

CHAPTER-III

REVENUE RECEIPTS

3.1. Non imposition of Municipal Taxes

Under Section 82 of the Jharkhand Municipal Act, 2000, the ULBs, with the sanction of the State Government, are empowered to impose different taxes within their limits. But, Jamshedpur and Basukinath NACs did not impose Municipal Taxes till March 2007. Due to non-imposition of Taxes, the above ULBs were deprived of Municipal revenue that could be used to provide better civic amenities/development in those cities.

Jamshedpur & Basukinath NAC didn't impose Municipal taxes.

3.2 Short realization of Rs 1.67 crore on account of Holding Tax from Railway

Within the jurisdiction of Madhupur Municipality, Railways has three holdings for which it pays Holding Tax at the rate of seven *per cent* on the annual valuation of the holdings as detailed below:

Non-revision of valuation of Railway's holdings, as per agreement, resulted into short realization of Rs 1.67 crore by Madhupur Municipality on account of Holding tax.

Sl. No.	Holding No.	Annual valuation of holding (Rs)	Holding Tax (Rs)	Remarks
1	217	98,939.00	6925.00	Comprising residential quarters/buildings
2	218	95,986.00	6,719.00	
3	219	2,66,10,581.00	18,62,740.00	Comprising vacant lands of the following valuations- 1. 33 acre @1,72,908.00 per acre Rs. 57,05,964.00 2. 201.5 acre @ Rs. 1,03,745.00 per acre Rs 2,09,04,618.00
TOTAL			18,76,384.00	

Some part of other Railway lands was used as public passages for which the Municipality paid Licence fee of Rs 1,28,647.00 per year.

An agreement between the Municipality and the Railways was signed on 27 July 1998, which provides that if the Licence fee for usage of land as public passage was increased or decreased, the annual valuation of the land under holding no. 219 would also increase or decrease, accordingly.

Audit scrutiny revealed (September 2007) that the Railways had increased the Licence fee by 10 *per cent* every year from 1996-97 to 2003-04 and thereafter seven *per cent* from the year 2004-05 to 2006-07. However, the municipality continued to levy the holding tax at old rate of Rs 18.62 lakh per year instead of increasing the holding tax rate in line with rates of licence fees paid by it to Railways.

This resulted in a short realization of holding tax of Rs 1.67 crore during the year 1996-97 to 2006-07 (APPENDIX-7).

3.3 Outstanding Property tax

The position of arrear & current demand, collection and outstanding property tax at the end of 2006-07 in respect of 12 ULBs were as under:

(Rs in lakh)			
<i>Total Demand</i>	<i>Collection</i>	<i>Outstanding</i>	<i>Percentage of demand outstanding</i>
3249.00	760.81	2488.19	76.58

(Unit-wise details are given in APPENDIX- 8)

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.

Proper steps not taken for realization of outstanding property tax of Rs 24.88 crore as on 31.3.07

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 Ranchi Municipal Corporation Act and Jharkhand Municipal Act;

- 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 Acts; 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.

3.4. 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.

3.5. Revision of Tax

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

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

<i>Sl. No.</i>	<i>Name of ULBs</i>	<i>Year of last assessment</i>	<i>Years from when assessment due</i>	<i>Years in which assessment initiated</i>	<i>Position of revision as of 31 March 2007</i>
1	Ranchi	1992-93	1997-98	1992-93	Not completed as yet
2	Dhanbad	1994-95	1999-00	Nil	Not initiated as yet
3	Giridih	1957-58	1962-63	1997-98	Not completed
4	Godda	1980-81	1985-86	Nil	Not initiated as yet
5	Sahebganj	1996-97	2001-02	Nil	-do-
6	Madhupur	1993-94	1998-99	Nil	-do-
7	Pakur	1998-99	2003-04	2006-07	Not completed
8	Jhumritelaiya	1995-96	2000-01	Nil	Not initiated as yet
9	Gumla	1984-85	1989-90	Nil	-do-
10	Chakradharpur	1962-63	1967-68	Nil	-do-
11	Adityapur	1965-66	1970-71	1996.97	Not completed as yet
12	Kharsawan	1985-86	1990-91	Nil	Not initiated as yet
13	Simdega	1987-88	1992-93	Nil	-do-
14	Hussainabad	1976-77	1981-82	Nil	-do-
15	Jasidih	1988-89	1993-94	Nil	-do-
16	Rajmahal	Not initiated since inception			

From the above table it can be seen that:

- (1) 11 ULBs had not initiated the revision of assessment process though it was due for the last 7 to 26 years;
- (2) In five other ULBs, the revision was pending for the last 10 to 45 years. The process of revision was initiated after a lapse of 3 to 35 years from the year in which revision was due. The process was still incomplete in all these cases;
- (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.

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

Section 205 of Ranchi Municipal Corporation 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 Ranchi Municipal Corporation Accounts (Recovery of Taxes) Rules, 2001.

Fine of Rs 3.11 crore could not be levied and realized due to non-service of notice of demand & warrant to tax payers.

