

## CHAPTER-III

### REVENUE RECEIPTS

The revenue receipts of an Urban Local Body comprise of receipts from its own sources of tax and non-tax revenues. Tax on Holding, water tax, latrine tax, collection charges of health cess & education cess, tax on vehicles, tax on trades, professions, callings and employments, fee on registration of vehicles etc. are the major sources of tax revenue and building plan sanction fees, mutation fees of property, rent on shops & buildings, tolls and other fees and charges etc. constitute the main source of non-tax revenue. The municipal bodies, with the sanction of the State Government are empowered to impose different taxes/fees within their municipal limits. The rates of taxes should be revised once in every five years. Net receipts on account of Water and Latrine taxes should be spent for the execution of work for water supply and cleansing of private or public latrines. Health/Education cess collected by the ULBs should be remitted to Government account after retaining 10% as collection charges. Share of cess should be spent on providing better health & education service to the tax payer. Recovery of the arrear dues should be made by issuing Demand Notice, Distress Warrant to taxpayers, Public Demand and Civil suits. Rule 20 of Bihar Municipal Accounts Rules, 1928 provides that the Administrator/Special Officer/Chairman should, at least once, in every week, examine the Cashier's Cash Book together with the pass book to satisfy himself that all moneys received have been remitted intact into the treasury without delay. He should further, at least once, in every fortnight, examine the Cashier's or the Accountant's Cash Book to check whether all sums received are actually brought to account. The Executives of ULBs are also responsible for ensuring that the postings of collection in Demand and Collection Register do not fall into arrears and to cause a list of outstanding on account of taxes of current and previous years to be prepared from the Demand and Collection Register.

Audit scrutiny revealed that these provisions relating to imposition, collection and accounting of taxes/receipts etc. were not followed by the Executives/Officers of the ULBs resulting in a number of irregularities like deficiencies in management of resources, loss due to non-levy of tax, short/non-realization of the dues and charges etc. which were reported to Government through earlier reports. These deficiencies, however, continued to exist as discussed in succeeding paragraphs.

### 3.1 Non-imposition of Municipal taxes/cess/fees.

Nine ULBs didn't impose Municipal taxes.

Under Section 82 of the JMA, 2000, the Municipalities/NACs with the sanction of the State Government, are empowered to impose different taxes within their limits. But, Basukinath, Chirkuda and Chakuliya Nagar Panchayats did not impose Municipal taxes/cess/fees till March 2008 whereas Jasidih, Saraikela, Mango, Chatra, Jamtara and Chas imposed the same partly. Due to non-imposition of taxes, the above ULBs were deprived of Municipal revenue that could have been used to provide better civic amenities/development in those cities.

### 3.2 Outstanding Holding tax

The position of Demand, Collection and Outstanding Holding tax in respect of 14 ULBs was as under:

**Table-14**

(Rs in crore)			
Demand	Collection	Outstanding	Percentage of demand outstanding
35.03	5.47	29.56	85.00

(Unit-wise details are given in *APPENDIX- V*)

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

Further, ULBs did not take any of the following steps, prescribed in the Act, for recovery of outstanding dues:

Proper steps were not taken for realization of outstanding Holding tax of Rs 29.56 crore.

- If the tax was not paid within fifteen days from the first day of the quarter in which it was payable, the local body should issue demand notice under Section 205 and 123 of RMC Act and JMA respectively.
- If the tax was not paid within twenty one/ fifteen days after receipt of the notice, *ibid*, the local body should issue warrant under Sections 206 and 124 respectively, of the Acts, *ibid*;
- ULBs should 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 Act; and

- ULBs should bring suit in any civil court of competent jurisdiction for recovery of the arrears under Sections 219 and 130 respectively, of the Acts.

Due to the failure of ULBs in taking prescribed/legal action for collecting arrear taxes, a huge sum of Rs 29.56 crore remained unrealized in 14 ULBs.

