

# CHAPTER III

## RECEIPTS

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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 68 ULBs are discussed in the succeeding paragraphs.

#### 3.1 Budget estimates and actual receipts of own fund

Receipt of a ULB comprises own fund and State Government grants by way of shared taxes and administrative grant. Own fund comprises receipts generated mainly from property tax. In 37 test checked ULBs, variations were noticed between budget estimates and actual receipts from own source during the period 2010-13 as given below (unit-wise position is detailed in **Appendix-13**):

**Table 7: Budget estimate and actual realization of own fund**

Year	Budget Estimates	Actual receipts	Variations {Increase (+) / Shortfall (-)}	Percentage of realisation
	(₹ in crore)			
2010-11	234.00	199.92	(-) 34.08	85
2011-12	266.23	227.21	(-) 39.02	85
2012-13	316.46	279.92	(-) 36.54	88

(Source: Figures as furnished by ULBs)

Reason for the shortfall was attributed to failure in preparing action plans for collection of property tax. During 2012-13, while in seven ULBs, the tax collection was less than 70 *per cent* of the target, collection in 13 ULBs exceeded the budget estimate indicating need for a realistic budget preparation.

#### 3.2 Loss 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 Act, subject to other provisions, remain in force in respect of each ward 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. The annual valuation, as per section 113(3) of the West Bengal Municipal Act 1993, shall come into force from the beginning of a quarter of a year immediately following an order passed by the appropriate authority. Delay in revision causes loss to the local government because arrears cannot be demanded in view of the provisions mentioned above.

Out of 68 ULBs, only 39 ULBs revised the rates regularly after five years. Out of the remaining 29 ULBs, Six ULBs revised the rates after delay of one to seven years while 23 ULBs<sup>19</sup> had not revised the rate for a period of two to 11 years (over and above the five year period).

Delay in revision resulted in loss of revenue for the ULBs to that extent. In case of 23 ULBs, the Valuation Board had not initiated or finalized the valuation and hence loss could not be worked out in these cases. In the remaining six ULBs where valuation by the Board was finalized, the loss had been worked out as under:

**Table 8: Loss 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 of revenue <sup>20</sup> (₹ in lakh)
Dinhata	January 2004	Not revised till September 2011	7 Years 9 Months	151.40
Halisahar	October 2005	Not revised till March 2012	6 Years 6 Months	116.34
North Barrackpore	April 2004	01.07.2011	7 Years 3 Months	862.28
Taherpur	October 2008	01.04.2010	1 Year 6 Months	4.62
Tamluk	January 2008	Revised valuation not implemented till July 2011	3 Years 4 Months	107.28
Uttarpara-Kotrung	January 2005	01.04.2012	7 Years 3 Months	573.32 (2008-12)*
<b>Total</b>				<b>1815.24</b>

(Source: Figures as furnished by ULBs)

\*Revenue loss for the period 2005 – 2008 could not be ascertained due to non-furnishing of records

<sup>19</sup> Bally, Barasat, Basirhat, Barrackpore, Bhatpara, Coochbehar, Dhugguri, Dum Dum, Durgapur, English Bazar, Gangarampur, Gayeshpur, Ghatal, Jiaganj-Azimgunj, Kaliaganj, Kalimpong, Kurseong, Madhyamgram, Mal, Mirik, Old Malda, Ramjibanpur and Siliguri.

<sup>20</sup> Difference between amount calculated based on Valuation Board recommendations and actual demand.

### **3.3 Remission in property tax beyond permissible limit led to loss of ₹ 13.21 crore**

In terms of Section 125 (1) of the West Bengal Municipal Corporation Act, 2006, 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 Corporation within a period of one month from the date of service of written notice or within three months from the date of publication of the assessment list.

Section 126 (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, Durgapur Municipal Corporation allowed remission on annual valuation in excess of 25 *per cent* causing loss of ₹ 8.59 crore during 2006-11.

Bhatpara municipality allowed remission on property tax amounting to ₹ 4.62 crore for the period upto 2012-13 without prior approval of appropriate authority in contravention of the provision of the Act.

### **3.4 Non-imposition of surcharge leading to loss of revenue of ₹ 5.59 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 Board of Councilors 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, 19 ULBs did not impose any surcharge on property tax for identified commercial holdings during April 2003 to July 2012. Computed at the minimum rate of 20 *per cent*, the loss of revenue amounts to ₹ 5.59 crore (**Appendix-14**).

Corrective measures were not taken, though the matter was persistently pointed out in the Reports of the Examiner of Local Accounts for the years ending March 2004 to 2012.

Rajpur-Sonarpur municipality imposed surcharge at the rate of one *per cent* on annual property tax of commercial holdings amounting ₹ 2.07 lakh during

2010-11. 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 ₹ 39.33 lakh during 2010-11.

Raigunj municipality did not conduct any survey for identification of commercial building for the purpose of implementation of surcharge, so the loss of revenue could not be ascertained.

### **3.5 Outstanding water charges**

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 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. 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 ferrule<sup>21</sup> size.

Test check of records revealed that during 2012-13, while four ULBs<sup>22</sup> did not impose or collect water charges, other 21 ULBs collected ₹ 3.54 crore on this account against the total demand of ₹ 13.19 crore leaving an amount of ₹ 9.65 crore outstanding (**Appendix-15**).

