

CHAPTER VII
PERFORMANCE AUDIT

7.1 Mobilisation of Property Tax

HIGHLIGHTS

The budget estimates prepared by Asansol, Durgapur, Siliguri and Chandernagore Municipal Corporations were only 14, 33, 44 and 67 *per cent* respectively of annual dues which indicated that the budget exercise was a mere formality.

(Paragraph 7.1.5)

The Corporations did not maintain conclusive and sustained database. As a result, they do not have a complete picture of the scope of own resource and actual trend of realization.

(Paragraph 7.1.6)

Siliguri Municipal Corporation held back assessment of new holdings since 2004-05 causing loss of Rs.42.31 lakh during 2004-09.

(Paragraph 7.1.7.1)

The poor built-up capacity of the West Bengal Valuation Board causing delay in revision and the lacunae in the Acts restricting collection of revised tax retrospectively resulted in huge loss of revenue caused due to delay in revision.

(Paragraph 7.1.7.2)

Remission granted in 13887 cases beyond the prescribed limit resulted in loss of revenue of Rs.2.27 crore in two corporations disapproving the sanctity of valuation done by the West Bengal Valuation Board.

(Paragraph 7.1.7.3)

Asansol and Durgapur Municipal Corporations lost Rs.53.67 lakh due to unauthorised rebate allowed to the tax payers on arrears and surcharge.

(Paragraph 7.1.9.1)

Surcharge was not imposed and recovered though the holdings were identified as commercial and industrial in nature.

(Paragraph 7.1.9.2)

The huge outstanding dues of Rs.36.79 crore lying unmoved for three to five years have become doubtful of recovery.

(Paragraph 7.1.10)

7.1.1 Introduction

The revenue of a municipal corporation comprises share of taxes and grants from the State Government & Central Government and revenue generated from its own sources namely property tax, advertisement tax, enlistment fees for trades and profession and plan sanction fees etc. Property tax is the main source of the corporation's own revenue comprising 6 to 30 *per cent* of the total revenue.

The revenue department dealing in property tax, licence fees and other levies is supervised by the Commissioner/ Chief Executive Officer. Property tax is assessed initially by the respective Corporation and finally by the West Bengal Valuation Board. It is collected by Tax Collectors on regular pay roll of the Municipal Corporations or appointed on commission basis and can also be deposited by the assesses.

A review covering four municipal corporations namely Asansol, Chandernagore, Durgapur and Siliguri has been taken up in this context to see how effective these local bodies have been in mobilization of property tax to augment their own resources.

7.1.2 Audit objectives

The main audit objective was to evaluate performance of the municipal corporations in assessment and collection of property tax, with specific focus on the following aspects:

- Whether complete and updated records were maintained by the corporations.
- Whether assessment was done properly.
- Whether taxes were collected efficiently.

7.1.3 Audit criteria

The audit criteria used for evaluating the performance of the corporations in assessment and collection of property tax were as under:

- Provisions in the corporation Acts and financial Rules.
- Other relevant Acts, Rules and Government orders/notifications.
- Resolutions of the respective Board of Councillors (BOC).

7.1.4 Audit coverage

The review was conducted during November 2009 to February 2010 in four municipal corporations namely Asansol (AMC), Siliguri (SMC), Durgapur (DMC) and Chandernagore (CMC) covering the period from 2006-07 to 2008-09.

AUDIT FINDINGS

7.1.5 Budgeting

Budgeting for receipts generated from their own resources by the corporations need to be accurate as it is the basic instrument of planning for allocation of

expenditure for providing services to the tax payers. The budget estimate for property tax should include current demand and arrear dues. Analysis of budget estimates for the year 2006-07 to 2008-09 showed that there were wide variations between the annual dues, budget estimates and actual receipts as shown below:

(Rupees in crore)

Municipal Corporation	Year	Annual dues	Budget estimate	Percentage	Actual receipt
Asansol	2006-07	38.53	5.43	14	5.69
	2007-08	39.27	5.50	14	7.41
	2008-09	38.39	5.80	15	5.34
Chandernagore	2006-07	1.92	1.12	58	1.15
	2007-08	2.15	1.51	70	1.55
	2008-09	2.22	1.60	72	1.52
Durgapur	2006-07	26.12	6.41	25	7.02
	2007-08	24.13	8.51	35	7.29
	2008-09	25.60	9.51	37	7.74
Siliguri	2006-07	15.45	5.95	39	3.70
	2007-08	16.81	8.23	49	4.06
	2008-09	17.12	7.65	45	3.76

In Asansol Municipal Corporation, the budget estimate was on an average only 14 *per cent* of the annual dues. This was 33 *per cent* in Durgapur, 44 *per cent* in Siliguri and 67 *per cent* in Chandernagore. The unrealistically low budget estimates prepared on the basis of the previous year's figure indicate that the budget exercise was a mere formality. The actual receipts were also very low thus affecting the quality of services offered to the tax payers.