### 3.3 *Non-imposition of Lighting tax*

Lighting tax was not imposed in the 16 test checked ULBs

Under Section 82 (d) read with Section 85 (c) of the JM Act, 2000, the Municipal Bodies are empowered to impose lighting tax at the rate of minimum three percent of the annual value of holding. But despite maintaining the street lighting within the municipal area, lighting tax was not imposed by any of the 17 ULBs except Chakradharpur. Due to non-imposition of the lighting tax, the ULBs suffered a huge recurring loss of revenue every year that could have been utilized for providing better street lighting facilities in those cities.

### 3.4 *Separate accounts of Latrine tax and Water tax not maintained*

Separate accounts of Latrine and Water tax not maintained

Rule 14 of Bihar Municipal Accounts Rules, 1928 and Section 69 (1) of JMA, 2000, stipulate that the net receipts on account of water and latrine taxes should be spent only for the execution of works for water supply and cleansing of private and public latrines, urinals and cesspools. Further, under Section 69 (2) of JMA, 2000, money which has been received for specific objects, should not be expended on any other objects.

As the ULBs did not maintain separate accounts of Latrine tax and Water tax, collections on these accounts and their proper utilization could not be ascertained in audit.

### 3.5 *Non-revision of Holding tax*

Non-revision of tax since long resulted into loss of revenue.

Section 138 of RMC Act, 2001 and Section 106 of JMA, 2000 provide for revision of rate of tax once in every five years. Test check of assessment register revealed the following position:

**Table-15**

Sl. No.	Name of ULBs	Year of Last Assessment	Year from when assessment due	Year from when initiated	Position of revision as of 31 March 2009
1.	Ranchi	1992-93	1997-98	Nil	Not initiated as yet
2.	Dhanbad	1994-95	1999-00	Nil	Not initiated as yet
3.	Hazaribagh	1994-95	1999-00	Nil	Not initiated as yet
4.	Giridih	1957-58	1962-63	1997-98	Not completed
5.	Chatra	1981-82	1986-87	Nil	Not initiated as yet
6.	Chakradharpur	1997-98	2002-03	Nil	Not initiated as yet
7.	Chas	1977-78	1982-83	1995-96	Not completed
8.	Simdega	1996-97	2001-02	Nil	Not initiated as yet
9.	Godda	1979-80	1984-85	Nil	Not initiated as yet
10.	Mango	1978-79	1983-84	Nil	Not initiated as yet
11.	Jamtara	1975-76	1980-81	Nil	Not initiated as yet
12.	Saraikela	1996-97	2001-02	Nil	Not initiated as yet
13	Jasidih	1988-89	1993-94	Nil	Not initiated as yet
14	Kharsawan	1985-86	1990-91	-	Not initiated as yet

From the table it could be seen that:

1. 12 ULBs had not initiated the revision of assessment process though it was due for the last 8 to 30 years;
2. In other two ULBs, the revision had been pending for the last 27 and 47 years. The process of revision, though initiated after a lapse of 13 and 35 years, was still incomplete.

Non-revision of assessment in time resulted in loss of revenue to the ULBs. As provisions for the rate of increase or decrease per year were not laid down in the Municipal Act or Rules, the loss due to non- revision of tax could not be quantified.

### **3.6 Loss of Rs 0.39 crore due to non-realization of fee for delayed payment of taxes**

Fee of Rs 0.39 crore could not be levied due to non-service of notice of demand & warrant to tax payers.

Section 205 of RMC Act provides that if bills of taxes (Holding tax, Water tax and Latrine tax) are not paid within 15 days from their presentation under Section 204, *ibid*, a notice of demand should be served upon the tax-payer and a fee of 25 paise per rupee of the demand should be paid by him (tax payer) as per Rule 3 of RMC Accounts (Recovery of Taxes) Rules, 2001.

Further, if the taxpayer to whom notice of demand is served does not, within 21 days of the service of such notice, pay the sum demanded, a warrant may be issued under Section 206 for which a fee of 12 paise per rupee of the demand should be charged. Ranchi Municipal Corporation neither maintained any register showing issue of notice of demand/warrants and fee claimed/realized nor was any amount shown to had been realized in the shape of above fee.

