

# CHAPTER III

## RECEIPTS

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Tax and non-tax revenue are levied by the ULBs as per provisions of the Municipal Acts. The other sources of revenue are share of state revenue grants and contributions.

The deficiencies in management of the resources noticed during audit check of 59 ULBs are described in the succeeding paragraphs.

#### 3.1 Budget estimates and actual receipts from own source

The receipt of a ULB comprises own source and State Government grants in the shape of shared taxes and administrative grant. Own source comprises receipts generated mainly from property tax. The variations between budget estimates and actual receipts from own source of 26 ULBs during the last three years 2008 – 09, 2009 – 10 and 2010 – 11 are given below (unit wise position is detailed in **Appendix –8**):

**Table 9**

( ₹ in crore)

Year	Budget Estimates	Actual Receipts	Variations {Increase (+) / Shortfall (-)}	Percentage of realisation
2008 – 09	196.52	166.17	(-) 30.35	85
2009 – 10	220.69	176.95	(-) 43.74	80
2010 – 11	316.69	214.27	(-) 102.42	68

(Source: Figures as furnished by the ULBs)

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. During 2010-11, in 10 out of 26 ULBs the tax collection was less than 80 *per cent* of the target while Gayeshpur and Kulti Municipalities realised less than 20 *per cent* revenue of their budget estimate. Collection of Panihati and Rajpur-Sonarpur Municipalities exceeded the budget estimate during all the three years. The overall realization was 85 *per cent* during 2008-09; it, however, gradually declined to 68 *per cent* in 2010-11.

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

Property tax on land and building in a land 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 five years. The ULB 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 five years. As per the section 113(3) of the West Bengal Municipal Act, 1993, the annual valuation shall come into force from the beginning of a quarter of a year immediately following an order passed by the appropriate authority. Therefore, delay in revision shall cause loss to the local government because arrear cannot be demanded in view of the provisions mentioned above.

Due to delays ranging from two to six years in such revisions, three ULBs suffered a loss of revenue of ₹5.31 crore as detailed below:

**Table 10**

(₹ in lakh)

Name of ULBs	Due date of revision	Actual date of revision	Period of delay	Loss of revenue
Dainhat	April 2008	October 2010	Two years and six months	8.97
North Barrackpore	April 2004	March 2010	six years	500.87
Taherpur	October 2003	No revision till March 2010	Six years and six months	21.29
<b>Total</b>				<b>531.13</b>

Fifteen ULBs<sup>24</sup> did not take action for revision of valuation as of 31, March 2010. The period of delay ranged from three months to nine 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.

<sup>24</sup> Barasat, Berhampore, Bhatpara, Champdani, Dhubrajpur, English Bazar, Halisahar, Khardah, Konnagar, Midnapore, Naihati, Old Malda, Sainthia, Sonamukhi and South Dum Dum.

In contravention of the above provision, Kalna Municipality allowed remission in 18 cases on annual valuation ranging from 31 to 96 *per cent* amounting to ₹ 7.20 lakh from April 2007. Rishra Municipality allowed remission directly on annual property tax ranging from 30 to 50 *per cent* amounting to ₹ 23.76 lakh from July 2004 though there is no such provision. The ULBs did not record any reasons for such irregular remission.

### **3.4 Non / under imposition of surcharge- Loss of revenue of ₹ 6.47 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, 18 ULBs did not impose any surcharge on property tax for commercial holdings during July 2000 to March 2010. Computed at the minimum rate of 20 *per cent*, the loss of revenue amounts to ₹ 6.22 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 but no corrective measures were taken. Barasat Municipality has not conducted any survey for identification of commercial and industrial holdings till date.

**3.4.2** Rajpur-Sonarpur Municipality imposed surcharge at the rate of 1 *per cent* on annual property tax of commercial holdings and collected ₹ 1.32 lakh during 2009-10. The rate imposed for surcharge was lower than the minimum rate of 20 *per cent* provided under the Act and the Municipality sustained a loss of revenue of ₹ 25.21 lakh during 2009-10.

### **3.5 Non / short realization of water charges**

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 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>25</sup> size. However, due to non / partial imposition of charges or imposition of charges at a lower rate, eight ULBs sustained a loss of ₹ 13.19 crore during the period from February 2003 to December 2010 as shown below:

<sup>25</sup> A device placed on a water pipe to allow fixed quantum of water to flow through it.

