

CHAPTER -3

LOSS OF REVENUE

3.1 Shortfalls in achievements of targets of revenue collection

Against the targets fixed by Municipal Corporation, Jodhpur and 17 MBs during 1999-2003, the shortfalls in realisation of revenue (Rs 43.01 crore) ranged from 24 to 99 *per cent* (*Annexure-VIII*). This indicated very poor revenue collection efforts by these ULBs. The shortfalls were attributed mainly to fixing of targets on higher side and non-realisation of revenue due to famine conditions.

Section (A) Tax revenue (House tax)

Tax on the annual letting value of building or land or both (House tax), situated within the Municipality is an obligatory tax under Section 104 of the Act and it is compulsory for the Board to collect it. Only the state government is competent to allow exemption by a special order to be published in the official gazette.

State government also framed Rajasthan Municipalities (Land and Building Tax) Rules, 1961 to provide for procedures of assessment and recovery of house tax.

The following points were noticed:

3.2 Non-assessment of house tax

(i) As per Section 107 of the Act exemption from house tax is available to the charitable institutions like educational and medical institutions providing relief to the poor. It was observed that three schools¹³ run by other institutions in Jaipur were claiming exemption without fulfilling required conditions. Notices for house tax amounting to Rs 3.93 crore covering the period from 1990-91 to 2002-03 had, however, been issued (2003-04) by JMC, but the same had not been recovered as of April 2004. Thus, no assessment of house tax for the period prior to 1990-91 had been done giving undue benefit to these institutions.

13. (i) Saint Xaviers School , (ii) Maharani Gayatri Devi School and (iii) Mahaveer Public School.

(ii) An assessee institution¹⁴ appealed to JMC for grant of exemption on the ground of its research activities and the appeal was rejected (March 2001) looking to the commercial activities in the premises of the building. On revision appeal by the institution to the State Government for grant of exemption, the Government directed (March 2001) the institution to deposit 10 *per cent* (Rs 16.48 lakh) of the assessed amount (Rs 1.64 crore) for the period from 1985-86 to 1999-2000 till further orders, against which the institution deposited only Rs 4.00 lakh. Thus, revenue of Rs 12.48 lakh could not be realised (April 2004) even after orders from the State Government.

3.3 Non-levy of house tax

Obligatory¹⁵ house tax had not been levied and collected at all by Municipal Corporation, Kota causing recurring loss of revenue to the municipal fund. This also resulted in irregular utilisation of staff of house tax wing for other purposes entailing expenditure of Rs 80.08 lakh incurred on their salaries during 2001-2003 alone. MCK stated (February 2004) that they decided (March 2001) to levy house tax, but due to protest by residents of Kota, the Corporation again resolved (July 2003) not to levy the tax, which was against the provisions of the Act.

House tax was also not being levied at all in 64 other ULBs during 1999-2003. Thus, these ULBs are not only violating the provisions of the Act but also have weakened their resource base and compromised their financial independence to a great extent.

3.4 Short assessment of house tax

As clarified by State Government¹⁶, annual letting value was to be based on the actual amount of rent received during the year and if it was not ascertainable, assessment on comparative basis was to be done. In case, these methods could not be adopted, the annual letting value was to be determined on the basis of cost of buildings or lands or both.

However, in JMC instead of authentic documents a simple declaration of annual rent recovered / recoverable on notional basis was obtained by the assessors from the assessee as is evident from the following instance:

Assessment of a hotel (The Rambagh Palace- a member of the Taj Group of Hotels) having 90 rooms of different types for the year 2001-2002 was done as

14. Birla Institute of Scientific Research, Jaipur.

15. Section 104 of the RM Act, 1959.

16. State Government circular No. F-8 (89) LSG/60 dated 8 June 1962.

follows by JMC:

S.No.	Particulars	Amount (Rs in crore)
1	Annual rental income from rooms during 2000-2001 (as per tariff value of rooms)	20.37
2	Less: Vacancy at 55 <i>per cent</i>	11.20
3	Estimated rental income	9.17
4	Less: Allowed expenditure at 90 <i>per cent</i>	8.25
5	Add: Rent from shops	0.18
6	Annual letting value	1.10
7	Standard deduction at 10 <i>per cent</i>	0.11
8	Taxable annual letting value	0.99
9	House tax at 6.25 <i>per cent</i>	0.06

Thus, assessment was done without verification of the crucial elements in house tax determination like annual rent received, vacancy etc. from independent source. Moreover, the assessee had claimed the deduction of Rs 7.04 crore only whereas the deduction of expenditure allowed by the assessor on notional basis was Rs 8.25 crore which resulted in short assessment of tax amounting to Rs 7.56 lakh (6.25 *per cent* of Rs 1.21 crore).

Thus, the system of assessment was lax with scope of under-assessment and also gave avoidable discretion to tax assessor.

Non-determination of correct annual letting value by JMC and MC Ajmer resulted in short assessment of house tax to the tune of Rs 66.84 lakh in 10 cases during 1994-2003 (*Annexure-IX*).