Thus, due to non service of notice of demand and warrant to tax payers for collection of arrear of holding tax etc., as required, RMC was deprived of revenue of Rs 0.39 crore as detailed below:

**Table-16**

(Rs in crore)

Sl. No.	Name of Corporation	Period	Arrear Taxes collected	Amount of fee not levied @ Re 0.25 per rupee of tax (Demand Notice)	Amount of fee not levied @ Re 0.12 per rupee of tax (Warrant)	Total amount of fee not levied
1.	Ranchi	2008-09	1.03	0.26	0.13	0.39

**3.7. Misappropriation of revenue collected**

Rs 13.51 lakh misappropriated by the staff of 13 ULBs; Rs 12.03 lakh still lying in their personal custody.

As per instructions of the Government under Rule 22 of Bihar Municipal Accounts Rules, 1928, all money received on account of Municipal Fund should be remitted into the treasury as often as can be conveniently managed. During the audit it was found that in contravention of the above rule, staff of 13 ULBs did not remit Rs 13.51 lakh of collected money during 2004-09. Out of this, Rs 1.48 lakh was recovered from the staff of the ULBs at the instance of audit as detailed below:

**Table-17**

(Rs in lakh)

Sl. No.	Name of ULBs.	Period of Audit	Amount of Non/Short Credit	Recovery at the instance of Audit	Balance
1.	Ranchi	2008-09	0.61	0.35	0.26
2.	Dhanbad	2004-06	4.89	0.03	4.86
3.	Hazaribagh	2007-08	5.18	0.44	4.74
4.	Giridih	2007-08	1.10	Nil	1.10
5.	Chatra	2006-08	0.31	0.16	0.15
6.	Simdega	2006-08	0.01	0.01	Nil

Sl. No.	Name of ULBs.	Period of Audit	Amount of Non/Short Credit	Recovery at the instance of Audit	Balance
7.	Chakradharpur	2007-08	0.01	Nil	0.01
8.	Godda	2007-08	0.29	0.14	0.15
9.	Mango	2006-08	0.04	Nil	0.04
10.	Jamtara	2006-08	0.01	Nil	0.01
11.	Saraikeela	2006-08	0.42	0.35	0.07
12.	Jasidih	2006-08	0.56	Nil	0.56
13.	Kharsawan	2006-08	0.08	Nil	0.08
<b>Total</b>			<b>13.51</b>	<b>1.48</b>	<b>12.03</b>

A sum of Rs 12.03 lakh was still lying with the officials concerned. Any action taken for recovery of this misappropriated money was not intimated to Audit.

### 3.8 Receipt Books not produced before audit.

Eighty-four Money Receipt Books of different types, as detailed in *APPENDIX-VI*, were not produced before audit by eight ULBs:

84 Receipt Books not made available to audit by eight ULBs

**Table-18**

Sl. No.	Name of ULBs	Period	No. of Books not produced
1.	Ranchi	2008-09	18
2.	Dhanbad	2004-06	46
3.	Hazaribagh	2007-08	03
4.	Giridih	2007-08	09
5.	Chatra	2006-08	02
6.	Chas	2006-08	02
7.	Godda	2007-08	03
8.	Jasidih	2006-08	01
<b>Total</b>			<b>84</b>

Non production of Receipt Books was fraught with risk and it could lead to serious financial irregularities in future. Thus, possibility of leakage of revenue in this regard could not be ruled out.