7.1.6 Poor maintenance of data base

The municipal corporations could not provide basic records regarding number of holdings borough-wise. No survey in this regard was conducted by the corporations. SMC had different figures at its borough office and central office.

The corporations are to maintain demand register for property tax. The records have to be updated periodically and summary statements have to be prepared monthly/quarterly/annually of realization against the dues.

The Demand and Collection registers up to March 2006 maintained manually by AMC were not complete and in proper form. The computerised data base (April 2006) also failed to reflect correct dues because the data base was created without thorough scrutiny of the manual records.

CMC had computerized data base on property tax but while switching over to a new software in April 2007 they lost the old data. The corporation had no back-up and thus could not retrieve the data. The new software also did not function properly. Therefore, demand and collection for the years 2006-07 to 2007-08 could not be generated till December 2009.

The municipal corporations did not maintain complete and accurate database. As a result, they do not have a complete picture of defaulting tax payers and actual

realization leaving no scope for gap analysis and remedial measures for effective realization of revenue.

7.1.7 Assessment of tax

In terms of respective corporation Acts as well as the provision under Section 128 (1) of the Municipal Corporation Act, 2006 when a new building has been constructed or a new holding has been created, the Corporation may at any time cause the annual valuation of such buildings or holdings, and assess the property tax on an interim basis pending final assessment by the West Bengal Valuation Board.

7.1.7.1 Interim assessment

Asansol, Chandernagore and Durgapur Municipal Corporations assessed 2186, 2315 and 4223 holdings respectively during 2006-09. All interim assessments made by the Corporations were required to be forwarded to the West Bengal Valuation Board for scrutiny and approval. However, none of the corporations sent these to the West Bengal Valuation Board for final approval.

The Siliguri Municipal Corporation did not assess any holdings since April 2004. Scrutiny of records revealed that the West Bengal Valuation Board in April 2004 directed the corporation not to take up interim assessment as the Board would shortly take up revision of property tax. Accordingly SMC held back all interim assessments in contravention of Section 113(1) of the Siliguri Municipal Corporation Act, 1990. Records indicated that the number of assesses increased annually by about 2015 and the prevailing average demand of property tax per holding was Rs.140. The increase in the number of holdings was thus 10075 by the end of 2008-09. Non-assessment of these new holdings caused loss of revenue of Rs.42.31 lakh during 2004-09 to Siliguri Municipal Corporation.

7.1.7.2 General revision

As per the provision of the Acts, the corporations shall cause a general revision of valuation of all holdings every six years (five years²⁶ from November 2008). Such assessment would take effect from the beginning of the quarter immediately following its publication.

The general revision of annual valuation was last notified in April 1997 in Asansol and Siliguri Municipal Corporations. The revision was next due in April 2003. The BOC of Siliguri Municipal Corporation resolved (January 2002) for the revision and the State Government by notification entrusted (March 2003) the work to the West Bengal Valuation Board. The Board took up the work in June 2003 but the general revision of valuation was not completed till January 2010 due to lack of co-ordination between the Board and the corporation.

AMC resolved for the revision in November 2002 but approached the Government only in November 2004. In response to the Government notification of January 2005, the Valuation Board took up the work but only 70 *per cent* of survey was completed till September 2009. No further development was on record till January 2010.

²⁶ Section 122 (2) of the West Bengal Municipal Corporation Act, 2006

As per the relevant Act / Acts, the corporations can collect revised taxes from the quarter following the publication of the revised assessment list. They are thus restricted from collecting the revised tax from the date it is due for revision. There is also no provision for enhancement of the rate of taxation by a minimum amount pending finalization of general revision. Thus the inordinate delay in finalization of general revision of annual valuation led to huge loss of revenue to AMC and CMC.

