

# CHAPTER III

## RECEIPTS

Tax and non-tax revenue levied by the ULBs as per provision of the Act (own fund), revenue share (assigned revenue) by the State Government, grants and contributions are the resources of the ULBs. The deficiencies in management of resources noticed 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. The budget estimate of government grants may not be anticipated as the actual receipt depends on the release of grants by the State Government. The Own Fund is comprised of receipts generated mainly from property tax. The variations between budget estimates and actual receipts from own source of 27 ULBs including six Corporations during the years 2005-06, 2006-07 and 2007-08 respectively are given below (unit wise position is detailed in **Appendix – 6**):

(Rupees in crore)

Year	Budget Estimates	Actual receipts	Variations Increase(+) Shortfall(-)	Percentage of realisation
2005-06	639.41	621.64	(-)17.77	97
2006-07	789.68	915.60	(+)125.92	116
2007-08	1005.62	807.81	(-)197.81	80

The main reasons for the excess/shortfall over budget estimates were non-assessment of previous performance and proper future action plan. Collection performance of 13 out of 27 ULBs (including Kolkata Municipal Corporation) was less than 80 *per cent* of the budget estimate in 2007-08 while Asansol, Bhatpara and Englishbazar municipalities showed steady growth of revenue collection. Collection of Durgapur and Midnapur municipalities exceeded the budget estimate during all the three years. Though the overall realization indicated progressive trend in 2005-07, it however declined in 2007-08.

### 3.2 Poor monitoring of Property Tax collection

Property tax is the main source of own fund of the ULBs. The position of arrears, current demand, collection and outstanding property tax (including service charge on Central Government properties) in respect of 26 ULBs during 2005-08 are detailed below:

(Rupees in crore)

Year	Demand			Collection			Total outstanding dues
	Arrear	Current	Total	Arrear	Current	Total	
2005-06	187.08	60.26	247.34	18.92	30.77	49.69 (20)	197.65
2006-07	198.21	65.48	263.69	19.63	33.72	53.35 (20)	210.34
2007-08	214.03	67.74	281.77	23.98	36.21	60.19 (21)	221.58

(Figures in bracket indicate percentage of collection of the total demand)

Unit-wise details are given in **Appendix – 7A, 7B and 7C.**

An average of 20 to 21 *per cent* of the total demand has been collected during 2005-08 thereby further raising the arrear demand at the close of the each year. The collection out of current demand was around 50 *per cent*, resulting in adding to the arrears. Only six ULBs could collect upto 50 *per cent* or more of the total dues (property tax) during the period. Pujali Municipality could show a sustained collection between 98 and 99 *per cent*.

Section 147 of the West Bengal Municipal Act, 1993 provides that any tax levied under the Act may be recovered in accordance with the following procedure:

- (a) by presenting a bill or
- (b) by serving a demand notice, or
- (c) by distraint and sale of a defaulter's movable property, or
- (d) by attachment and sale of a defaulter's immovable property, or
- (e) by attachment of rent due in respect of land or building, or
- (f) As a public demand under the Bengal Public Demands Recovery Act, 1913

Section 149 of the Act provides that when a property tax becomes due on any land or building, the Chairman shall cause to be presented to the owner or the occupier thereof a bill for the amount due. As per section 150(2) such tax shall be payable in quarterly instalments and every such instalment shall be deemed to be due in the first day of the quarter in respect of which it is payable.

Test check of records of property tax revealed that most of the ULBs did not even present the tax bill to the tax payers as provided under section 149. The procedures prescribed under section 147 were never followed by the ULBs to ensure prompt recovery of municipal dues. The poor collection added to the outstanding dues accumulating huge arrears at the end of each quarter. Other reasons for accumulation of huge tax arrear were non payment of property tax/service charge by the Central and State Government Offices, litigated properties, closed and sick industries.

### **3.3 Remission in property tax beyond permissible limit– Rs. 89.64 lakh**

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.

