

## 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 Outstanding Holding tax

The position of Demand, Collection and Outstanding Holding tax in respect of 11 ULBs was as under:

**Table-14**

(Rs in crore)			
Demand	Collection	Outstanding	Percentage of demand outstanding
10.67	2.09	8.58	80.00

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

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:

- 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 8.58 crore remained unrealized in 11 ULBs.

### 3.2 Non-revision of Holding tax

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:

Proper steps were not taken for realization of outstanding Holding tax of Rs 8.58 crore.

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

**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.	Deoghar	1998-99	2003-04	Nil	Not initiated as yet
2.	Dumka	1992-93	1997-98	Nil	Not initiated as yet
3.	Sahebganj	1996-97	2000-01	Nil	Not initiated as yet
4.	Medininagar	2002-03	2007-08	Nil	Not initiated as yet
5.	Madhupur	1993-94	1997-98	Nil	Not initiated as yet
6.	Jugsalai	1974-75	1979-80	1997-98	Not completed
7.	Chaibasa	1982-83	1987-88	Nil	Not initiated as yet
8.	Jhumri Tilaiya	1995-96	2000-01	Nil	Not initiated as yet
9.	Lohardarga	1992-93	1997-98	Nil	Not initiated as yet
10.	Adityapur	1996-97	2001-02	Nil	Not initiated as yet
11.	Gumla	1984-85	1989-90	Nil	Not initiated as yet
12.	Pakur	1963-64	1968-69	Nil	Not initiated as yet

From the table it could be seen that:

1. 11 ULBs had not initiated the revision of assessment process though it was due for the last 7 to 42 years;
2. In other ULB, the revision had been pending for the last 31 years. The process of revision, though initiated after a lapse of 19 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.

### **3.3 Loss of Rs 2.41 crore due to non-revision of Annual value of Holdings of Railway Buildings by Madhupur Municipal Council**

As per agreement executed (July 97) between Madhupur Municipality and Deputy General Manager, Eastern Railway, Calcutta, if the License fee for three number of plots used by the Municipality for public as passage, being paid by the Municipality to Eastern Railway, increases or decreases; Annual valuation of the Holdings (Holding No 217, 218 and 219) on which Holding tax, payable by the Eastern Railway to the Municipality Madhupur will also change accordingly.

As per Railway Board's circular No WM/LC/IOLL/Pt-I Asansol (August 06) from 1.4.96, License fee has been escalated/increased @ 10% every year till 31.3.04 &

Madhupur Municipal Council did not revise the rates of Holding tax of Railway buildings resulting in loss of Rs 2.41 crore to the Council.

@ 7 % every year from 1.4.04 onwards and accordingly more money on account of License fee were adjusted against Holding tax payable to the Municipality.

Scrutiny revealed that the Municipality did not revise the Annual value of Holding No 217, 218 and 219 of Railways resulting loss of Rs 2.41 crore on account of Holding tax to the Council (*APPENDIX-VIII*). The matter was reported to the Government through the previous Report for the year ending March 2007 in which Rs 1.67 crore was suggested for recovery. In spite of it, no action was taken by the Council for recovery of the dues which ultimately raised to Rs 2.41 crore (March 2010).

### 3.4 Misappropriation of revenue collected

Rs 10.90 lakh misappropriated by the staff of 11 ULBs; Rs 6.98 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 11 ULBs did not remit Rs 10.90 lakh of collected money during 2007-09. Out of this, Rs 3.92 lakh was recovered from the staff of the ULBs at the instance of audit as detailed below:

**Table-16**

(Rs in lakh)