7.1.7.3 Unauthorised reduction in valuation

In terms of prevailing Acts and Section 125 of W.B. Municipal Corporation Act, 2006 any person who is dissatisfied with the assessment as appearing in the assessment list may prefer an application for review before the corporation within a period of one month from the date of service of the written notice showing the assessment or within three months from the date of publication of the assessment list.

Section 126 *ibid* provides that where the Review Committee reduces the valuation of any land or building, 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 and the Review Committee shall in every such case, record in writing the reasons for such reduction.

It was seen in audit that remission petitions submitted beyond the validity date were accepted by the Corporations. They allowed remission beyond the ceiling of 25 *per cent* of annual valuation. No reasons were on record for such remission. AMC while considering 14111 cases, granted remission beyond 25 *per cent* in 11408 cases resulting in unauthorised waiver of property tax of Rs.52.70 lakh during 2006-09. Similarly, out of 5197 cases, DMC granted remission exceeding 25 *per cent* in 2479 cases involving loss of Rs.173.82 lakh on property tax. Thus, the valuation done by the West Bengal Valuation Board was rendered meaningless.

Chandernagore and Siliguri Municipal Corporations did not furnish the details of remission granted exceeding 25 *per cent* and therefore the extent of loss could not be ascertained.

7.1.7.4 Under assessment

A test check of seven multi-storied buildings in AMC revealed that occupancy certificate was issued only in respect of three buildings. Out of total completed floor area of 257867 sq.ft, the Corporation assessed annual valuation for 139067 sq.ft. only.

The non-assessment of 118801 sq. ft. of these buildings resulted in loss of revenue of Rs.3.16 lakh per annum.

7.1.8 Collection

The shortfall in receipts as evident from the following table was due to lacunae in the system of collection of revenue in the municipal corporations as discussed in the subsequent paragraphs.

(Rupees in crore)

Municipal Corporation	Year	Annual Demand (including arrear)	Annual Receipt (including arrear)	Percentage of collection
Asansol	2006-07	38.53	5.69	15
	2007-08	39.27	7.41	19
	2008-09	38.39	5.34	14
Chandernagore	2006-07	1.92	1.15	60
	2007-08	2.15	1.55	72
	2008-09	2.22	1.52	68
Durgapur	2006-07	26.12	7.02	27
	2007-08	24.13	7.29	30
	2008-09	25.60	7.74	30
Siliguri	2006-07	15.45	3.70	24
	2007-08	16.81	4.06	24
	2008-09	17.12	3.76	22

7.1.8.1 Raising demand

In terms of Section 158 of the W.B. Municipal Corporation Act, 2006 when any tax has become due, the Commissioner shall cause to be presented to the person liable for the payment thereof, a bill of the amount due. Section 137 stipulates that the property tax on any land or building shall be paid in quarterly installments. Scrutiny of records of the corporations revealed that they did not issue demand bills to all the tax-payers as shown below:

Municipal Corporation	Year	No. of assesses	Demand raised	Percentage
Asansol	2006-07	Not available		--
	2007-08	54509	10842	20
	2008-09	56925	6388	11
Chandernagore	2006-07	36489	Not available	--
	2007-08	37245	33425	90
	2008-09	38054	33535	88
Durgapur	2006-07	Not available		--
	2007-08	56100	48659	87
	2008-09	58723	46060	78
Siliguri	2006-07	86980	18876	22
	2007-08	86980	Nil	--
	2008-09	86980	Nil	--

As shown above SMC raised only 22 per cent of the demand bills in 2006-07 but no bills were raised during 2007-09. AMC issued demand bills to 11 to 20 per cent of the assesses in 2007-09; while data for 2006-07 was not available in AMC, CMC and DMC. This resulted in non accountal of considerable amount of dues and non pursuance thereof.

7.1.8.2 Performance of the tax collectors

Tax is collected through collection centres in Asansol and Durgapur municipal corporations. Chandernagore and Siliguri municipal corporations collect tax through tax collectors (collecting sarkars) and central office.

