock**

In NAC, Adityapur, Rs 2 lakh was collected on account of shop rent by utilizing such unaccounted 'money receipt books' which were kept out of stock register. Details given below:

<i>Sl.no.</i>	<i>Book NO.</i>	<i>Receipt no. and period of collection</i>	<i>Amount collected Rs</i>
1	43	4233/05-05-2003 to 4300/05-07-2003	11,320=00
2	45	4401/05-07-2003 to 4500/05-10-2003	48,933=00
3	46	4501/05-10-2003 to 4600/05-12-2003	69,057=00
4	47	4601/05-12-2003 to 4700/05-02-2004	48,224=00
5	48	4700/05-02-2004 to 4800/04-04-2004	22,031=00
		Total	199565=00

Keeping the money receipt books out of stock register resulted in failure of internal control system and therefore, possibility of misutilisation/ defalcation of Government money could not be ruled out.

Source of supply of the money receipt books, total stock of such supplies and their utilization was not explained to audit. The total collection of Rs 1,99,565 was not credited in the Committee Fund. After being pointed out in audit, Rs. 1 lakh out of Rs. 1,99,565 was recovered and the balance amount of Rs.99565 remained unrecovered as of 31 march 2006.

3.7 Education Cess/Health Cess realized but not credited into Government Account

Education Cess and Health Cess at the prescribed per centage of the holding tax is to be levied by the Municipality under the Bihar Primary Education (Amendment)Act, 1959 and Bihar Health Cess Ordinance, 1972 (Bihar Ordinance No.2 of 1972) in the Municipal areas from 1 April 1959 and 4 May 1972 respectively. The Cess is to be collected through the Municipalities/N.A.Cs. The proceeds of the Cess are to be credited into the State revenue after deducting 10 per cent as collection charge.

It was noticed that during 2004-06, Education and Health Cess of Rs 3.28 crore collected by 13 ULBs as indicated in the Appendix-9, was not credited into the State revenues after retaining 10 per cent as collection charges. The ULBs spent the total collection money of Education and Health Cess on administrative expenditure. This was in violation of the ordinance and vitiated budgetary control of the state due to loss of Government Revenue to the tune of Rs. 3.28 crore.

3.8. Non imposition of Education /Health Cess

The Government of Bihar, under Bihar Primary Education (Amendment) Act, 1959 and Bihar Health Cess Rules,1972, as amended from time to time, issued orders to the Municipality in the State for collection of Education /Health Cess. It was not realized by Jugsalai, Chas Municipalities and Mihijam, Khunti, Bundu NACs. Consequently, not only did the State Government, suffer loss of Rs 72.34 lakh, but the

Municipality/NAC itself suffered a loss of Rs 8.03 lakh during 2001-02 to 2005-06 in the shape of 10 per cent collection charges, which form part of Municipal revenue (Appendix-10).

3.9. **Outstanding Rent/Taxes of Municipal Properties and Government Buildings**

Rs 3.12 crore was outstanding on account of rent of municipal properties and Rs 8.31 crore was outstanding on account of tax on Government buildings as of 31 March 2006 as detailed (Rs in lakh)

<i>Sl.No.</i>	<i>Name of the Municipal Bodies</i>	<i>Categories of property</i>	<i>Rent outstanding</i>	<i>No. of Govt. Buildings</i>	<i>Taxes outstanding</i>
1	Ranchi	Shop rent, Land rent & water charge on Government building	95.29	44	455.46
2.	Deoghar	Shop rent	150.77	N.A	41.91
3.	Hazaribagh	Shop rent, Stall rent	7.99	33	18.27
4.	Dumka	Shop rent	12.24	NA	18.76
5.	Daltonganj	Market rent	21.60	116	152.00
6.	Lohardaga	Shop rent, Sairat and Bus stand	10.77	NA	33.68
7.	Chaibasa	Shop rent	1.86	NA	53.56
8.	Jugsalai	Shop rent, Water charge	Nil	09	6.22
9.	Chas	Shop rent	8.86	16	6.96
10.	Mihijam	Stall rent	0.11	NA	0.03
11.	Adityapur	Shop rent	NA	NA	43.85
12.	Khunti	Shop rent, Bus stand	2.19	NA	Nil
13.	Bundu	Shop rent	Nil	NA	Nil
	Total		311.88		830.70

Due to above mentioned outstanding municipal dues, primary duties of providing sanitation and other facilities entrusted to Local Bodies might have hampered. Action taken to realize outstanding rent/ taxes was not on record.