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 and Dhanbad Municipal Corporations 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 and Dhanbad Municipal Corporations were deprived of revenue of Rs 3.11 crore in the shape of fine of Rs 2.11 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 1.00 crore (12 paise to be included in warrant for failure to pay tax within 21 days of issue of demand notice) *vide* details below:

(Rs in crore)

<i>Sl. No.</i>	<i>Name of Corporation</i>	<i>Period</i>	<i>Arrear Taxes collected</i>	<i>Amount of fee not levied @ Rs 0.25 per rupee (Demand Notice)</i>	<i>Amount of fee not levied @ Rs 0.12 per rupee (Warrant)</i>	<i>Total amount of fee not levied @ Rs 0.37 per rupee</i>
1.	Ranchi	2004-07	8.11	2.03	0.97	3.00
2.	Dhanbad	2006-07	0.30	0.08	0.03	0.11
Total			8.41	2.11	1.00	3.11

3.7. Misappropriation of revenue collected

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 15 ULBs did not remit Rs 65.46 lakh of collected money during 2000-07. Out of this, Rs 6.97 lakh was recovered from the staff of the ULBs at the instance of audit (APPENDIX-9). Rs 58.49 lakh was lying with the officials concerned. Any action taken for recovery of this misappropriated money was not intimated to this office.

Rs 65.46 lakh misappropriated by the staff. Rs 58.49 lakh still lying in their personal custody.
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3.8 Persistent embezzlement of collection money

Rule 21 & 22 of the Bihar Municipal Accounts Rules, 1928 envisages that all sums received on account of the Municipality shall be remitted intact to the treasury as often as can be conveniently managed. Further, under Rule 2C of the Rules, *ibid*, in no case the same person shall compile the Municipal Accounts and superintend the collection.

In Adityapur Notified Area Committee, embezzlement of Rs two lakh was noticed in the last audit (for 2003-04). The matter was brought to the notice of higher authorities including the Government through Audit Report no. 37/2006-07 under Para 26 and again through Annual report on Urban Local Bodies in Jharkhand for 2005-06 under Para no. 3.6.

During audit of the same Notified Area Committee in 2007-08, the audit detected that the employees had embezzled collection money amounting to Rs 19.30 lakh as detailed below:

<i>Sl. No.</i>	<i>Name of the employee who collected/received the amount</i>	<i>Nature of collection</i>	<i>Amount embezzled (Rs.)</i>	<i>Remarks</i>
1.	Arvind Kumar Singh, Accountant	Shop rent	4,71,290	Total amount collected during 2004-07 but not deposited in Notified Area Committee Fund.
2.	Bijay Kumar Mahto, Cashier	-do-	2,81,446	
3.	-do-	Municipal revenues received from Tax Collectors	10,80,566	The cashier received the amounts from Tax Collectors during 2005-07 but not deposited in Notified Area Committee Fund.
4.	Mangal Chand Mardi, Tax Collector	Municipal Taxes	72,821	
5.	Dinesh Prasad Verma, Tax Collector	-do-	4,974	
6.	Bhupendra Nath Sinha, Tax Collector	-do-	19,191	Collected during 2004-07 but not handed over to the Cashier.
<i>Total</i>			<i>19,30,288</i>	

Collecting the amount by the Accountant in lieu of any collecting staff was in contravention of Rule 2C of Bihar Municipal Account Rules, 1928 while retaining the amount by the Cashier was in contravention of Rule 21 and 22 of the Rules, *ibid.* Non-delivery of collected money to the cashier by the Tax Collectors was also in violation of Rule 30 of the Municipal Account (Recovery of Taxes) Rules, 1951. Thus, there was failure of internal control system in the ULB.

The matter was reported (June 2007) to the Government (Urban Development Department) and Deputy Commissioner of the concerned District, but response is still awaited (April 2008).

3.9. Short realization of Settlement amount

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

Short realization of bid money of Rs 75.76 lakh

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

after the expiry of the month of the agreement, failing which the agreement was to be cancelled. These conditions were not followed by the ULBs, which resulted in short realization of bid money of Rs 75.76 lakh during 2000-07 as detailed below:

(Rs. in lakh)			
<i>Sl. No.</i>	<i>Name of ULBs</i>	<i>Period</i>	<i>Amount of Non/ Short realization</i>
1	Ranchi	2004-07	35.32
2	Giridih	2000-07	8.67
3	Godda	2000-07	4.09
4	Sahebganj	2000-07	0.81
5	Madhupur	2000-07	3.09
6	Pakur	2000-06	10.70
7	Jhumritelaiya	2000-07	2.50
8	Gumla	2000-06	3.31
9	Chakradharpur	2002-07	0.94
10	Kharsawan	2000-06	1.80
11	Hussainabad	2002-07	1.85
12	Rajmahal	2001-07	1.55
13	Basukinath	2000-06	1.13
Total			75.76

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

3.10 Education Cess/Health Cess realized but not credited into Government Account

Education Cess and Health Cess at the prescribed percentage (50 per cent 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. The proceeds of the Cess are to be credited into the State revenue after deducting 10 per cent as collection charge.