### 3.9 Short realization of Settlement amount

Short realization of bid money of Rs 28.34 lakh in nine ULBs

The ULBs derive their non-tax revenues by settlement of Bus Stand, Sairats<sup>1</sup>, Hats etc. every year. As per terms and conditions of settlements, 50 *per cent* of the bid money was to be realized at the time of agreement and balance 50 *per cent* in three equal instalments after the expiry of the month of the agreement, failing which the agreement was to be cancelled. These conditions were not followed by nine ULBs, which resulted in short realization of bid money of Rs 28.34 lakh as detailed below:

**Table-19**

(Rs in lakh)

Sl. No.	Name of the ULBs	Period	Settlement Amount	Amount realized	Unrealised Amount
1.	Ranchi	2005-09	73.31	52.01	21.30
2.	Dhanbad	2004-06	1.60	0.80	0.80
3.	Hazaribagh	2007-08	2.02	2.00	0.02
4.	Giridih	2007-08	3.90	3.19	0.71
5.	Chakradharpur	2004-08	1.64	0.54	1.10
6.	Godda	2007-08	4.41	4.35	0.06
7.	Jamtara	2006-08	3.82	1.93	1.89
8.	Saraikela	2006-08	2.91	2.18	0.73
9.	Basukinath	2006-08	16.54	14.81	1.73
	<b>Total</b>		<b>110.15</b>	<b>81.81</b>	<b>28.34</b>

Due to short realization of amount, the availability of fund to be spent on providing essential services to the inhabitants was reduced with ULBs. Action taken to realize the dues was not on record.

### 3.10 Health and Education cess not credited into Government Account.

Rs 2.44 crore on account of Health & Education cess not remitted into Government account.

Health cess and Education cess at the prescribed percentage is to be levied & collected by the ULBs under the Bihar Primary Education (Amendment) Act, 1959 and Bihar Health Cess Ordinance, 1972 in the Municipal areas from 1 April 1959 and 4 May 1972 respectively. The State Government revised the *per cent* of cess from time to time and 50 *per cent* of Holding tax was fixed with effect from April 01, 1982. The cess is collected for providing better health and education services to the inhabitants. The proceeds of the cess are to be credited into the State revenue after deducting 10 *per cent* as collection charge.

Audit scrutiny revealed that Rs 2.71 crore was collected on account of Health cess and Education cess by nine ULBs during 2001-09. Hence, Rs 2.44 crore was to be

<sup>1</sup> Properties to be settled annually or to be leased out.

credited to State revenue after retaining 10 *per cent* as collection charges, but the same was not done and the ULBs spent the total collection money of Health and Education cess on administrative expenditure. This was in violation of the codal provisions and resulted into loss of Government revenue of Rs 2.44 crore impacting the social services provided by the Government.

**Table-20**

(Rs in lakh)

Sl. No.	Name of ULBs	Period	Amount of Cess collected			Less 10 percent as collection charges	Amount to be remitted to Government Treasury
			Health cess	Education cess	Total		
1.	Ranchi	2008-09	49.40	39.47	88.87	8.89	79.98
2.	Dhanbad	2001-06	62.23	49.78	112.01	11.20	100.81
3.	Hazaribagh	2007-08	9.92	8.18	18.10	1.81	16.29
4.	Giridih	2007-08	22.51	22.51	45.02	4.50	40.52
5.	Chakradharpur	2007-08	1.03	1.01	2.04	0.20	1.84
6.	Godda	2007-08	0.76	0.76	1.52	0.15	1.37
7.	Saraikela	2006-08	0	1.71	1.71	0.17	1.54
8.	Jasidih	2006-08	1.09	0.86	1.95	0.20	1.75
9.	Kharsawan	2006-08	0.11	0.08	0.19	0.02	0.17
<b>Total</b>			<b>147.05</b>	<b>124.36</b>	<b>271.41</b>	<b>27.14</b>	<b>244.27</b>
Less amount remitted to Government Treasury by Hazaribagh Municipal Council							<b>0.52</b>
<b>Net Balance</b>							<b>243.75</b>

### 3.11 Non- collection of Health and Education cess

Loss of Rs 64.17 lakh due to non-collection of Health & Education cess by six ULBS.