3.5 Non-recovery of house tax from assesseees

Against the demands raised by two Municipal Corporations, four MCs and 54 MBs, house tax of Rs 72.76 crore (*Annexure-X*) was lying unrecovered as on 31 March 2003. It indicated slackness on the part of concerned officials in recovery of dues, even though some of the ULBs were not able even to pay the retirement dues of their staff.

In Civil Lines zone of JMC, proportion of recovery of house tax was decreasing over the years as it amounted to Rs 4.67 crore in 2000-2001 which reduced to Rs 3.59 crore in 2002-2003 by 23 *per cent*. Reasons of decrease in recoveries of house tax were not intimated by JMC.

3.6 Non-revision of house tax

Assessment list of house tax was required to be completely revised not less than once in every three years¹⁷. However, reassessment of house tax was not done by 40 ULBs even after lapse of three to 41 years (*Annexure-X*). This requires appropriate action against the delinquent revenue officials.

Section (B) Non-tax revenue

3.7 Non-recovery of auction money of hoardings from advertising agencies

As per bye-laws framed by ULBs, hoarding sites in municipal area were to be auctioned every year. 25 *per cent* of the highest bid was to be deposited on spot and the rest 75 *per cent* within one month before placement of hoardings on site. An agreement was also to be executed by the licensees on stamp paper.

In three Municipal Corporations and MC Sriganganagar, hoarding charges of Rs 30.66 lakh remained outstanding against seven licensees for one to four years (*Annexure-XI*) due to non-recovery of the amount before placement of hoardings, non-execution of agreement with licensees, etc.

In MCK, even notices for recovery of Rs 8.13 lakh for hoarding charges along with interest of Rs 3.49 lakh had not been issued to two licensees¹⁸ as reportedly these were of a Corporator. Thus, the ULB was not only giving undue favour to the Corporator but also failed to initiate action as per Section 26 (xii) of the Act which disqualifies individuals or members of their family doing business with the local body. Therefore, explanation of the concerned officials who did not ensure relationship of the licensees with the corporator before awarding the contract / licence and who did not issue notices of recovery to these licensees, was required to be called for.

3.8 Loss of revenue due to non-auctioning of sites

(i) In three Municipal Corporations, MC Alwar and MB Asind, 431 sites¹⁹ were not auctioned during 1999-2003 resulting in loss of revenue of Rs 66.97 lakh (*Annexure-XII*) to the municipal funds. The reasons were attributed to inadequate offers by the bidders, but the loss could have been reduced / avoided by arranging negotiations or re-auctioning.

17. Section 119 of the RM Act, 1959.

18. (1) M/S Vinayak Advertising and (2) M/S Akanksha Publicity, Kota.

19. Number of sites not available in MC Alwar.

(ii) Twenty three sites auctioned by JMC to six advertising agencies during 2001-02 were shown as not auctioned during 2002-03, were again auctioned for Rs 13.08 lakh to the same agencies during 2003-04. Procedure adopted by JMC to ensure that these agencies had not actually used these sites during 2002-03 was not on record, as use of these sites by the advertising agencies without paying any charges during 2002-2003 could not be ruled out. Reasons for non-auctioning the sites during 2002-03 were not intimated.

3.9 Non-realisation / short realisation of rent from milk booths

Rent of area occupied by milk booths running in the municipal areas were to be charged at the rates determined by State Government from time to time. In case, other items were also sold in milk booths, fees at double the normal rate were to be charged. In three Municipal Corporations, two MCs (Ajmer and Bikaner) and MB, Sagwara rent of Rs 1.05 crore remained outstanding against 765 milk booths as of March 2004 (*Annexure-XIII*).

3.10 Non-levy of charges for emblem sign boards

As per State Government directions (August 2000) Rs 25,000 for every five years was to be charged from every petrol pump owner for emblem signboard fixed by him in the buffer street²⁰. It was observed that Rs 17.05 lakh (*Annexure-XIV*) could not be realised on this account from 75 petrol pumps situated in the municipal areas of MCJ, two MCs and 23 MBs.

3.11 Abnormal delay in assessment of rent of shops/ stalls

Eighty shops/stalls were got constructed (1949-50) by Rehabilitation Department in Rameshwari Nehru Market of Girdikot in Jodhpur city, which were allotted to the displaced persons migrated from Pakistan. However, rent of these shops had not been fixed by State Government/ DLB even after lapse of considerable period (54 years) even though sub-letting of these shops by the allottees/tenants without paying any amount of rent to MCJ was reported. Thus, abnormal delay on the part of Government caused recurring loss of revenue. Records showing details of shops and transfer/sub-letting thereof were also not maintained by MCJ to determine the actual dues/users.

