

CHAPTER III

RECEIPTS

To strengthen the financial capability of ULBs the State Government statutorily empowered such bodies for imposition and collection of taxes and non-tax levies. The State Government also shared taxes and levies collected by it with the ULBs and also provided grants-in-aid under various Plan and Non-plan Heads. 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 Municipal Corporation / Board of Councillors (BOC) of the Municipalities have the power to levy property tax on lands and buildings, tax on advertisements, tax on cart and carriages, toll on ferry, bridge and heavy truck, fee on congregations, fee on tourists, other fees, charges, etc.

The deficiencies in management of resources noticed in course of test check on 50 ULBs 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. Own Fund comprises receipts generated mainly from property tax. The variations between budget estimates and actual receipts from own source of 24 ULBs during the years 2006 – 07, 2007 – 08 and 2008 – 09 are given below (unit wise position is detailed in **Appendix – 9**):

(Rupees in crore)

Year	Budget Estimates	Actual receipts	Variations {Increase (+) / Shortfall (-)}	Percentage of realisation
2006 – 07	131.19	118.70	(-) 12.49	90
2007 – 08	148.32	133.69	(-) 14.63	90
2008 – 09	189.71	162.40	(-) 27.31	86

The reasons for the shortfall vis-à-vis budget estimates were non-assessment of the previous dues and failure to prepare action plans for collection of property tax and other receipts. In seven out of 24 ULBs the tax collection was less than 80 *per cent* of the budget estimate during 2008-09 while Bally, Bansberia and Jangipur municipalities showed steady growth of revenue collection. Collection of Memari Municipality exceeded the budget estimate during all the three years. Though the overall realization was 90 *per cent* during 2006 - 08, it however, declined in 2008 – 09.

3.2 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.

Test check of records revealed that in contravention of the above provision, the Review Committee in Raiganj and South Dum Dum municipalities allowed remission beyond the permissible limit without recording any reason for such reduction. This resulted in loss of municipal revenue amounting to Rs.31.17 lakh¹⁴.

3.3 Non / under imposition of surcharge

3.3.1 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, 16 ULBs did not impose any surcharge on property tax for commercial holdings during October 2001 to March 2009. Computed at the minimum rate of 20 *per cent*, the loss of revenue amounts to Rs.2.61 crore (**Appendix – 10**). 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 and 2008, no corrective measures were taken.

3.3.2 Kamarhati Municipality imposed surcharge at the rate of 15 *per cent* on annual property tax of Rs.40.27 lakh of 334 commercial holdings and collected Rs.6.04 lakh during 2007-08. The rate imposed for surcharge was lower than the minimum rate of 20 *per cent* fixed by Government and the Municipality sustained a loss of revenue of Rs.2.01 lakh during 2007-08.

3.4 Outstanding water charge

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 ferrule¹⁵ size.

Test check of records of the following 15 ULBs revealed that an amount of Rs.3.60 crore (47 *per cent*) was collected on this account during 2008-09 against the total demand of Rs.7.63 crore leaving an amount of Rs.4.03 crore (53 *per cent*) as outstanding :

¹⁴ Raiganj: Rs.28.56 lakh in 48 holdings during July 2004 to December 2008. South Dum Dum: Rs.2.61 lakh in 82 holdings during April 2007 to March 2008.

¹⁵ A device placed on a water pipe to allow fixed quantum of water to flow through it.

