

CHAPTER III

RECEIPTS

Receipts of ULBs comprise both tax and non-tax revenue which are levied by ULBs as per provision of the Municipal Acts. Other sources of revenue are share of State grants and contributions.

Deficiencies in management of resources noticed during test audit of 65 ULBs are discussed in the succeeding paragraphs.

3.1 Budget estimate and actual receipt of own fund

Receipt of a ULB comprises own fund and State Government grants by way of shared taxes and administrative grants. Own fund comprises receipts generated mainly from property tax. In 26 test checked ULBs, variations were noticed between budget estimate and actual receipt from own source during the period 2012-15 as given below (unit-wise position is detailed in **Appendix-13**):

Table 3.1 : Budget estimate and actual realisation of own fund

Year	Budget Estimate	Actual receipt	Variations {Increase (+) / Shortfall (-)}	Percentage of realisation
	(₹ in crore)			
2012-13	152.97	147.08	(-) 5.89	96
2013-14	195.92	175.10	(-) 20.82	89
2014-15	198.81	179.66	(-) 19.15	90

(Source: Figures as furnished by ULBs)

Reason for the shortfall was mainly attributed to failure in preparing action plans for collection of property tax. During 2014-15, tax collection in five ULBs was less than 70 per cent of the target, while collection in five ULBs exceeded the budget estimate. This indicated the need for a realistic budget preparation.

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

Property tax on land and building is determined on the basis of annual value of the property held. Annual valuation of a holding shall, as per provisions of the Municipal law, subject to other provisions, remain in force for a period of five years. 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 five years. As per municipal law, 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. Further, as per proviso to section 110(2) of the West Bengal Municipal Act, 1993, the new assessment list, after being notified, shall take effect retrospectively from the day succeeding the date on which the term of the preceding assessment list expired, and the arrear or

overpayment, if any, shall be adjusted through onetime payment or in such instalments as may be determined by the Board of Councillors (BoC) of the Municipality concerned.

In case of 19 ULBs²¹, the West Bengal Valuation Board had not initiated or finalised the valuation and hence loss could not be quantified. In three ULBs where valuation by the Board was finalised, the loss/ arrear had been worked out as under:

Table 3.2 : Loss/ arrear of revenue due to delay in revision of annual valuation of property

Name of ULB	Due date of revision	Actual date of revision	Period of delay	Loss/ arrear of revenue (₹ in lakh)
North Dum Dum	1 October 2008	1 April 2013	4 years 6 months	92.15
New Barrackpore	1 April 2008	1 April 2013	5 years	164.64
Halisahar	1 October 2005	Not revised till 31 March 2013	7 years 6 months	190.42
Total				447.21

(Source: Records of ULBs)

3.3 Remission of property tax led to loss of ₹37.76 lakh

BoC of a Municipality may reduce the amount of property tax in case of excessive hardship as per section 103 of the West Bengal Municipal Act, 1993.

Test check of records revealed that three ULBs allowed remission of property tax (even for general and commercial holdings) in contravention of the West Bengal Municipal Act, 1993, as detailed below.

Table 3.3 : Remission of property tax

Name of ULB	Period	Property tax reduced (₹ in lakh)
Gobardanga	July 2004 to June 2014	18.42
Katwa	2012-13	3.17
South Dum Dum	2012-13	16.17
Total		37.76

3.4 Non-imposition of surcharge led to loss of ₹12.91 crore

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 partly 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.

²¹ Barasat, Alipurduar, Bhadreswar, Barrackpore, Bongaon, Contai, Darjeeling, Durgapur, Englishbazar, Uluberia, Serampore, Raniganj, Mirik, Khardah, Jiaganj-Azimganj, Jhalda, Jamuria, Hooghly-Chinsurah and Gobardanga.

In violation of the above provisions, 18 ULBs did not impose any surcharge on property tax for identified commercial holdings during April 2011 to March 2014. As a result, the concerned ULBs suffered a minimum loss of revenue amounting to ₹12.91 crore (computed at the minimum rate of 20 *per cent*). The details of which are shown in **Appendix-14**.

