

CHAPTER-III

REVENUE RECEIPTS

The revenue receipts of an Urban Local Body comprises of receipts from its own sources (tax & non-tax revenue), assigned revenue, grants & loans from the Governments. The deficiencies in management of resources, loss due to non-assessment, short/non-realization of the dues and charges etc. noticed during audit are discussed in the succeeding paragraphs.

3.1 Non imposition of Municipal Taxes/Cess/Fees.

Under Section 82 of the JMA, 2000, the Municipalities/NACs with the sanction of the State Government, are empowered to impose different taxes within their limits. But, Koderma, Fusro, Latehar, Jharia and Katras NACs did not impose Municipal Taxes till March 2008 whereas Khunti, Bundu, Mihijam NACs and Jugsalai Municipality imposed the same partly. Due to non-imposition of Taxes, the above ULBs were deprived of Municipal revenue that could have been used to provide better civic amenities/development in those cities.

Koderma, Fusro,
Latehar, Jharia,
Katras didn't
impose Municipal
Taxes.

3.2 Outstanding Holding tax

The position of Demand, Collection and Outstanding Holding tax in respect of 13 ULBs was as under:

(Rs in crore)			
Demand	Collection	Outstanding	Percentage of demand outstanding
34.44	8.96	25.48	73.99

(Unit-wise details are given in *APPENDIX- IV*)

Half yearly list of outstanding taxes as required under Rule 39 of Municipal Accounts Rules (Recovery of Taxes), 1951 was not prepared by the ULBs. Thus, year-wise break up of arrear demand could not be furnished.

ULBs did not take any of the following steps, prescribed in the Act, for recovery of outstanding dues:

- If the tax was not paid within fifteen days from the first day of the quarter, in which it was payable, the local body may issue demand notice under Section 205 and 123 of RMC and JMAs

Proper steps were not taken for realization of outstanding property tax of Rs 25.48 crore.

- If tax was not paid within twenty one/ fifteen days after receipt of the notice, *ibid*, the local body may issue warrant under Sections 206 and 124 respectively, of the Acts, *ibid*;
- ULBs may take action under Jharkhand and Orissa Public Demand Recovery Act, 1914 for recovery of the arrear as public demand under Section 218 and 129 A respectively, of the Act; and
- ULBs may bring suit in any civil court of competent jurisdiction for recovery of the arrears under Sections 219 and 130 respectively, of the Acts.

3.3. *Separate Accounts of Latrine and Water tax not maintained*

Rule 14 of Bihar Municipal Accounts Rules, 1928 stipulates that the net receipts on account of water and latrine taxes shall be spent only for the execution of works for water supply and cleansing of private and public latrines urinals and cess pool as required under Rule 69 (1). Further, under Rule 69 (2), money, which has been received for specific objects, shall not be expended on any other objects.

As the ULBs, as prescribed under the Rules, did not maintain separate Accounts of Latrine Tax and Water Tax, collections on these accounts and their proper utilization could not be ascertained in audit.

3.4. *Non-revision of Holding tax*

Non-revision of tax since long resulted into loss of revenue.

Section 138 of RMC Act, 2001 and Section 106 of JMA 2000 provide for revision of rate of tax once in every five years. Test check of assessment register revealed the following position:

Sl. No.	Name of ULBs	Year of Last Assessment	Year from when assessment due	Year from when initiated	Position of revision as of 31 March 2008
1.	Ranchi	1992-93	1997-98	1992-93	Not completed.
2.	Deoghar	1998-99	2003-04	Nil	Not initiated.
3.	Hazaribag	1994-95	1999-00	Nil	Not initiated.
4.	Dumka	1992-93	1997-98	Nil	Not initiated.
5.	Medninagar	1994-95	1999-00	1997-98	Not completed.
6.	Pakur	1998-99	2003-04	2006-07	Not completed.
7.	Jugsalai	1974-75	1979-80	1997-98	Not completed.
8.	Gumla	1984-85	1989-90	Nil	Not initiated.
9.	Lohardaga	1989-90	1994-95	1995-96	Not completed.
10.	Chaibasa	1982-83	1987-88	Nil	Not initiated.
11.	Bundu	1985-86	1990-91	2001-02	Completed.
12.	Khunti	1985-86	1990-91	2001-02	Not completed.
13.	Mihijam	2000-01	2005-06	Nil	Not initiated.