The provision under Section 112(1) of the Act stipulates that every application presented under sub-Section (4) of Section 111 shall be heard and determined by a Review Committee. It also provides that the Review Committee may reduce the valuation of any land or building. However, such reduction shall not be more than twenty five *per cent* of the annual valuation of such land or building except in the case of gross arithmetical or technical mistake. In contravention of the above provision, the concerned Review Committee in respect of three ULBs allowed remission (there being no calculation error) upto the maximum of 57 *per cent*, as of March 2008 without recording any reason for such reduction. This resulted in loss of Municipal revenue amounting to Rs.89.64 lakh pertaining to the period 1996-97 to 2007-08 as detailed below:

(Rupees in lakh)

Sl No.	Name of the ULB	Period	Loss
1.	Burdwan	January 1997 to March 2006	80.86
2.	Rishra (six cases)	July 2004 to December 2007	6.66
3.	Rajarhat-Gopalpur (45 cases)	April 2006 to March 2008	2.12
<b>Total</b>			<b>89.64</b>

### **3.4 Non/ under imposition of surcharge – loss of revenue of Rs 3.13 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. Section 93 of the Durgapur Municipal Act, 1994 also specified imposition of surcharge on commercial holdings but the rate was not mentioned. The rate of surcharge shall form part of property tax for the purpose of recovery.

In violation of the above provisions, 25 ULBs did not impose any surcharge on property tax for commercial holdings during 2001-2008. Computed at the minimum rate of 20 *per cent*, the loss of revenue amounts to Rs.3.13 crore (**Appendix -8**). The reasons for non imposition of surcharge were not on record. Though the matter was pointed out in the earlier Audit Reports ending 31 March 2004, 2005, 2006 and 2007 no corrective measures were taken.

**3.4.2** Kamarhati Municipality imposed surcharge at the rate of 15 *per cent* on commercial holdings and collected Rs 10.71 lakh from 165 holdings in 2005-06 and Rs.10.68 lakh from 185 holdings during 2006-07. The rate imposed for surcharge was actually lower than the minimum rate of 20 *per cent* fixed by Government and the Municipality sustained a loss of revenue of Rs.7.17 lakh during 2005-07.

### **3.5 Outstanding water charge – Rs 31.34 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 Rs.15 to Rs.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>7</sup> size.

<sup>7</sup> A device placed on a water pipe to allow fixed quantum of water to flow through it.

However, due to non imposition of charges or imposition of charges at a lower rate, eight ULBs sustained a loss of Rs 4.16 crore during the period from February 2003 to March 2008/April 2008 as shown below:

(Rupees in lakh)

Name of ULB	Period	Minimum chargeable amount	Amount charged	Loss
Asansol	November 2006 to March 2008	31.71	Nil	31.71
Midnapur	October 2006 to April 2008	57.77	5.56	52.21
Garulia	July 2006 to March 2007	22.88	Nil	22.88
Baranagar	2004-07	124.20	Nil	124.20
Naihati	February 2003 to March 2007	110.76	Nil	110.76
Tamluk	2004-08	16.04	7.43	8.61
Baruipur	2006-07	3.11	Nil	3.11
Englishbazar	August 2005 to September 2007	130.39	67.75	62.64
<b>Total</b>		<b>496.86</b>	<b>80.74</b>	<b>416.12</b>

It was also noticed in audit that 14 ULBs had outstanding water charges since the date of imposition by the respective ULBs amounting to Rs.31.34 crore at the end of March 2007/2008 as detailed below:

(Rupees in lakh)

Name of ULB	As of	Amount
Asansol	March 2007	7.77
Bhatpara	March 2008	70.05
Chandernagar	March 2007	66.66
Dubrajpur	March 2008	0.74
Englishbazar	March 2007	3.86
Kamarhati	March 2007	191.70
Mathabhanga	March 2008	2.98
Mekhliganj	March 2007	0.52
Kulti	March 2007	7.05
New Barrackpore	March 2007	0.48
Rishra	March 2007	1.16
Serampur	March 2008	32.91
Suri	March 2007	17.18
Tamluk	March 2008	8.57
Kolkata	March 2008	2722.00
<b>Total</b>		<b>3133.63</b>

The ULBs did not take any distress action for realization of such huge outstanding dues or furnish any reasons thereof.