Sl. No.	Name of ULBs.	Period of Audit	Amount of Non/Short Credit	Recovery at the instance of Audit	Balance
1.	Deoghar	2007-09	1.10	1.10	Nil
2.	Dumka	2007-09	0.03	0.03	Nil
3.	Sahebganj	2007-09	0.37	0.15	0.22
4.	Medininagar	2007-09	0.22	0.22	Nil
5.	Madhupur	2007-09	1.04	0.47	0.57
6.	Jugsalai	2007-09	0.03	0.03	Nil
7.	Jhumri Tilaiya	2007-09	0.08	0.08	Nil
8.	Lohardarga	2007-09	1.14	0.93	0.21
9.	Adityapur	2007-09	6.51	0.89	5.62
10.	Gumla	2007-09	0.03	Nil	0.03
11.	Pakur	2007-09	0.35	0.02	0.33
Total			10.90	3.92	6.98

A sum of Rs 6.98 lakh was still lying with the officials concerned. Any action taken for recovery of this misappropriated money was not intimated to Audit.

**3.5 Receipt Books not produced before audit.**

51 Receipt Books not made available to audit by four ULBs

Fifty-one Money Receipt Books of different types, as detailed in *APPENDIX-IX*, were not produced before audit by four ULBs:

**Table-17**

Sl. No.	Name of ULBs	Period	No. of Books not produced
1.	Deoghar	2007-09	13
2.	Madhupur	2007-09	17
3.	Jugsalai	2007-09	2
4.	Gumla	2007-09	19
<b>Total</b>			<b>51</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.

**3.6 Short realization of Settlement amount**

Short realization of bid money of Rs 72.70 lakh in five 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 five ULBs, which resulted in short realization of bid money of Rs 72.70 lakh as detailed below:

**Table-18**

(Rs in lakh)					
Sl. No.	Name of the ULBs	Period	Settlement Amount	Amount realized	Unrealised Amount
1.	Deoghar	2006-10	41.57	17.33	24.24
2.	Medininagar	2004-09	17.47	5.42	12.05
3.	Jhumri Tilaiya	2007-09	15.74	13.74	2.00
4.	Lohardaga	2007-09	NA	NA	32.09
5.	Gumla	2007-09	18.37	16.05	2.32
<b>Total</b>			<b>NA</b>	<b>NA</b>	<b>72.70</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.

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

### 3.6.1 Loss due to settlement of Sairats at lower values

As per rules of settlement, the Minimum Guarantee for settlement is to be arrived at by 10% increase on average of last three years of settlement value. But, in contravention of the said provision, four ULBs settled 12 Sairats at lower values than the actual Minimum Guarantee resulting in loss of Rs 13.13 lakh to the ULBs.

Four ULBs sustained loss of Rs 13.13 lakh due to settlement of Sairats at lower values

**Table-19**

(Rs in lakh)						
Sl No	Name of ULBs	Period	No. of settlements made	Amount of Minimum Guarantee	Settlement actually made	Loss to ULBs
1.	Deoghar	2007-09	01	14.14	10.15	4.29
2.	Medininagar	2007-09	09	11.75	9.72	2.03
3.	Madhupur	2007-09	01	1.84	1.21	0.63
4.	Pakur	2007-09	01	27.84	21.66	6.18
<b>Total</b>			<b>12</b>	<b>55.57</b>	<b>42.74</b>	<b>13.13</b>

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

Rs 1.19 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 1.32 crore was collected on account of Health cess and Education cess by 10 ULBs during 2007-09. Hence, Rs 1.19 crore was to be 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 1.19 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.	Deoghar	2007-09	22.75	22.75	45.50	4.55	40.95
2.	Dumka	2007-09	1.95	1.95	3.90	0.39	3.51
3.	Sahebganj	2007-09	10.17	10.17	20.34	2.03	18.31
4.	Medininagar	2007-09	5.73	5.73	11.46	1.15	10.31
5.	Madhupur	2007-09	6.05	6.05	12.10	1.21	10.89
6.	Chaibasa	2008-09	3.77	3.77	7.54	0.75	6.79
7.	Jhumri Tilaiya	2007-09	5.81	5.80	11.61	1.16	10.45
8.	Lohardarga	2007-09	6.92	6.92	13.84	1.38	12.46
9.	Adityapur	2007-09	1.59	1.33	2.92	0.29	2.63
10.	Gumla	2007-09	1.49	1.49	2.98	0.30	2.68
<b>Total</b>			<b>66.23</b>	<b>65.96</b>	<b>132.19</b>	<b>13.21</b>	<b>118.98</b>

**3.8 Non/short collection of Health and Education cess**

Loss of Rs 30.66 lakh due to non/short collection of Health & Education cess by three ULBS.