From the table it could be seen that:

- (1) Six ULBs had not initiated the revision of assessment process though it was due for the last 8 to 20 years;
- (2) In five other ULBs, the revision was pending for the last 17 to 28 years. The process of revision was initiated after a lapse of 4 to 28 years from the year in which revision was due. The process was still incomplete in all these cases; and
- (3) Non-revision of assessment in time resulted in loss of revenue to the ULBs. As provisions for the rate of increase or decrease per year were not laid down in the Municipal Act or Rules, the loss due to non- revision of Tax could not be quantified.

3.5 Loss of revenue due to non-realization of fee for delayed payment of Taxes

Fine of Rs 1.04 crore could not be levied and realized due to non-service of notice of demand & warrant to tax payers.

Section 205 of RMC Act, 2001, provides that if bills of taxes (Holding tax, Water tax and Latrine tax) are not paid within 15 days from their presentation under Section 204, *ibid*, a notice of demand shall be served upon the tax-payer and a fee of 25 paise per rupee of the demand shall be payable by him (tax payer) as per Rule 3 of RMC Accounts (Recovery of Taxes) Rules, 2001.

Further, if the taxpayer to whom notice of demand is served does not, within 21 days of the service of such notice, pay the sum demanded, a warrant may be issued under Section 206 for which a fee of 12 paise per rupee of the demand shall be charged, *vide* Rule 4 Ranchi Municipal Corporation neither maintained any register showing issue of notice of demand warrants and fee claimed and realized against it nor any amount was shown to have been realized by them in the shape of above fee.

Thus, due to non service of notice of demand and warrant to tax payers for collection of arrear of holding tax etc. as required above, Ranchi Municipal Corporation was deprived of revenue of Rs 1.04 crore in the shape of fine of Rs 0.70 crore (25 paise per rupee to be included in demand notice for failure to pay tax within 15 days from presentation of bill) and fine of Rs 0.34 crore (12 paise to be included in warrant for failure to pay tax within 21 days of issue of demand notice) as details below:

(Rs in crore)

Sl. No.	Name of Corporation	Period	Arrear Taxes collected	Amount of fee not levied @ Rs 0.25 per rupee (Demand Notice)	Amount of fee not levied @ Rs 0.12 per rupee (Warrant)	Total amount of fee not levied @ Rs 0.37 per rupee
1.	Ranchi	2007-08	2.80	0.70	0.34	1.04

3.6. Misappropriation of revenue collected

Rs 7.85 lakh misappropriated by the staff. Rs 5.80 lakh still lying in their personal custody.

As per instructions of the Government under Rule 22 of Bihar Municipal Accounts Rules, 1928, all money received on account of the Municipality shall be remitted into the treasury as often as can be conveniently managed. During the audit it was found that in contravention of the above rule, staff of 11 ULBs did not remit Rs 7.85 lakh of collected money during 2006-08. Out of this, Rs 2.05 lakh was recovered from the staff of the ULBs at the instance of audit as details below:

(Rs in lakh)

Sl. No.	Name of ULBs.	Period of Audit	Amount of Non/Short Credit	Recovery at the instance of Audit	Balance
1.	Medninagar	2006-07	4.80	0.01	4.79
2.	Lohardaga	2006-07	0.78	0.40	0.38
3.	Ranchi	2007-08	0.31	0.01	0.30
4.	Pakur	2006/07	0.34	0.05	0.29
5.	Khunti	2006-07	0.16	0.14	0.02
6.	Gumla	2006-07	0.15	0.14	0.01
7.	Chaibasa	2007-08	0.01	Nil	0.01
8.	Jugsalai	2006-07	0.01	0.01	Nil
9.	Deoghar	2006-07	0.78	0.78	Nil
10.	Hazribag	2006-07	0.50	0.50	Nil
11.	Dumka	2006-07	0.01	0.01	Nil
Total			7.85	2.05	5.80

Rs 5.80 lakh was lying with the officials concerned. Any action taken for recovery of this misappropriated money was not intimated to this office.