Rs 5.78 crore on account of Education & Health Cess not remitted into Govt. Account.

It was observed that Rs 6.42 crore as indicated in APPENDIX-10 was collected on account of Health Cess and Education Cess by 14 ULBs out of 18 test checked ULBs during 2002-07. Rs 5.78 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 to the tune of Rs 5.78 crore.

3.11. Non- realization of Education /Health Cess

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 Rajmahal and Simdega NACs did not

Loss of Rs 14.92 lakh due to non-realization of Education & Health Cess by three ULBs.

collect the above Cess while Hussainabad NAC did not collect the Education Cess. Consequently, not only did the State Government, suffer loss of Rs 13.43 lakh, but the NAC itself suffered a loss of Rs 1.49 lakh during 2002-07 in the shape of 10 *per cent* collection charges, which form part of Municipal revenue vide details below:

(Rs in lakh)

<i>Sl. No.</i>	<i>Name of ULBs</i>	<i>Period</i>	<i>Holding Tax realized</i>	<i>Loss of Health Cess</i>	<i>Loss of Education Cess</i>	<i>Total</i>	<i>Loss to Govt.</i>	<i>Loss of ULBs as 10 per cent collection charges</i>
1.	Simdega	2002-06	13.10	6.55	6.55	13.10	11.79	1.31
2.	Hussainabad	2002-07	2.88	Nil	1.44	1.44	1.30	0.14
3.	Rajmahal	2002-04	0.38	0.19	0.19	0.38	0.34	0.04
Total						14.92	13.43	1.49

3.12. Short realization of Education and Health Cess

As per Govt. directives, Education and Health Cess were to be realized at the rate of 50 *per cent* of Holding Tax w.e.f. 1 April 1985. But eight ULBs out of 18 test checked ULBs realized Education and Health Cess at the rate of 40 *per cent* of Holding Tax or lesser rate resulting in loss of Rs 83.51 lakh

Eight ULBs realized Education & Health Cess at lesser rate resulting loss of revenue of Rs 91.42 lakh.

to State revenue as well as loss of Rs 9.28 lakh to ULBs as 10 per cent collection charges, vide detailed below:

(Rs. in lakh)

Sl. No.	Name of ULBs	Period	Holding Tax realized	Health Cess to be realized @ 50% of H.T.	Education Cess to be realized @ 50% of H.T.	Total Cess to be realized	Amount of Cess actually realized	Short realization of Cess
1	Ranchi	2004-07	416.92	208.46	208.46	416.92	375.45	41.47
2	Dhanbad	2002-04	124.38	62.19	62.19	124.38	111.93	12.45
3	Madhupur	2003-07	19.36	9.69	9.67	19.36	9.32	10.04
4	Chakradharpur	2002-04	4.97	2.49	2.48	4.97	4.30	0.67
5	Adityapur	2004-07	27.92	13.96	13.96	27.92	2.49	25.43
6	Kharsawan	2005-07	0.070	0.035	0.035	0.07	0.062	0.01
7	Hussainabad	2002-07	2.88	1.44	1.44	2.88	0.45	2.43
8	Jasidih	2003-06	3.18	1.59	1.59	3.18	2.89	0.29
Total								92.79
Less 10% as collection charges (loss to ULBs)								9.28
Loss to State revenue								83.51

Reason for collection of cess at lower rate was not furnished (April2008).

3.13. Outstanding Rent of Municipal Properties

Rs 1.38 crore was outstanding on account of rent of municipal shops as of 31 March 2007 as detailed below:

(Rs. in lakh)

Sl. No.	Name of ULBs	Outstanding Shop Rent
1	Ranchi	41.91
2	Dhanbad	21.33
3	Giridih	9.64
4	Godda	33.45
5	Sahebganj	10.41
6	Madhupur	3.93
7	Pakur	NA
8	Jhumritelaiya	2.75
9	Gumla	NA
10	Chakradharpur	2.06
12	Adityapur	0.86
13	Kharsawan	NA
14	Simdega	NA
15	Hussainabad	10.53
16	Jasidih	NA
17	Rajmahal	1.20
18	Basukinath	NA
	Total	138.07

Action taken to realize outstanding rent was not on record.

3.14 Outstanding Taxes on Government Buildings

Rs 7.58 crore was outstanding on account of tax on Govt. Buildings as of 31 March 2007 as detailed below:

(Rs. in lakh)

<i>Sl. No.</i>	<i>Name of ULBs</i>	<i>Outstanding tax on Govt. Buildings</i>
1	Ranchi	317.12
2	Dhanbad	187.96
3	Giridih	46.28
4	Godda	25.56
5	Sahebganj	55.47
6	Madhupur	7.20
7	Pakur	5.23
8	Jhumritelaiya	14.53
9	Gumla	7.40
10	Chakradharpur	14.44
12	Adityapur	47.74
13	Kharsawan	0.78
14	Simdega	4.96
15	Hussainabad	0.56
16	Jasidih	20.89
17	Rajmahal	2.32
	Total	758.44

Action taken to realize outstanding taxes was not on record.