Under the Bihar Primary Education (Amendment) Act, 1959 and Bihar Health Cess Ordinance, 1972 Education cess and Health cess was levied by the State Government from the year 1959-60 and 1972-73 respectively. The State Government revised the percent of cess from time to time and 50% of Holding tax was fixed wef April 1982. Scrutiny revealed that two ULBs (Jugsalai and Pakur) did not collect the above cess whereas Adityapur NAC realized Health cess & Education cess at lesser rate during 2007-09 resulting in loss of Rs 27.59 lakh to State revenue and Rs 3.07 lakh to the ULBs as 10 per cent collection charges which form part of Municipal revenue, as detailed below:

**Table-21**

(Rs in lakh)

Name of ULBs.	Holding Tax Realised	Health cess to be realized @50% of Holding Tax	Amount of Health cess actually realized	Non/Short Realisation of Health cess	Education cess to be realized @50% of Holding Tax	Amount of Education cess actually realized	Non/Short Realisation of Education cess.	Total loss
1. Jugsalai	8.91	4.46	Nil	4.46	4.45	Nil	4.45	8.91
2. Pakur	7.43	3.72	Nil	3.72	3.71	Nil	3.71	7.43
3. Adityapur	17.24	8.62	1.59	7.03	8.62	1.33	7.29	14.32
<b>Total</b>	<b>33.58</b>	<b>16.80</b>	<b>1.59</b>	<b>15.21</b>	<b>16.78</b>	<b>1.33</b>	<b>15.45</b>	<b>30.66</b>
Less 10% as collection charges (loss to ULBs)								3.07
Loss to State Revenue								27.59

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.

### 3.9 Outstanding rent/taxes of Municipal Properties and Government Buildings

Rs 5.25 crore was outstanding as rent of Municipal properties and taxes against Government buildings in 12 ULBs

Taxes outstanding against Government Buildings are payable by the concerned departments of State Government. In 12 ULBs, Rs 0.80 crore was outstanding on account of rent of Municipal properties and Rs 4.45 crore was outstanding on account of taxes against Government Buildings as of 31 March 2009 as detailed below:

**Table-22**

(Rs in lakh)

Sl. No.	Name of ULBs	As on 31 st March	Outstanding rent of Municipal properties	Outstanding tax on Government Buildings
1.	Deoghar	2009	5.78	48.34
2.	Dumka	2009	15.86	19.33
3.	Sahebganj	2010	13.39	60.68
4.	Medininagar	2009	21.37	197.57
5.	Madhupur	2009	3.94	2.78
6.	Jugsalai	2009	0.27	7.61
7.	Chaibasa	2009	5.12	5.12
8.	Jhumri Tilaiya	2009	2.67	15.39
9.	Lohardarga	2009	2.91	31.46
10.	Adityapur	2009	0.68	48.34
11.	Gumla	2009	7.64	8.76
12.	Pakur	2009	0.65	4.60
<b>Total</b>			<b>80.28</b>	<b>444.98</b>

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

### 3.10 Conclusions

- Non imposition of Municipal taxes, short realization of tax, non-revision of tax and misappropriation of revenue collected, huge outstanding tax & rent were indicative of non-compliance to the provision of Acts



### **3.11 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.
- Timely collection of taxes, fees and cess on behalf of Government and their timely remittance into the Government Account/Treasury should be ensured.