**Table 11**

(₹ in lakh)

Name of ULBs	Period	Minimum Chargeable Amount	Amount Charged	Loss
Bally	February 2003 to March 2010	171.88	Nil	171.88
Halisahar	February 2003 to March 2009	197.60	Nil	197.60
Kanchrapara	April 2008 to March 2010	28.47	Nil	28.47
Midnapore	May 2008 to March 2010	60.04	Nil	60.04
Nabadwip	April 2008 to March 2010	16.89	Nil	16.89
Naihati	February 2003 to March 2010	193.98	Nil	193.98
South Dum Dum	February 2003 to December 2010	492.21	46.58	445.63
Uttarpara-Kotrung	February 2003 to March 2010	204.65	Nil	204.65
<b>Total</b>		<b>1365.72</b>	<b>46.58</b>	<b>1319.14</b>

It was also noticed that seven ULBs had partly realised water charges since the date of imposition by the respective ULBs resulting ₹ 2.08 crore remaining outstanding at the end of March 2011 as detailed below:

**Table 12 : Outstanding water charges**

(₹ in lakh)

Name of ULBs	Demand	Collection	Outstanding
Bansberia	26.08	2.28	23.80
Berhampore	7.53	3.59	3.94
Dainhat	5.68	4.32	1.36
Haldia	64.15	52.91	11.24
Konnagar	60.28	14.45	45.83
Mathabhanga	9.30	2.16	7.14
Panihati	166.71	51.66	115.05
<b>Total</b>	<b>339.73</b>	<b>131.37</b>	<b>208.36</b>

The ULBs did not furnish any reasons thereof.

### 3.6 Outstanding Fee - ₹ 79.87 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, 12 ULBs<sup>26</sup> could not realize License Fee of ₹ 79.87 lakh at the end of March 2010.

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

### **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 North Dum Dum Municipality and Siliguri Municipal Corporation revealed that non-allotment of stalls / shops for a period ranging from four to five years failed to generate projected revenue of ₹ 52.00 lakh and ₹ 164.13 lakh towards *salami*<sup>27</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 - ₹ 6.17 crore**

In 26 ULBs, the arrears in realisation of rent / *salami* / lease money from stalls, shops and market complexes amounted to ₹ 6.17 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 indicates 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

<sup>26</sup> (Asansol: ₹ 16.81 lakh), (Barasat: ₹ 35.17 lakh), (Bhatpara: ₹ 3.95 lakh), (Dalkhola : ₹ 1.30 lakh), (Dubrajpur: ₹ 0.55 lakh), (Gayeshpur : ₹ 9.96 lakh), (Kaliyaganj: ₹ 0.76 lakh), (Khardah: ₹ 3.97 lakh), (Mathabhanga: ₹ 5.00 lakh), (Mekliganj: ₹ 0.97 lakh), (Midnapore: ₹ 1.09 lakh) and (Panhati : ₹ 0.34 lakh)

<sup>27</sup> One time premium payable by leasee or tenant.

Act, the BOC may order directing such construction to be demolished or altered.

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 five municipalities<sup>28</sup> revealed that in violation of the said provision of the Act, an amount of ₹ 4.18 crore was collected as fine for regularization of unauthorized construction during 2002-10. Barasat Municipality regularized unauthorised constructions by imposing penalty of ₹ 12.56 lakh but collected only ₹ 2.00 lakh.

In terms of Sec 177 of the Howrah Municipal Corporation Act, 1980, where the erection of any building or the execution of any work in pursuance thereof has been commenced, or is being carried on, or has been completed without or contrary to the sanction or in contravention of any of the provisions of this Act or the rules and the regulations made thereunder, the Commissioner may in addition to any other action that may be taken under this Act, make an order directing that such erection or work shall be stopped or demolished or such addition or alteration thereto be made as the Commissioner considers necessary, by the person at whose instance the erection or the work has been commenced, or is being carried on, or has been completed.

Test check of records of Howrah Municipal Corporation revealed that in violation of the said provision of the Act, out of 433 unauthorised constructions detected during 2006-09, only 6 unauthorised constructions were demolished, 21 cases are subjudice, 145 such unauthorised constructions were regularised by collecting fees amounting to ₹ 121.98 lakh and no action has yet been taken against rest of the 261 unauthorised constructions. BOC empowered the Chairman to decide the penalty.

The ULBs' decision to regularise unauthorised constructions by imposing penalty is unacceptable as it was in contravention of the Act *ibid*. Moreover, this encourages major deviations in construction which may be detrimental to public interest.

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

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<sup>28</sup> (Barasat: ₹ 2.00 lakh), (Madhyamgram: ₹ 1.81 lakh during 2009-10), (Purulia: ₹ 3.82 lakh during 2002-09), (Serampore: ₹ 29.57 lakh during 2002-10) and (South Dum Dum: ₹ 381.00 lakh during 2009-10)

### **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 ₹ 5.31 crore due to delay in annual valuation of property by three ULBs, inadmissible remission of property tax of ₹ 30.96 lakh annually by two ULBs, non / under imposition of minimum surcharge of ₹ 6.47 crore on commercial buildings by 19 ULBs, short realisation of water charges of ₹ 2.08 crore by seven ULBs, outstanding fee of ₹ 79.87 lakh of 12 ULBs and non-realisation of rent / *salami*/ lease money of ₹ 6.17 crore by 26 ULBs. Non-recovery of lease money 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 adversely affected mobilization of own sources of revenue.

### **3.11 Recommendations**

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