3.7 Receipt Books not produced before audit.

Sixty seven Money Receipt Books of different type, as detailed in **APPENDIX-V**, were not produced to audit by six ULBs:

Sl.No.	Name of ULBs	Period	No. of Books not produced
1.	Ranchi	2007-08	48
2.	Deoghar	2006-07	08
3.	Hazaribag	----do----	06
4.	Jugsalai	----do----	03
5.	Lohardaga	----do----	01
6.	Bundu	----do----	01
Total			67

Non production of Receipt Books is fraught with risk and it may lead to a serious financial irregularity in future. Thus, possibility of leakage of revenue in this regard could not be ruled out.

3.8 Short realization of Settlement amount

Short realization of bid money of Rs 26.97 lakh.

The ULBs derive their non-tax revenues by settlement of Bus Stand, Sairats⁵, Hats etc. every year. As per terms and conditions of settlements, 50 *per cent* of the bid money was to be realized at the time of agreement and balance 50 *per cent* in three equal instalments after the expiry of the month of the agreement, failing which the agreement was to be cancelled. These conditions were not followed by the six ULBs, which resulted in short realization of bid money of Rs 26.97 lakh during 2006-08 as detailed below:

(Rs in lakh)

Sl.No.	Name of the ULBs	Period	Settlement Amount	Amount realised	Unrealised Amount
1.	Ranchi	2007-08	57.21	45.73	11.48
2.	Medninagar	2006-08	10.95	5.16	5.79
3.	Lohardaga	2006-08	18.08	13.92	4.16
4.	Pakur	2006-07	16.91	13.02	3.89
5.	Gumla	2006-07	2.63	1.58	1.05
6.	Chaibasa	2006-08	3.88	3.28	0.60
	Total		109.66	82.69	26.97

Due to short realization of amount, the availability of fund to be spent on providing essential services to the inhabitants was reduced with ULBs. Action taken to realize the dues was not on record.

3.9. Education Cess/Health Cess realized but not credited into Government Account.

Rs 2.85 crore on account of Education & Health Cess not remitted into Government account.

Education Cess and Health Cess at the prescribed percentage (50 *per cent* of each of the holding tax) is to be levied & collected by the Municipalities/NACs under the Bihar Primary Education (Amendment) Act, 1959 and Bihar Health Cess Ordinance, 1972 (Bihar Ordinance No.2 of 1972) in the Municipal areas from 1 April 1959 and 4 May 1972 respectively. These cess are collected for providing better health and education services to the inhabitants. The proceeds of the Cess are to be credited into the State revenue after deducting 10 *per cent* as collection charge. It was observed that Rs 3.16 crore as detailed below was collected on account of Health Cess and Education Cess by nine ULBs during 2005-08. Total

⁵ Properties to be settled annually or to be leased out.

Rs 2.85 crore was to be credited to State revenues after retaining 10 per cent as collection charges, but the same was not done and the ULBs spent the total collection money of Education and Health Cess on administrative expenditure. This was in violation of the ordinance and resulted in loss of Government revenue of Rs 2.85 crore. However, the direct impact of non remittance of cess to Government accounts could not be ascertained.

(Rs in lakh)

Sl.No.	Name of ULBs	Period	Amount of Cess collected			Less 10 percent as collection charges	Amount to be remitted to Govt. Treasury
			Health Cess	Education Cess	Total		
1.	Ranchi	2007-08	107.38	85.90	193.28	19.33	173.95
2.	Hazaribag	2006-08	21.60	17.99	39.59	3.96	35.63
3.	Deoghar	2006-08	19.02	19.02	38.04	3.80	34.24
4.	Medninagar	2006-08	9.41	9.41	18.82	1.88	16.94
5.	Chaibasa	2006-08	6.72	6.72	13.44	1.34	12.10
6.	Dumka	2006-08	2.39	2.39	4.78	0.48	4.30
7.	Pakur	2006-08	1.91	1.91	3.82	0.38	3.44
8.	Gumla	2006-08	1.33	1.32	2.65	0.27	2.38
9.	Lohardaga	2006-08	0.95	0.96	1.91	0.19	1.72
Total			170.71	145.62	316.33	31.63	284.70

3.10. Non- collection of Education /Health Cess

Loss of Rs 23.15 lakh due to non-collection of Education & Health Cess by three ULBS.