### 3.6 Non realisation of rent/ lease money – Rs 1.66 crore

In 12 ULBs, the arrears in realisation of rent/*salami*<sup>8</sup> from stalls, shops and market complexes amounted to Rs.1.66 crore till the date of audit as detailed in **Appendix – 9**.

Delays in realisation of rent/*salami* reduced the revenue of these ULBs to that extent, thereby widening the resource gap.

### 3.7 Collection of penalty for unauthorised construction –Rs 1.47 crore

In terms of Sec 218 of the West Bengal Municipal Act, 1993, if the construction of any building has been 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 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 four<sup>9</sup> municipalities revealed that in violation of the said provision of the Act an amount of Rs 1.47 crore was collected from tax payers as penalty charges /fines for unauthorized construction during 2005-2008. Instead of taking action against construction which was not in accordance with the sanction, the municipalities freed the deviators with fine. This may encourage major deviations in the construction which may be detrimental to the interest of the general public.

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

### 3.8 Recovery of misappropriated receipts at the instance of audit

As per Rule 79 of the West Bengal Municipal (Finance and Accounting) Rules, 1999, all collections made by the collection clerk shall be entered in daily collection challan and credited to the cashier's cash book on the very day of collection.

Test check of miscellaneous receipts of four municipalities revealed that staff members did not deposit Rs.13740 collected during 2005-07 and retained the money with them. On this being pointed out by audit the concerned staff members deposited these amounts in 2008 as detailed in the table below:

Name of ULB	Source of collection	Period of collection	Amount (Rupees)	Date of deposit
Mursidabad	Levy on tourist	13 to 21 December 2005	1832	20 March 2008
New Barrackpore	Enlistment fees/Provisional certificate	1 April 2006 to 31 December 2007	7920	29 January 2008

<sup>8</sup> One time premium payable by leasee or tenant.

<sup>9</sup> Baruipur (2005-07):Rs 4.44 lakh, Baranagar (2005-07):Rs 121.19 lakh, North Barrackpore (2006-08): Rs 13.32 lakh and Serampur (2006-08):Rs 7.69 lakh.

Rishra	Toll tax collection	7 June to 13 July 2006	988	8 February 2008
Howrah	License fees	2005-06	3000	6 May 2008
<b>Total</b>			<b>13740</b>	

No action has been initiated by the municipalities against the concerned officials as per Rule 26 of the West Bengal (Finance and Accounting) Rules, 1999. Non/short deposit of public funds within the stipulated time limit amounts to temporary embezzlement besides reflecting inadequate financial discipline in the Municipality and absence of internal control and supervision.

### **3.9 Short / non realisation of revenue – Rs.38.64 lakh**

As per provisions of the Municipal Act and the respective Corporation Act, when a person liable for payment of any tax is deemed to be in default, such sum, not exceeding 15 *per cent* of the amount of tax may be recovered by way of penalty and simple interest not exceeding 10 *per cent* per annum shall be payable on the amount of bill remaining unpaid after its presentation from the next day after expiry of thirty days from the commencement of the quarter following that in which the bill is presented. However, Asansol Municipal Corporation and Serampur Municipality did not charge interest due and penalty on arrears of property tax. Instead they allowed rebate on arrears of property tax and thus suffered loss of revenue of Rs.34.79 lakh and Rs.3.85 lakh respectively during 2006-08.

### **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 49 ULBs revealed inadmissible remission of property tax of Rs.89.65 lakh by five ULBs, non imposition of minimum surcharge of Rs.3.13 crore on commercial buildings by 25 ULBs, non/short realisation of water charges of Rs.4.16 crore by eight ULBs. Non recovery of lease money also reflected 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 data base for all tax payers, licensees, tenants;
- Watching prompt issue of demands and revision of taxes at regular interval;
- Prompt collection of revenues and persuasion of outstanding dues;
- Identification of parking, advertisement spaces and other areas of revenue.