(Rupees in lakh)

Name of ULB	Demand	Collection	Outstanding
Bansberia	36.49	17.09	19.40
Baranagar	28.87	5.51	23.36
Barrackpore	75.89	66.51	9.38
Beldanga	1.44	0.84	0.60
Budge Budge	87.02	29.58	57.44
Chakdaha	26.67	24.04	2.63
Haldia	46.49	40.19	6.30
Kamarhati	266.22	41.13	225.09
Kharagpur ¹⁶	29.21	21.80	7.41
Khirpai	1.37	1.00	0.37
Katwa	8.49	7.89	0.60
Memari ¹⁷	10.31	9.71	0.60
North Dum Dum	57.15	33.20	23.95
Raniganj	20.27	17.13	3.14
Siliguri	67.35	44.78	22.57
Total	763.24	360.40	402.84

Nine ULBs¹⁸ did not furnish any reason for accumulation of arrears and the replies furnished by six¹⁹ ULBs were not tenable. The poor collection of revenue affected the capacity of the ULBs to provide adequate services to their tax payers.

Six ULBs namely, Bally, Barasat, Gobardanga, Nalhati, Rajpur-Sonarpur and Uttarpara-Kotrung municipalities did not collect or impose any water charge during the period 2006 – 09.

3.5 Non realisation of rent / lease money

In 18 ULBs, the arrears in realisation of rent / *salami*²⁰/ lease money, etc. from stalls, shops, market / commercial complexes amounted to Rs.3.34 crore as detailed in **Appendix – 11**.

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.

¹⁶ The Kharagpur Municipality incurred an expenditure of Rs. 365.47 lakh on maintenance of water supply works (like, maintenance of pump-house, electricity charges, wages, repair of pipe lines, etc.) during 2006 – 08 against the water charges of Rs. 40.34 lakh collected during the period.

¹⁷ The Memari Municipality incurred an expenditure of Rs. 13.59 lakh on maintenance of water supply works (like, maintenance of pump-house, electricity charges, wages, repair of pipe lines, etc.) during 2006 – 08 against the water charges of Rs. 10.70 lakh collected during the period.

¹⁸ Bansberia, Baranagar, Barrackpore, Budge Budge, Chakdaha, Haldia, Katwa, Memari and North Dum Dum.

¹⁹ Beldanga, Kamarhati, Kharagpur, Khirpai, Raniganj and Siliguri.

²⁰ One time premium payable by leasee or tenant.

3.6 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 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 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 Khardah Municipality revealed that in violation of the said provision of the Act, an amount of Rs.9.61 lakh was collected as dropping charge / fine for regularization of unauthorized construction during 2005 – 2008. This may encourage major deviations in the construction, detrimental to the interest of the general public.

The Municipality stated (June 2008) that the dropping charges were imposed to compel the people to abide by the Municipal laws and the said charges helped to augment the Municipal Revenue.

The reply is not tenable as augmentation of revenue without observing any prescribed norms cannot be the objective of any ULB.

3.7 Recovery of misappropriated receipts at the instance of audit

3.7.1 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. In terms of Rule 69, *ibid*, the Accountant shall verify total collections of any month as per his cash book with the cumulative total of collections as worked out in the *challans* for the last working day of the month and if both figures agree he shall put his signature in the appropriate place on the body of the *challan*. Otherwise any discrepancy should be reconciled immediately.

Test check of miscellaneous receipts of three municipalities revealed that staff members did not deposit / record (in the cashier's cash book) an amount of Rs.0.32 lakh collected during April 2006 to February 2009. On this being pointed out by audit the concerned persons deposited these amounts during 2008–09 as detailed in the table below:

(In rupees)

Name of ULB	Source of collection	Period of collection	Date of deposit	Amount
Beldanga	Park Entry Fee and Boating Fee	14 December 2008 to 28 February 2009	2 March 2009	24688
Bhadreswar	Admission fee of swimming pool	April 2006 to March 2007	12 May 2008	1400
Ranaghat	Miscellaneous Receipt	19 September 2006	7 June 2008	2080
		5 March 2007		3500
		16 August 2007		350
Total				32018

3.7.2 In terms of Rule 221, *ibid*, all moneys received on account of the Councillors shall be remitted intact to the treasury as often as can be conveniently managed and shall on no account be appropriated towards expenditure. In terms of Rule 223 and 224, *ibid*, the details of each remittance classified according to the nature of receipt head will appear in the cashier's cash book. The Finance Officer in his absence the officer authorised for the purpose should check and initial against the total of the remittance.