As per Rule 34(2) of the West Bengal Municipal (Finance and Accounting) Rules, 1999 each collecting sarkar should collect 80 *per cent* of the Current Demand and 30 *per cent* of the arrear. The position of collection of tax by collecting sarkars in CMC and SMC is given below:

(Rupees in crore)

Municipal Corporation	Year	Arrear Demand	Current Demand	Target for collection	Collection by collector	Percentage of shortfall
CMC	2006-07	0.42	1.50	1.33	0.62	53
	2007-08	0.63	1.52	1.40	0.75	46
	2008-09	0.61	1.61	1.47	0.69	53
SMC	2006-07	11.19	4.26	6.77	3.60	47
	2007-08	12.55	4.26	7.18	3.95	45
	2008-09	12.86	4.26	7.27	3.73	49

The achievement of the collecting sarkars fell short by a maximum of 53 *per cent* in Chandernagore and 49 *per cent* in Siliguri. Despite the poor collection in consecutive years, the corporations did not take any measure for improvement after analysis of the factors responsible. The poor performance in realization of property tax was mainly due to absence of periodical monitoring over raising demands and persuasion of recovery.

7.1.9 Levy of rebates, surcharge and interest

7.1.9.1 Allowance of rebate

If any amount due is paid on or before the date prescribed by the Corporation, a rebate of five *per cent*²⁷ of such amount shall be allowed. Thus rebate can not be allowed on arrear tax. But scrutiny of receipt particulars of property tax in AMC revealed that in contravention of the above provision the corporation allowed rebate of Rs.22.76 lakh during 2006-09 on the arrear of Rs.6.91 crore. Similarly, such rebate to the extent of Rs.16.03 lakh was allowed on arrear tax of Rs.5.81 crore in DMC during 2006-09.

The commercial and industrial holdings are not entitled to any rebate allowed for residential purposes. A test check of 94 cases of commercial and industrial holdings under seven wards²⁸ in DMC revealed that rebate was allowed, during the years 2007-08 and 2008-09 although these were not used exclusively for residential purpose. Loss of revenue in such cases was assessed to Rs.14.88 lakh during the years, 2007 to 2009.

7.1.9.2 Surcharge on non-domestic holdings

The municipal corporations are authorized by the Acts to impose surcharge at rates not exceeding 50 *per cent* of the total property tax imposed on a holding if it

²⁷ Section 157 of the West Bengal Municipal Corporation Act, 2006.

²⁸ Ward No. 29, 31, 32, 34, 36, 37 and 38.

is used wholly or partly for non-residential purposes and the corporation shall from time to time decide the rate of surcharge which shall form part of property tax for the purpose of recovery. No minimum rate of surcharge is specified.

AMC identified 2054 holdings as commercial/industrial in nature but no surcharge was imposed on any such holdings during the period of review.

The Assessment Department of CMC had identified 1338 commercial and industrial holdings. A test check of records of Borough V revealed that surcharge was imposed only on eight holdings against 154 holdings identified during the year 2008-09. The non-imposition of surcharge on 146 holdings led to loss of Rs.23000 per annum. In DMC, 473 holdings were identified as commercial / industrial holdings whose property tax was Rs.806.64 lakh; but no surcharge was imposed on any such holding during 2006-09. BOC did not take any resolution to fix the rate of surcharge.

In SMC such surcharge was levied at the rate of 10 *per cent* on 8010 such holdings.

7.1.10 Accumulation of arrears

The demand (including arrear), collection, arrear and percentage of outstanding dues to total demand for the years 2006-09 are given in **Appendix-12**.

It may be seen that the annual accumulated arrear moved between 81 and 86 *per cent* in Asansol, between 76 and 78 *per cent* in Siliguri and between 70 and 73 *per cent* in Durgapur. The position in Chandernagore was better as it ranged between 28 and 40 *per cent*. AMC and SMC did not analyse the mounting outstanding dues age-wise. However, audit scrutiny revealed that arrears of Rs.19.59 crore and Rs.7.35 crore remained unmoved for more than three years in AMC and SMC respectively. In CMC arrear dues of property tax of Rs.31 lakh remained unmoved for more than 5 years. DMC recorded Rs.9.54 crore remaining unmoved for more than 3 years.

Scrutiny further revealed that 1558 commercial and Government establishments with annual demand of Rs.1000 and above defaulted to the extent of Rs.14.00 crore in AMC. This indicated that AMC was not proactive in respect of big holdings for realization of the large outstanding balances. The records of Borough II in SMC revealed that 55 holdings having tax dues of more than Rs.0.25 lakh each defaulted to the extent of Rs.68.91 lakh as on 31 March 2009. Further, the Corporation failed to trace out the owners of 40 buildings resulting in non-realization of Rs.35.95 lakh.