20. A street i.e. public land where sign board is placed for better visibility to traffic.

3.12 Non-settlement of dues recoverable from or payable to Government departments, autonomous bodies, etc.

In 39 ULBs, dues of Rs 141.82 crore recoverable from Government departments/public under-takings/ autonomous bodies and liabilities of Rs 33.98 crore due to them on various grounds remained pending settlement for one to 48 years owing to dispute of title of land, for want of sanction of Government, etc. as summarised in the table below:

S. No.	Grounds of Dues/payments	Name of Govt. Deptt./ Body/ agency	Name /number of ULBs	Period to which dues/ payment relate	Amount (Rs In crore)	Remarks
(A)	Receivables	Public Health Engineering Department (PHED)	MB, Ratangarh	1992	0.36	-
(1)	Cost or rent of allotted/ occupied lands recoverable as per RM (Disposal of Urban Land) Rules, 1974 and State Government instructions dated 10 August 1983	Rajasthan State Roadways Transport Corporation (RSRTC)	16 MBs	1975-2003	6.02	Annexure-XV
	House tax, octroi and others	Bharat Sanchar Nigam Limited (BSNL)	MC, Tonk	1997	0.05	-
		RSEB (now JVVN Ltd.)	MCK, MC Alwar and 12 MBs	1956-2003	33.23	Annexure-XVI
		RSEB (now JVVN Ltd.)	-do-	-do-	6.36	-do-
(2)	15 per cent of the sale proceeds of land in the municipal area vide Government, UDH circular dated 28 March 1983	Jaipur Development Authority (JDA)/Urban Improvement Trusts (UITs)	Three Corporations and three MCs	1983-2003	64.28	Annexure-XVII
	Sewerage tax collected from consumers of drinking water for maintenance of sewerage lines	PHED	JMC	NA	27.13	-
		PHED	MCJ	1984-85 to 2001-02	1.19	-
(3)	<i>Dharmada</i> ²¹ on toll tax plus interest thereon leviable as per decision (March 2001) of the Supreme Court	Receiver appointed for M/s JK Synthetics Ltd., Kota (Since closed)	MCK	August 1987 to February 1994	2.41	-
(4)	Road cutting charges	PHED and BSNL	Two MCs and nine MBs	1997-2003	0.79	Annexure-XVIII
	Total				141.82	
(B)	Payables (Liabilities)					
(1)	Charges of water consumption by Public stand pots (PSPs)	PHED	JMC	Up to March 2004	22.91	-
(2)	Street Lighting charges	RSEB(now JVVNL)	MCK	June 1994 to Sept.2001	10.57	
			MB, Behrod	1982 to 1998	0.50	
	Total				33.98	

21. 50% tax on toll tax.

Thus, the municipalities were being deprived of huge amounts of dues for long periods. This also indicated lack of internal control in the bodies. State Government should, therefore, intervene in the matter to expedite settlement of old dues and liabilities.

3.13 Miscellaneous dues lying unrecovered from tenants, licencees, contractors, etc.

(i) MB, Kotputli let out its seven shops between August 1980 and August 1992 on payment of the rents at the rates varying from Rs 125 to Rs 2700 per month. However, out of Rs 23.15 lakh recoverable from them on account of rent during August 1980 to July 2003, only Rs 5.18 lakh had been recovered and balance amount of Rs 17.97 lakh had not been recovered as of June 2004. Rent to be increased by minimum of 10 *per cent* per annum as per State Government order (August 1983) was also not recovered from the tenants. On the matter being referred (April 2004), State Government confirmed (July 2004) the facts and stated that final demand notices have now been issued to the tenants and in case of further default, action of eviction or filing of suits against them in the courts will be initiated.

(ii) In some ULBs, miscellaneous dues of Rs 7.37 crore outstanding against the tenants, licensees and contractors remained unrecovered for one to 35 years as summarised in the table below:

(Rs in lakh)

S.No.	Particulars of dues	Number of ULBs	Period	Amount	Details in
(1)	Rent of shops, buildings, kiosks, land, etc.	JMC, three MCs and 39 MBs	1978-2003	268.45	Annexure-XIX
(2)	<i>Tehbazari</i> ²²	MCK, MC Pali and five MBs	1985-2003	115.93	Annexure-XX
(3)	Amount of contracts for collection of hides, skins and bones of dead animals	MC Beawar and 19 MBs	1968-2003	10.96	Annexure-XXI
(4)	Cost of lands allotted/sold	MB, Chaksu MB, Sangod	1968-2003 1998-99	3.00 11.04	-
(5)	Lease money (urban assessment) recoverable under Rule 7 of RM (Disposal of Urban Land) Rules, 1974	Two Corporations, two MCs and seven MBs	1984-2003	324.00	Annexure-XXII
(6)	Contracts for canteen	MCK	2000-02	2.42	-
(7)	Licence fees in respect of machineries	Seven MBs	1992-2003	1.53	Annexure-XXIII
	Total			737.33	

Thus, effective action is required to recover the old dues by resorting to the procedure set out in Chapter VIII (Recovery of Municipal Claims) of the Act failing which as per Public Demand Recovery Act.

22. Rent of land occupied by *Thadi/Thela* in markets.