Corrective measures were not taken, though the matter was persistently pointed out in earlier Reports of the Examiner of Local Accounts on ULBs.

3.5 Outstanding water charges

As per Municipal law, it shall be the duty of every ULB to supply potable water for domestic use of inhabitants. The supply of water for domestic and non-domestic use may be charged at such rates as may be prescribed. Water charges ranging from ₹15 to ₹150 per month for supply of water to domestic and non-domestic consumers were to be fixed on the basis of property tax and ferrule²² size.

Out of 65 ULBs test checked, only 19 ULBs furnished data regarding collection of water charges. Out of 19 ULBs, four ULBs²³ either did not impose or collect water charges, one ULB²⁴ furnished only the current demand *vis-à-vis* collection of water charges and other 11 ULBs collected ₹1.93 crore on this account against the total demand of ₹5.17 crore leaving an outstanding amount of ₹3.24 crore as of March 2015 (**Appendix-15**).

One ULB²⁵ stated that it had discontinued collection of water charges without offering any valid reason and two ULBs²⁶ replied that water supply was maintained by Government Departments/ Organisations.

3.6 Outstanding fee - ₹79.10 lakh

In terms of section 118 of the West Bengal Municipal Act, 1993, certificate of enlistment for profession, trade and calling is issued annually on receipt of application fee.

In spite of the above provision for realisation of fee in advance, three ULBs did not realise such fee to the tune of ₹79.10 lakh as of March 2014 (**Appendix-16**).

²² A device placed on a water pipe to allow fixed quantum of water to flow through it.

²³ Dinhata, Kurseong, Nabadwip and Titagarh.

²⁴ Baranagar.

²⁵ Serampore.

²⁶ Alipurduar and Dankuni.

3.7 Rent/ lease money not realised - ₹6.46 crore

In 28 ULBs, the arrears of rent/ *salami*/ lease money/ parking fee from stalls, shops, market complexes, ferry services etc. stood at ₹6.46 crore as detailed in **Appendix-17**.

Delay in realisation of rent, *salami*, lease money, etc. reduced the revenue of these ULBs to that extent and thereby widened the resource gap.

3.8 Collection of fee for regularisation of unauthorised construction

In terms of section 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 laid down or any alteration or addition completed in breach of any provision of the Municipal Act, the BoC 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. Construction of building in contravention of provisions of the Howrah Municipal Corporation Act, 1980, is also prohibited under section 177A of the said Act. Thus, the Municipal law does not have any provision for regularisation of such unauthorised construction by imposition of fee.

Test check of records revealed that in violation of the respective Acts, five ULBs collected an amount of ₹23.31 crore (**Table 3.4**) by imposing fee in the form of 'Additional Development Charge/ Development Fee/ Betterment Fee' for regularising unauthorised constructions.

Table 3.4 : Details of collection of fee for regularisation of unauthorised construction
(₹ in lakh)

Name of ULB	Year	Number of unauthorised construction regularised	Amount of Additional Development Charge/ Development Fee/ Betterment Fee collected
Dum Dum	2011-13	171	94.78
Howrah	2012-13	446	218.05
Madhyamgram	2012-14	NA	848.33
North Barrackpore	2011-14	NA	249.36
South Dum Dum	2012-13	293	920.00
Total			2330.52

(Source: Records of ULBs)

The imposition of such fee was not approved by the State Government. The decision of ULBs to regularise such illegal construction was not in consonance with the provision of the Act, *ibid*.

3.9 Conclusion

Taxes, rents and charges for service provided are the main source of municipal fund which ensures delivery of services to tax payers. 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. The decision of ULBs to regularise illegal construction was not in consonance with the provisions of the Act. Arbitrary remission/ under-assessment of taxes, inadequate supervision and monitoring have reduced the mobilisation of own sources of revenue.

3.10 Recommendations

- Timely revision of annual valuation of property may be carried out as per the provisions of the Act.
- Identification of property used for non-residential purpose and imposition of applicable rates and surcharges as envisaged in the Act, may be done.
- Collection of various statutory charges as envisaged in the Act needs to be ensured.