The Government of Bihar, under Bihar Primary Education (Amendment) Act, 1959 and Bihar Health Cess Rules, 1972, as amended from time to time, issued orders to the Municipalities in the State for collection of Education /Health Cess. However, it was observed that Bundu, Khunti, Mihijam, Jugsalai did not collect the above Cess. Consequently, not only did the State Government, suffer loss of Rs 23.15 lakh, but the ULBs itself suffered a loss of Rs 2.56 lakh during 2006-08 in the shape of 10 per cent collection charges, which form part of Municipal revenue as detailed below:

(Rs in lakh)

Sl. No	Name of ULBs.	Period	Holding Tax realized	Loss of Health Cess	Loss of Education Cess	Total	Loss to Govt.	Loss of ULBs as 10% collection charges
1.	Jugsalai	2006-08	19.17	9.59	9.58	19.17	17.25	1.92
2.	Khunti	2006-08	3.69	1.85	1.84	3.69	3.33	0.36
3.	Mihijam	2006-07	1.52	0.76	0.76	1.52	1.37	0.15
4.	Bundu	2006-07	1.33	0.66	0.67	1.33	1.20	0.13
Total			25.71	12.86	12.85	25.71	23.15	2.56

3.11. Short realization of Education Cess.

Two ULBs realized Education Cess at lesser rate resulting loss of revenue of Rs 25.14 lakh.

Under the Bihar Primary Education (Amendment) Act, 1959, Education Cess was levied by the State Government from the year 1959-60 @6.25% of Holding Tax, which was revised from time to time to 50% of Holding Tax w.e.f.1 April 1982. But in contravention of the said provision, two ULBs realized Education Cess at the rate of 40 *per cent* of Holding Tax resulting in loss of Rs 22.63 lakh to State revenue as well as loss of Rs 2.51 lakh to ULBs as 10 *per cent* collection charges, as detailed below:

(Rs in lakh)						
Sl.No.	Name of ULBs	Period	Holding Tax Realised	Education Cess to be realized @50% of Holding Tax	Amount of Education Cess actually realized	Short Realisation of Cess.
1.	Ranchi	2007-08	214.76	107.38	85.90	21.48
2.	Hazaribag	2006-08	39.52	19.76	16.10	3.66
Total			254.28	127.14	102.00	25.14
Less 10% as collection charges (loss to ULBs)						2.51
Loss to State Revenue						22.63

Reason for collection of cess at lower rate was not furnished (July 2009).

3.12. Outstanding Rent of Municipal Properties

In 13 ULBs, Rs 1.04 crore was outstanding on account of rent of Municipal shops etc. to be realized from the allottees as detailed below:

(Rs in lakh)			
Sl. No.	Name of ULBs	As on 31 st March	Outstanding Shop Rent
1.	Ranchi	2008	27.15
2.	Medninagar	2008	20.43
3.	Dumka	2008	14.37
4.	Lohardaga	2008	13.68
5.	Deoghar	2008	7.46
6.	Hazaribag	2008	6.60
7.	Gumla	2008	5.39
8.	Chaibasa	2008	4.61
9.	Khunti	2008	2.01
10.	Katras	2006	1.66
11.	Jugsalai	2008	0.25
12.	Pakur	2008	0.14
13.	Latehar	2007	0.12
Total			103.87

Non-realization of rent from tenants deprived the ULBs of their own revenue in time. Action taken such as issue of demand notices, warrants, institution of Certificate cases, if any to realize outstanding rent was not on record.

3.13 Outstanding Taxes on Government Buildings

Taxes outstanding against Government Buildings are payable by the concerned departments of State Government. In 13 ULBs, taxes of Rs 4.73 crore were outstanding against Govt. Buildings as detailed below:

(Rs in lakh)

Sl. No.	Name of ULBs	As on 31 st March	Outstanding tax on Government Buildings
1.	Medninagar	2008	154.00
2.	Ranchi	2008	126.31
3.	Chaibasa	2008	59.51
4.	Deoghar	2008	48.66
5.	Lohardaga	2008	30.15
6.	Dumka	2008	22.33
7.	Hazaribag	2008	19.25
8.	Jugsalai	2008	7.01
9.	Pakur	2008	4.53
10.	Bundu	2007	0.77
11.	Latehar	2007	0.73
12.	Khunti	2007	0.16
13.	Mihijam	2007	0.04
Total			473.45

The ULBs made no effort to recover these dues from concerned department/authorities of the State Government. No reason for non-realization was furnished to audit by the ULBs.