The relevant municipal laws have enough provisions for collection of dues including confiscating property. However, the corporations did not undertake any drive to reduce the arrears nor did they have any monitoring system to pursue the defaulters. Thus, the huge outstanding dues of Rs.36.79 crore have become doubtful of recovery.

7.1.11 Non existence of system of reconciliation

Raising demand for tax/fees/other charges, collection thereof and the arrears remaining outstanding were recorded by the functional departments. The Accounts Department of the respective corporation maintained their accounts based on the data fed by the functional departments. Scrutiny revealed that figures recorded in Accounts Department were lower than those recorded by the functional department. The figures fell short by Rs. 32.06 lakh and Rs. 167.92 lakh in 2006-07 and 2008-09 in AMC. The variations was between Rs. 0.91 crore and Rs. 4.64 crore in DMC during 2006-09.

The Accounts Department of the corporations did not periodically reconcile the figures with the functional departments as required under Rule 69 of the West Bengal Municipal (Finance and Accounting) Rules, 1999. The absence of reconciliation may lead to evasion of taxes and misappropriation of funds.

7.1.12 Lack of inter departmental coordination

Section 131 of the Municipal Corporation Act, 2006 requires that transfer of title of any building /land liable to pay property tax was to be notified to the Commissioner. Section 282 provides that every person should obtain Occupancy Certificate from the Commissioner after notifying completion of construction. However, there is no evidence that the Corporations conducted any periodical survey/inspection to bring prospective tax payers in the tax net. The assessment of new holdings was made on the basis of applications received. There was no system of linking such application to sanctioned plan. As per records made available, the position in respect of sanctioned plan and issue of occupancy certificate (OC) were as follows:

Municipal Corporation	Period	No. of plan sanctioned	No. of OC issued
Asansol	2004-09	1228	Not furnished.
Durgapur	2003-09	7059	
Chandernagore	2004-09	5888	
Siliguri	2003-09	3899	318
Total		18074	

Out of 18074 sanctioned plans, occupancy certificates were issued only for 318 units in Siliguri with the scope of assessment. The lack of co-ordination between the building and the assessment departments left these prospective holdings outside the purview of assessment with consequent loss of revenue. Similarly the assessors also did not obtain data from the licensing department of the corporation to identify non-residential holdings and impose surcharge. Thus, huge non-residential holdings evading surcharge remained untapped.

7.1.13 Conclusion

The municipal corporations did not undertake any survey to find out the total assessable holdings. Comprehensive basic records were not maintained and updated to assess scope of own source of revenue and actual collection. The absence of interdepartmental co-ordination among the Building, the Revenue and Licensing departments either delayed the mutation or led to non-mutation of new tenement / holdings with consequent loss of revenue. The corporations also violated the provisions of the Acts thus forfeiting their legitimate dues.

7.1.14 Recommendations

- Total number of holdings has to be ensured through extensive and periodical survey.
- Demand notices need to be issued in advance and accounted for as receivables. Day to day accounting must be kept updated with adjustment against receivables.
- Government may consider introduction of area-wise property tax per unit with necessary amendment to the Act to avoid long delays in general revision.
- Government may also consider amendment to the Act prescribing the minimum enhancement in tax from due date of general revision in case it is delayed and protect collection of arrears arising from revision.
- Safeguards provided in the Acts need to be enforced without deviation to prevent undue remission, rebate and under assessment.
- Holdings and their nature are to be cross checked with building planning and license department to ensure delay/evasion of assessment.
- Awareness among the tax payers has to be raised so that they pay their dues.

The audit observations were discussed in a meeting (11 October 2010) with the Municipal Affairs Department in presence of representatives of the respective Municipal Corporations. It was resolved that specific replies must be sent by the concerned ULBs within 31 October 2010 positively to the Director of Local Bodies (DLB) through concerned Joint DLBs. The Joint DLBs of Jalpaiguri and Burdwan Divisions were asked to follow up for the reply covering the respective points / topics as mentioned in the meeting.

The replies of the Municipal Corporations and the Government had not been received (February 2011).

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