

## CHAPTER III

### RECEIPTS

To strengthen the financial capability of ULBs the State Government statutorily empowered such bodies to impose and collect taxes and non-tax levies. The State Government also shared taxes and levies collected with the ULBs and provided grants-in-aid under various Plan and Non-plan Heads. Tax and non-tax revenue levied by the ULBs as per provision of the Act (own fund), share of revenue (assigned) by the State Government, grants and contributions comprise the resources of the ULBs. The Municipal Corporation / Board of Councillors (BOC) of the Municipalities have the power to levy property tax on land and buildings, tax on advertisements, cart and carriages, toll on ferry, bridge and heavy truck, fee on congregations, tourists and other fees and charges.

The deficiencies in management of resources noticed in course of test check on 54 ULBs during audit are described in the succeeding paragraphs.

#### 3.1 Budget estimates and actuals of own fund

The receipt of a ULB comprises Own Fund and State Government grants in the shape of shared taxes and administrative grant. Own Fund comprises receipts generated mainly from property tax. The variations between budget estimates and actual receipts from own source of 23 ULBs during the years 2007 – 08, 2008 – 09 and 2009 – 10 are given below (unit wise position is detailed in **Appendix - 8**):

(₹ in crore)

Year	Budget Estimates	Actual receipts	Variations {Increase (+) / Shortfall (-)}	Percentage of realisation
2007 – 08	91.40	90.23	(-) 1.17	99
2008 – 09	107.77	100.26	(-) 7.51	93
2009 – 10	117.95	105.40	(-) 12.55	89

The reasons for the shortfall *vis-à-vis* budget estimates were non-assessment of previous performance and failure to prepare action plans for collection of property tax. In eight out of 23 ULBs, the tax collection was less than 80 *per cent* of the budget estimate during 2009-10 while Basirhat, Egra and New Barrackpore municipalities showed steady growth in revenue collection. The overall realization was 99 *per cent* during 2007-08; it however, gradually declined in 2008-09 and 2009-10.

#### 3.2 Loss of revenue due to delay in revision of annual valuation of property

Property tax on land and building in a holding is determined on the basis of annual value of that holding. As per provisions of the Act, annual valuation of a holding shall, subject to other provisions, remain in force in respect of each ward for a period of six years (five years with effect from 1 October 2003 in respect of Municipality).

The ULBs shall cause a general revision of all holdings to ensure that there is a revision of annual valuation of all municipal holdings at the termination of successive period of six years or five years as the case may be.

Due to delays ranging from two to eleven years in such revisions, four municipalities suffered a loss of revenue of ₹ 13.52 crore as detailed below:

(₹ in lakh)

Name of ULB	Due date of revision	Actual date of revision	Period of delay	Loss of revenue
Hooghly-Chinsurah	July 1997	Revised valuation not imposed as of March 2009	Eleven years and nine months	949.79
Kandi	July 2004	January 2007	Two years and six months	55.11
Santipur	January 2003	No revision till July 2009	Six years and six months	75.60
Titagarh	January 2007	October 2009	Two years and nine months	271.95
<b>Total</b>				<b>1352.45</b>

Thirteen ULBs<sup>15</sup> did not take action for revision of valuation as of 31 March 2009. The period of delay ranged from three months to seven years in these ULBs. The loss of revenue in respect of the ULBs could not be ascertained for want of assessment of valuation.

### 3.3 Remission in property tax beyond permissible limit

In terms of Section 111 (4) of the West Bengal Municipal Act, 1993 any person who is dissatisfied with the decision on annual valuation of his property as entered in the assessment list, may prefer an application for review before the Board of Councillors (BOC) within a period of two months from the date of presentation of bill for payment of tax.

Section 112 (1) of the Act stipulates that every application presented as above shall be heard and determined by a Review Committee. The Review Committee may reduce the valuation of any land or building. However, such reduction shall not be more than 25 per cent of the annual valuation of such land or building except in the case of gross arithmetical or technical mistake.

Test check of records revealed that in contravention of the above provision, the Review Committee in Habra Municipality allowed remission beyond the permissible limit without recording any reason for such reduction. This resulted in loss of municipal revenue amounting to ₹ 4.37 lakh<sup>16</sup>.

<sup>15</sup> Alipurduar, Bhatpara, Bolpur, Bongaon, Diamond Harbour, Ghatal, Kalimpong, Mahestala, New Barrackpore, North Dum Dum, Panihati, Ramjibanpur and Tufanganj.

<sup>16</sup> Habra (₹ 4.37 lakh for 26 holdings during July 2006 to September 2009).