Scrutiny of records of Islampur Municipality revealed that an amount of Rs.7077 collected by the cash section during 8 May 2007 to 5 February 2008 was not traceable. On being pointed out by audit the amount was deposited on 16 June 2008.

Non / short deposit of public fund within the stipulated time limit amounts to temporary embezzlement, besides reflect the absence of necessary checks to be exercised by the officials in terms of municipal rules.

3.8 Unauthorised exemption resulted in loss of revenue

Non realization of fees and taxes at prescribed rates applicable on backlit advertisement led to loss of revenue of Rs. 35.04 lakh and issuance of license for five years against the codal provision of one year rendered undue favour to the agencies.

Section 203 (3) of the Kolkata Municipal Corporation (KMC) Act, 1980, stipulates that the Municipal Commissioner shall, after making such inspection as may be necessary and within thirty days of the receipt of the application, grant, refuse, renew or cancel a license, as the case may be, on payment of such fees as may be determined by the Corporation by regulations or as the budget estimate shall state under sub-section (3) of section 131 of the Act. Section 203 (5) stipulates that every license shall be for a period of one year. Section 204 (1) stipulates that every person who erects, exhibits, fixes or retains upon or over any land, building, wall hoarding, frame, post, kiosk or structure any advertisement or, displays any advertisement to public view in any manner whatsoever, visible from a public street or public place shall pay for every advertisement, a tax calculated at such rate as the Corporation may determine by regulations or as the budget estimate shall state under section (3) of section 131 of the Act. Accordingly, KMC brought out schedule of rates of fees and tax for each year. The schedule of rates stipulated *cent percent* surcharge on the license fee and on the tax on backlit advertisement for the years 2003-04, 2004-05 and 2006-07 and enhanced rates for 2005-06.

Records revealed that the Municipal Secretary, KMC had issued (September 2003) license to three advertising agencies for five years namely Pioneer Publicity Corporation, Karukrit Publicity Pvt. Ltd. and Enkon Pvt. Ltd. for display of advertisement measuring 200 square feet each with backlit facility on 120 passenger sheds at different bus stop. The licenses were granted for five years (upto August 2008) violated section 203 (5) of the Act which stipulated issuance of licence for a period of one year only.

In spite of the fact that the licences were issued for advertisement with backlit facility, KMC did not collect fees and taxes at the enhanced rates as prescribed in

the schedules of the respective years upto 2006 – 07. While granting licences, the Municipal Secretary exempted the agencies from paying fees and taxes at enhanced rates. Thus, the Corporation realized Rs.35.04 lakh only as against the total dues of Rs.70.08 lakh from the agencies. This resulted in loss of revenue to the extent of Rs.35.04 lakh during 2003 - 07 due to violation of the provision of Act, *ibid*, and schedule of rates extending favour to the advertisement agencies.

KMC could not furnish any written delegation authorizing Municipal Secretary to sign the licenses on advertisement issued as above as well as records showing details of revenue collected from the advertising agencies.

The matter was referred to the Corporation and the Government in April 2010; their replies had not been received (February 2011).

3.9 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 inadmissible remission of property tax of Rs.31.17 lakh by two ULBs, non/ under imposition of minimum surcharge of Rs.2.61 crore on commercial buildings by 16 ULBs, short realisation of water charges of Rs.4.03 crore by 15 ULBs and non realisation of rent / lease money of Rs.3.34 crore by 18 ULBs. Non recovery of lease money also indicated non observance of provisions of the Acts. Non realization of fees and taxes by the KMC at prescribed rates applicable on backlit advertisement led to loss of revenue of Rs. 35.04 lakh. 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.

3.10 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 persuasion of outstanding dues.
- Identification of parking, advertisement spaces and other areas of revenue.