The Government of Bihar, under Bihar Primary Education (Amendment) Act, 1959 and Bihar Health Cess Ordinance, 1972, as amended from time to time, issued orders to the ULBs in the State for collection of Health / Education cess. However, it was observed that six ULBs did not collect the above cess. Consequently, not only did the State Government suffer loss of Rs 57.75 lakh, but the ULBs themselves suffered a loss of Rs 6.42 lakh during 2006-08 in the shape of 10 *per cent* collection charges, which form part of Municipal revenue as detailed below:-



**Table-21**

(Rs in lakh)

Sl. No	Name of ULBs.	Period	Holding Tax realized	Loss of Health Cess	Loss of Education Cess	Total	Loss to Govt.	Loss of ULBs as 10% collection charges
1.	Chatra	2006-08	4.00	2.00	2.00	4.00	3.60	0.40
2.	Chas	2006-08	36.70	18.35	18.35	36.70	33.03	3.67
3.	Simdega	2006-08	6.60	3.30	3.30	6.60	5.94	0.66
4.	Mango	2006-08	13.20	6.60	6.60	13.20	11.88	1.32
5.	Jamtara	2006-08	1.95	0.98	0.98	1.96	1.76	0.20
6.	Saraikela	2006-08	3.42	1.71	0	1.71	1.54	0.17
<b>Total</b>			<b>65.87</b>	<b>32.94</b>	<b>31.23</b>	<b>64.17</b>	<b>57.75</b>	<b>6.42</b>

No reason was found on the record for non-collection of Health and Education cess. When pointed out in audit, no reply/reason for non-collection of cess was furnished by the ULBs. Thus, it was evident that non-collection was nothing but the failure on the part of Revenue Officers/collecting staff which was compounded by non-carrying out of supervisory checks by the Executives of the ULBs as per codal provisions.

### 3.12 Short realization of Education cess.

Seven ULBs realized Education cess at lesser rate resulting into loss of revenue of Rs 25.89 lakh.

Under the Bihar Primary Education (Amendment) Act, 1959, Education cess was levied by the State Government from the year 1959-60 @6.25% of Holding tax, which was revised from time to time to 50% of Holding tax w.e.f. April 1982. But in contravention of the said provision, seven ULBs realized Education cess at the rate of 40 *per cent* of Holding tax or lesser rate during 2001-09 resulting in loss of Rs 23.30 lakh to State revenue and Rs 2.59 lakh to ULBs as 10 *per cent* collection charges, as detailed below:

**Table-22**

(Rs in lakh)

Sl. No.	Name of ULBs	Period	Holding Tax Realised	Education cess to be realized @50% of Holding Tax	Amount of Education cess actually realized	Short Realisation of cess.
1.	Ranchi	2008-09	98.80	49.40	39.47	9.93
2.	Dhanbad	2001-06	124.46	62.23	49.78	12.45
3.	Hazaribagh	2007-08	19.84	9.92	8.18	1.74
4.	Chakradharpur	2007-08	2.06	1.03	1.01	0.02
5.	Saraikela	2006-08	3.42	1.71	0.21	1.50
6.	Jasidih	2006-08	2.17	1.08	0.86	0.22
7.	Kharsawan	2006-08	0.21	0.11	0.08	0.03
<b>Total</b>			<b>250.96</b>	<b>125.48</b>	<b>99.59</b>	<b>25.89</b>
Less 10% as collection charges (loss to ULBs)						2.59
Loss to State Revenue						23.30

Reason for collection of cess at the rates lower than the prescribed rate was not furnished to Audit.

**3.13 Outstanding water meter rates to the tune of Rs 0.53 crore at Dhanbad**

Rs 0.53 crore was outstanding as water charges at Dhanbad

New water connections along with water meters were provided to the users by Dhanbad Municipality and water tax/rate collected accordingly. Demand and collection Register of the water rates was either not maintained or not produced to audit. But as per arrear list of water rates as on 31.3.09, furnished by the Municipality, water rates were being collected from 137 users (Government buildings, Quarters, Hotels, Hospitals, individuals etc.) on average basis without taking care of meter readings and Rs 0.53 crore was outstanding against 129 users for the period 1988-89 to 2008-09. Action taken to recover the said dues was not on record.