Eleven ULBs<sup>23</sup> did not furnish any reason for accumulation of arrears. Five ULBs<sup>24</sup> stated that water charges from domestic consumers has been discontinued from 2009-10 but gave no reasons for the same.

### **3.6 Outstanding fee - ₹ 4.93 crore**

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 fees.

In spite of the above provision for realization of fees in advance, 31 ULBs did not realize license fees of ₹ 4.93 crore at the end of March 2012 (**Appendix-16**).

In Bhatpara municipality, records in respect of enlistment of trade / food license under Section 118 & 201 were not maintained properly and so the total number of

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<sup>21</sup> A device placed on a water pipe to allow fixed quantum of water to flow through it.

<sup>22</sup> Alipurduar, Barasat, Basirhat and Naihati.

<sup>23</sup> Beldanga, Berhampore, Chakdaha, Dinhata, Dum Dum, Kalyani, Kamarhati, Mekhliganj, Old Malda, Ramjibonpur and Tamluk.

<sup>24</sup> Barrackpore, Chandernagore, Maheshtala, North Barrackpore and North Dum Dum.

enlistments, renewal, cancellations made during the last two years could not be found out.

### 3.7 Rent / lease money not realised - ₹ 9.14 crore

In 42 ULBs, the arrears of rent / *salami* / lease money / parking fee from stalls, shops, market complexes, ferry services, etc. amounted to ₹ 9.14 crore as of March 2013 as detailed in **Appendix-17**.

Delay in realization of rent, *salami*, lease money, development fee, etc. reduced the revenue of these ULBs to that extent, thereby widening the resource gap.

### 3.8 Loss of revenue of ₹ 33.89 lakh due to delay in revision of building plan fee

Government of West Bengal enhanced the fee for sanction of building plans vide West Bengal Municipal (Building) Rules, 2007 effective from February 2007. As per said Rules, the rates for sanction of building plan are as under:

- (a) (i) For building work upto 30 square meter of total covered area in all floors- ₹ 500.
- (ii) For every additional 10 square meter of covered area or part thereof beyond the first 30 square meter - ₹ 75.

The above rates shall be basic rates applicable to residential building for own use.

- (b) In case of commercial buildings, six times of the basic rates shall be charged.

Test check of records revealed that due to non-collection of revised building plan fees, seven ULBs lost ₹ 33.89 lakh during 2007-12 as detailed below:

**Table 9 : Loss of revenue due to delay in revision of Building Plan Fee**

Name of ULB	Period	No. of Building Plan sanctioned	Loss (₹ in lakh)
Egra	2009-11	255	2.29
Gangarampur	2009-12	553	5.51
Gayeshpur	2007-11	1372	3.43
Murshidabad	2009-12	571	4.56
North Dum Dum	2010-11	864	17.16
Sonamukhi	2011-12	77	0.32
Taherpur	2010-12	168	0.62
<b>Total</b>			<b>33.89</b>

(Source: Information furnished by ULBs)

### 3.9 Collection of penalty for 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 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. The Municipal Act / Rules do not have any provision for regularization of such unauthorized construction by imposition of fine / penalty

Test check of record, however, revealed that an amount of ₹ 8.74 crore was collected by eight ULBs (**Table 10**) by imposing fees / levy in the form of 'Development Fee' for regularizing unauthorized constructions in violation of the said provision of the Act.

**Table 10: Details of unauthorised construction regularised**

Name of ULB	Year	No. of unauthorised construction regularised	Amount of Development Fees / fine collected (₹ in lakh)
Barasat	NA	16	113.35
Bhadreshwar	2009-12	NA	20.18
Madhyamgram	2010-11	2	46.39
Naihati	2010-11	3	7.99
North Barrackpore	NA	8	8.10
Rishra	2010-13	16	58.13
Serampore	2010-12	NA	175.25
South Dum Dum	2010-11	213	445.00
<b>Total</b>			<b>874.39</b>

(Source: Information furnished by ULBs)

The imposition of Development Fee was neither approved in the BOC nor by the Government. The ULBs' decision to regularize such illegal construction was not in consonance with the provisions of the Act.

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### 3.10 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. In term 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*. Any discrepancy should be reconciled immediately.

Test check of records revealed discrepancies in some of the ULBs as indicated below:

- In Mirik municipality, cashier received an amount of ₹ 1057180 from staff /other party during 2009-12 but deposited only ₹ 985496 to the municipal fund.
- In Basirhat municipality, the cashier defalcated an amount of ₹ 805746 during the years 2009-10 to 2011-12 by eliminating the amount from municipal fund and retaining the same with him.

In both cases, the ULBs recovered the amount after being pointed out by audit. The ULBs also stated that steps have been taken to strengthen the internal control mechanism.

### 3.11 Conclusion

Taxes, rents and charges for service 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 ULBs' decision to regularize 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 mobilization of own sources of revenue.



### **3.12 Recommendations**

- Budgeting of receipts to be realistically done for which data of all property holding may be kept. Action plan may be prepared for collection of property tax.
- 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 the 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.
- Monthly verification of cash collection needs to be undertaken regularly by the Accountant.