

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 50 ULBs are discussed in the succeeding paragraphs.

3.1 Budget estimates and actual receipts of own fund

Receipts of a ULB comprise its own funds and State Government grants by way of shared taxes and administrative grants. Own fund comprises receipts generated mainly from property tax. In 22 test checked ULBs, variations were noticed between budget estimates and actual receipts from own source during the period 2011-14 as given below (unit-wise position is detailed in **Appendix – 13**):

Table 3.1 : Budget estimates and actual realisation of own fund

| Year | Budget Estimates | Actual Receipts | Variations | Percentage of realisation |
|--------------|------------------|-----------------|--------------------------------|---------------------------|
| | | | {Increase (+) / Shortfall (-)} | |
| (₹ in crore) | | | | |
| 2011-12 | 1095.58 | 1167.71 | (+) 72.13 | 107 |
| 2012-13 | 1354.85 | 1584.50 | (+) 229.65 | 117 |
| 2013-14 | 1759.28 | 1282.83 | (-) 476.45 | 73 |

(Source: Figures as furnished by ULBs)

Reason for the shortfall was mainly attributed to failure in preparing action plans for collection of property tax. During 2013-14, tax collection in six ULBs was less than 70 per cent of the target, while collection in three ULBs exceeded the budget estimate. This indicated the need for a realistic budget preparation.

3.2 Loss / arrear 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 Municipal law, subject to other provisions, remain in force 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. As per municipal law, the annual valuation shall come into force from the beginning of a quarter of a year immediately following an order passed by the appropriate authority. Further, as per proviso to section 110 (2) of the West Bengal Municipal Act, 1993, the new assessment list, after being notified, shall take effect retrospectively from the day succeeding the date on which the term of the preceding assessment list expired, and the arrear or overpayment, if any, shall be adjusted through onetime payment or in such

instalments as may be determined by the Board of Councillors (BoC) of the Municipality concerned.

In case of 14 ULBs²¹, the West Bengal Valuation Board had not initiated or finalised the valuation and hence loss could not be quantified. In four ULBs where valuation by the Board was finalised, the loss / arrear had been worked out as under :

Table 3.2 : Arrear 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 / Arrear of revenue (₹ in lakh) |
|-----------------|----------------------|--------------------------------|------------------|--------------------------------------|
| Diamond Harbour | 01.04.2003 | 01.04.2009 | 6 Years | 107.26 |
| Dubrajpur | 01.01.2010 | Not revised till April 2013 | 3 Years 4 Months | 36.85 |
| Kamarhati | 01.04.2007 | 01.04.2012 | 5 Years | 1,326.86 |
| Kanchrapara | 01.07.2009 | Not revised till November 2013 | 4 Years 5 Months | 321.05 |
| Total | | | | 1,792.02 |

(Source: Records of ULBs)

In case of Diamond Harbour and Kamarhati Municipalities, there remained no scope for recovery of loss because the said ULBs did not implement revised property tax from a retrospective date.

3.3 Remission on property tax beyond permissible limit led to loss of ₹ 1.29 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 *ibid* 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, Asansol and Durgapur Municipal Corporations allowed remission of property tax in excess of 25 per cent as detailed below.

²¹ Baranagar, Bidhannagar, Dalkhola, Durgapur, Habra, Hooghly-Chinsurah, Howrah, Khirpai, Konnagar, Memari, Rajpur-Sonarapur, Rishra, South Dum Dum and Tarakeswar.

Table 3.3

| Name of ULB | No. of cases in which property tax was reduced in excess of 25 <i>per cent</i> | Period | Property tax reduced annually (₹ in lakh) |
|-------------|--|---------|---|
| Asansol | 4,007 | 2006-13 | 123.94 |
| Durgapur | 64 | 2011-12 | 5.16 |

3.4 Non-imposition of surcharge leading to loss of revenue of ₹ 17.34 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 BoC may, from time to time decide, if such holding is wholly or partly 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, 14 ULBs did not impose any surcharge on property tax for identified commercial holdings during July 2006 to March 2013. As a result, the concerned ULBs suffered a minimum loss of revenue amounting to ₹ 16.80 crore (computed at the minimum rate of 20 *per cent*), the details of which are shown in **Appendix – 14**.

Rajpur-Sonarpur Municipality imposed surcharge at the rate of one *per cent* on annual property tax of commercial holdings amounting to ₹ 2.83 lakh during 2011-13. The rate imposed for surcharge was lower than the minimum rate of 20 *per cent* as stipulated in the Act *ibid*. Thus, the Municipality suffered a minimum loss of revenue of ₹ 54.01 lakh during 2011-13.

Bansberia 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 and Guskara Municipality imposed surcharge only on commercial holdings and not on partly commercial holdings or holdings used for non-residential purposes.

Corrective measures were not taken though the matter was persistently pointed out in the earlier Reports of the Examiner of Local Accounts on ULBs.

3.5 Outstanding water charges

As per Municipal law, it shall be the duty of every ULB to supply potable water for domestic use of inhabitants. The supply of water for domestic and non-domestic use may be charged at such rates 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 ferrule²² size.

²² A device placed on a water pipe to allow fixed quantum of water to flow through it.