**3.14 Outstanding water charges to the tune of Rs 22.83 lakh and creation of huge liability of Rs 44.00 lakh at Chas**

Rs 22.83 lakh was realizable as water charges against the liability of Rs 44.00 lakh

Drinking water is being supplied by Bokaro Steel Plant (BSL) to Chas. Previously, it was managed by PHED up to October, 2000. From November, 2000, it was handed over to Chas Municipality. As such, the responsibility of water supply to the people of Chas and the right to realize the water charges from the holdings of Chas lies with the Chas Municipality. BSL demanded the outstanding water charges from time to time against which the Municipality paid Rs 9.00 lakh (Rs 3.00 lakh during 2006-07 and Rs 6.00 lakh during 2007-08). Scrutiny of records revealed that a sum of Rs 43.75 lakh was outstanding as water charges to be paid to BSL as on 31 March 2008. On the other hand, it was noticed that Rs 22.83 lakh was outstanding as water charges to be realized from those who had been given water connections by the Municipality as of 31 March 2008. The percentage of collections was also very low ranging from 7.60 *per cent* to 21.30 *per cent* during 2006-07 and 2007-08 respectively.

Any action taken to enhance the percentage of collection of water charges and to clear the outstanding liability of Rs 44.00 lakh was not on record. (February 2010)

**3.15 Outstanding rent of Municipal Properties**

In 10 ULBs, Rs 2.65 crore was outstanding on account of rent of Municipal shops etc. to be realized from the allottees as detailed below:

**Table-23**

(Rs in lakh)

Sl. No.	Name of ULBs	As on 31 st March	Outstanding Shop Rent
1.	Ranchi	2009	131.98
2.	Dhanbad	2007	21.33
3.	Hazaribagh	2008	7.60
4.	Giridih	2008	12.40
5.	Chatra	2008	0.51
6.	Chakradharpur	2008	3.15
7.	Chas	2008	12.13
8.	Godda	2008	66.64
9.	Jamtara	2008	7.31
10.	Saraikela	2009	1.77
<b>Total</b>			<b>264.82</b>

Non-realization of rent from tenants deprived the ULBs of their own revenue in time. Action taken such as issue of demand notices, warrants, filing of certificate cases, if any to realize outstanding rent was not on record.

**3.16 Outstanding taxes on Government Buildings**

Rs 16.00 crore was outstanding as Municipal taxes against Government buildings in 13 ULBs

Taxes outstanding against Government Buildings are payable by the concerned departments of State Government. In 13 ULBs, taxes of Rs 16.00 crore were outstanding against Government Buildings as detailed below:

**Table-24**

(Rs in lakh)

Sl. No.	Name of ULBs	As on 31 st March	Outstanding tax on Government Buildings
1.	Ranchi	2009	1247.49
2.	Dhanbad	2007	187.96
3.	Hazaribagh	2008	18.93
4.	Giridih	2009	34.75
5.	Chatra	2009	5.40
6.	Chakradharpur	2008	15.62
7.	Chas	2008	7.98
8.	Simdega	2008	8.45
9.	Godda	2008	33.83
10.	Jamtara	2008	11.63
11.	Saraikela	2008	4.04
12.	Jasidih	2008	22.49
13.	Kharsawan	2008	1.47
<b>Total</b>			<b>1600.04</b>

The ULBs made no effort to recover these dues from concerned department/authorities of the State Government. Moreover, neither age wise analysis of outstanding dues was made by the ULBs nor was list of arrear taxes prepared. No reason for non-realization was furnished to audit by the ULBs.

### **3.17 Recommendations**

- Overall financial management needs to be strengthened by improving collection of revenues including through legal recourse in case of arrears and preventing leakage of revenue due to delay in assessment/revision of rates of taxes.
- Misappropriation cases should be investigated on priority and recovery made from the persons concerned.
- Collection of taxes, fees and cess on behalf of Government should be remitted timely into the Government Account/Treasury.