### 3.4 Non / under imposition of surcharge - Loss of revenue of ₹ 1.69 crore

**3.4.1** As per Section 97 of the West Bengal Municipal Act, 1993, a surcharge of not less than 20 *per cent* and not more than 50 *per cent* of the total property tax imposed on a holding shall be levied as the BOC may, from time to time decide, if such holding is wholly or in part used for commercial, industrial or such other non-residential purposes. The rate of surcharge shall form part of property tax for the purpose of recovery.

In violation of the above provisions, 16 ULBs did not impose any surcharge on property tax for commercial holdings during July 2000 to September 2009. Computed at the minimum rate of 20 *per cent*, the loss of revenue amounts to ₹ 1.43 crore (**Appendix - 9**). Though the matter was pointed out in the earlier Reports of the Examiner of Local Accounts for the years ending 31 March 2004, 2005, 2006, 2007, 2008 and 2009 no corrective measures were taken.

**3.4.2** Rajpur-Sonarpur Municipality imposed surcharge at the rate of 1 *per cent* on annual property tax of commercial holdings and collected ₹ 1.36 lakh during 2008-09. The rate imposed for surcharge was lower than the minimum rate of 20 *per cent* fixed by Government and the Municipality sustained a loss of revenue of ₹ 25.87 lakh during 2008-09.

### 3.5 Non / short realization of water charges – Loss of revenue of ₹ 4.04 crore

In terms of Section 226 (1) of the West Bengal Municipal Act, 1993, it shall be the duty of every Municipality to supply potable water for the domestic use of inhabitants. The supply of water for domestic and non-domestic uses may be charged at such scale of fee or price as may be prescribed. The water charge ranging from ₹ 15 to ₹ 150 per month for supply of water to domestic and non-domestic consumers was to be fixed on the basis of property tax and ferrule<sup>17</sup> size. However, due to non imposition of charges or imposition of charges at a lower rate, seven ULBs sustained a loss of ₹ 4.04 crore during the period from April 2003 to August 2009 as shown below :

(₹ in lakh)

Name of ULB	Period	Minimum Chargeable Amount	Amount Charged	Loss
Baidyabati	January 2004 to March 2009	8.60	Nil	8.60
Baruipur	April 2003 to March 2009	18.52	Nil	18.52
Garulia	April 2003 to August 2009	144.45	Nil	144.45
Jalpaiguri	April 2003 to August 2009	102.33	0.41	101.92
Naihati	April 2008 to March 2009	14.58	Nil	14.58
South Dum Dum	April 2007 to March 2009	129.86	39.80	90.06
Titagarh	April 2003 to March 2009	25.95	Nil	25.95
<b>Total</b>		<b>444.29</b>	<b>40.21</b>	<b>404.08</b>

<sup>17</sup> A device placed on a water pipe to allow fixed quantum of water to flow through it.

It was also noticed in audit that 16 ULBs had partly realised water charges since the date of imposition by the respective ULBs resulting ₹ 32.46 crore remaining outstanding at the end of March 2009 / 2010 as detailed below :

(₹ in lakh)

Name of ULB	As of	Demand	Collection	Outstanding
Ashokenagar-Kalyangarh	March 2010	81.42	2.08	79.34
Bhatpara	March 2009	116.91	27.86	89.05
Bolpur	March 2009	88.87	48.93	39.94
Durgapur	March 2009	206.67	202.34	4.33
Ghatal	March 2009	9.85	7.28	2.57
Guskara	March 2009	3.74	2.98	0.76
Haldibari	March 2010	2.05	1.73	0.32
Halisahar	March 2010	8.64	0.47	8.17
Kamarhati	March 2010	295.40	34.19	261.21
Kandi	March 2009	17.31	2.42	14.89
Kolkata	March 2010	4329.02	1669.43	2659.59
Krishnanagar	March 2009	12.75	11.47	1.28
New Barrackpore	March 2010	22.61	21.02	1.59
North Dum Dum	March 2010	60.68	33.28	27.40
Panihati	March 2010	99.07	43.68	55.39
Ramjibanpur	March 2009	1.80	1.54	0.26
<b>Total</b>		<b>5356.79</b>	<b>2110.70</b>	<b>3246.09</b>

Haldibari Municipality stated that school, college, club and different political offices did not pay assessed tax despite repeated requests. The other ULBs did not furnish any reasons thereof.

### 3.6 Outstanding Fee - ₹ 93.25 lakh

Certificate of enlistment for profession, trade and calling is issued annually on receipt of the application fee.

In spite of the above provision for realization of fee in advance, nine ULBs<sup>18</sup> could not realize License Fee of ₹ 93.25 lakh at the end of March 2009. Traders carried out their trade without renewal of trade license between 2002 and 2009 in eight ULBs. In Dhupguri Municipality, there was a lower amount of fee than was due from the traders, was realised.

No action was initiated by the concerned ULBs to realize the outstanding dues.