On test check, it was noticed that during 2013-14 out of 50 ULBs, only 22 ULBs furnished data regarding collection of water charges. Out of 22 ULBs, six ULBs²³ either did not impose or collect water charges, three ULBs²⁴ furnished only the amount collected and the other 13 ULBs collected ₹ 47.83 crore on this account against the total demand of ₹ 61.28 crore leaving an amount of ₹ 13.45 crore as outstanding (**Appendix – 15**).

Nine ULBs²⁵ did not furnish any reason for accumulation of arrears. Four ULBs²⁶ attributed the reasons to insufficiency of staff and discontinuation of collection of water charges.

3.6 Outstanding fee - ₹ 4.25 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 fee.

In spite of the above provision for realisation of fee in advance, eight ULBs did not realise such fee amounting to ₹ 4.25 crore as of March 2013 (**Appendix – 16**).

In five ULBs²⁷, demand and collection register in respect of such fee was not maintained properly and so the outstanding amount of fee could not be quantified.

3.7 Rent / lease money not realized - ₹ 30.50 crore

In 35 ULBs, the arrears of rent / *salami* / lease money / parking fee from stalls, shops, market complexes, ferry services etc. stood at ₹ 30.50 crore as of March 2013 as detailed in **Appendix – 17**.

Delay in realisation of rent, *salami*, lease money, etc. reduced the revenue of these ULBs to that extent and thereby widened the resource gap.

In addition to this, three ULBs, viz., Dalkhola, Jangipur and Panihati irregularly reduced the outstanding market rent / *salami*/ lease money of ₹ 124.93 lakh, ₹ 4.06 lakh and ₹ 101.10 lakh respectively and Sainthia Municipality suffered a loss of ₹ 2.71 lakh due to non-revision of market rent.

Bankura Municipality did not maintain demand and collection register of market rent, due to which Audit could not ascertain the current collection and outstanding market rent.

²³ Bankura, Dalkhola, Memari, Nabadwip, Rishra and Taki.

²⁴ Hooghly-Chinsurah, Khardah and Rajpur-Sonarpur.

²⁵ Champdany, Chandernagore, Dubrajpur, Guskara, Jangipur, Kolkata, Maheshtala, Mathabhanga and Panihati.

²⁶ Bansberia, Diamond Harbour, Konnagar and North Dum Dum.

²⁷ Dainhat, Habra, Kamarhati, Kandi and Khirpai.

3.8 Loss of revenue of ₹ 17.90 lakh due to delay in revision of building plan sanction 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 :

- 1.(a)(i) for building work up to 30 square metre of total covered area in all floors - ₹ 500.
- (ii) for every additional 10 square metre of covered area or part thereof beyond the first 30 square metre - ₹ 75.
- (b) The above rates shall be basic rates applicable to residential buildings for own use.
2. In case of business and mercantile buildings, six times of the basic rates shall be charged.

Test check of records revealed that due to non-collection of revised building plan sanction fees, six ULBs lost ₹ 17.90 lakh during 2007-13 as detailed below :

Table 3.4 : Loss of revenue due to delay in revision of building plan sanction fee

| Name of ULB | Period | Loss (₹ in lakh) |
|------------------|--------------------------|------------------|
| Dubrajpur | April 2007 to April 2013 | 4.00 |
| Kanchrapara | April 2010 to March 2012 | 2.08 |
| Mathabhanga | April 2008 to March 2013 | 3.13 |
| Nabadwip | April 2010 to March 2012 | 0.67 |
| Rajpur-Sonarapur | April 2011 to March 2012 | 2.16 |
| Tarakeswar | April 2009 to March 2012 | 5.86 |
| Total | | 17.90 |

(Source: Records of 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 BoC 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. Similar provision also exists²⁸ in the West Bengal Municipal Corporation Act, 2006. Thus, the Municipal Acts / Rules do not have any provision for regularisation of such unauthorised construction by imposition of fine / penalty.

²⁸ Here, Commissioner can give order for demolition or alteration.

Test check of records, however, revealed that an amount of ₹ 7.63 crore was collected by six ULBs (**Table 3.5**) by imposing fees / levy in the form of ‘Development Fee’ for regularising unauthorised constructions in violation of the said provision of the Act.

Table 3.5 : Details of unauthorised construction regularised

(₹ in lakh)

| Name of ULB | Year | No. of unauthorised constructions regularised | Amount of Development Fees / fine imposed | Amount of Development Fees / fine collected |
|---------------|---------|---|---|---|
| Bally | 2012-13 | 13 | 7.66 | 7.66 |
| Baranagar | 2011-12 | 15 | 23.55 | 13.69 |
| Bhadreshwar | 2012-13 | 24 | 1.30 | 1.30 |
| Durgapur | 2012-13 | 45 | 15.76 | 15.76 |
| Rishra | 2009-14 | 35 | 141.02 | 141.02 |
| South Dum Dum | 2011-12 | 206 | 584.00 | 584.00 |
| Total | | | | 763.43 |

(Source: Records of ULBs)

In four ULBs viz., Asansol, Champdany, Jangipur and Howrah, building rules were not followed properly. The imposition of ‘Development Fee’ was not approved by the State Government. The ULBs’ decision to regularise such illegal construction was not in consonance with the provision of the Act *ibid*.

3.10 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 regularise illegal construction was not in consonance with the provisions of the Act.

Arbitrary remission / under-assessment of taxes, inadequate supervision and monitoring have reduced mobilisation of own sources of revenue.

3.11 Recommendations

- 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 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.