<sup>18</sup> (Alipurduar : ₹ 6.66 lakh), (Dhupguri : ₹ 3.23 lakh), (Egra : ₹ 0.58 lakh), (Guskara : ₹ 1.82 lakh), (Kandi : ₹ 4.23 lakh), (Madhyamgram : ₹ 47.77 lakh), (Murshidabad : ₹ 5.07 lakh), (Panihati : ₹ 22.02 lakh) and (Titagarh : ₹ 1.87 lakh).

### 3.7 **Failure in generating projected revenue due to non allotment / delay in allotment of stalls / shops**

The BOC with prior approval of the State Government may undertake the formulation, execution and running of commercial projects including market development schemes, industrial estates, depots for trading in essential commodities, maintain bus terminals together with commercial complexes, run tourist lodges and centers along with commercial activities or carry on similar projects on a commercial basis.

Test check of market complexes of four municipalities<sup>19</sup> revealed that non-allotment of stalls / shops for a period ranging from two to fifteen years failed to generate projected revenue of ₹ 42.33 lakh towards *salami*<sup>20</sup> / lease / rent in addition to blockage of capital.

This reflects inadequate internal controls and a weak monitoring mechanism in the ULBs resulting in loss of potential revenue.

### 3.8 **Non realisation of rent / lease money - ₹ 4.44 crore**

In 22 ULBs, the arrears in realisation of rent / *salami* / lease money from stalls, shops and market complexes amounted to ₹ 4.44 crore till the date of audit as detailed in **Appendix - 10**.

Delays in realisation of rent, *salami*, lease money, etc. reduced the revenue of these ULBs to that extent, thereby widening the resource gap. It also indicated that the internal control mechanism in the ULBs was poor.

### 3.9 **Collection of penalty for unauthorised construction**

In terms of Sec 218 of the West Bengal Municipal Act, 1993, if the construction of any building has commenced without obtaining sanction or permission under the law or has been completed otherwise than in accordance with the particulars on which such sanction was based or in violation of any condition lawfully given or any alteration or addition completed in breach of any provision of the Municipal Act, the Board of Councillors may make an order directing such construction to be demolished or altered upon such order. It shall be the duty of the owner to cause such demolition or alteration to the satisfaction of the BOC. In default, such construction may be demolished or altered by the BOC at the expense of the said owner.

Test check of records of Baruipur Municipality revealed that in violation of the said provision of the Act, an amount of ₹ 6.37 lakh was collected as dropping charge / fine for regularization of unauthorized construction during 2007-09. Habra Municipality also collected a sum of ₹ 8.14 lakh as penal fees to regularise the unauthorised construction during 2003-09. Cooper's Camp Municipality also resolved in the

<sup>19</sup> (Alipurduar : ₹ 16.83 lakh during June 1995 to December 2008), (Dinhata : ₹ 8.53 lakh during November 2006 to March 2009), (Mirik : ₹ 9.90 lakh during July 2000 to October 2009) and (Panihati : ₹ 7.07 lakh during 1994 to March 2009).

<sup>20</sup> One time premium payable by leasee or tenant.

meeting of Board of Councillors on 1 October 2007 to take action against illegal constructions by regularizing the same through imposing fines with effect from 1 January 2007, but the Municipality did not furnish particulars of fines realized for regularization of the unauthorized constructions. The municipalities' decision to not act against illegal construction is unacceptable as this encourages major deviations in construction detrimental to public interest.

Such collection of revenue without observing any prescribed norms may also attract litigations and consequent financial burden towards compensation, damages, etc.

### **3.10 Conclusion**

Taxes, rents and charges for service are the main source of Municipal Fund which ensures continuance of services to the tax payers. Test check of records revealed loss of ₹ 13.52 crore due to delay in annual valuation of property by four ULBs, inadmissible remission of property tax of ₹ 4.37 lakh by one ULB, non / under imposition of minimum surcharge of ₹ 1.69 crore on commercial buildings by 17 ULBs, short realisation of water charges of ₹ 32.46 crore by 16 ULBs, outstanding fee of ₹ 93.25 lakh of nine ULBs and non realisation of rent / *salami* / lease money of ₹ 4.44 crore by 22 ULBs. Non recovery of lease money also indicated non observance of provisions of the Acts. Lack of monitoring over collection of property tax, water charges, fees and other charges causing accumulation of dues, adversely affected the capacity of ULBs to provide services to their tax payers.

Arbitrary remission / under-assessment of taxes, inadequate supervision and monitoring have reduced the mobilization of own sources of revenue.

### **3.11 Recommendations**

- Maintenance of a comprehensive database for all tax payers, licensees and tenants.
- Prompt issue of demand notices and revision of taxes at regular intervals.
- Prompt collection of revenues and persuasion of outstanding dues.
- Collection of revenue in accordance with statutory provisions.