

CHAPTER-II

2. REVENUE RECEIPTS

2.1.1 Outstanding Property Tax

Section 84(i) (a) of Himachal Pradesh Municipal Corporation Act 1994, and section 65 of the Himachal Pradesh Municipal Committee Act 1994 provide that every municipality shall impose a tax payable by the owner of building and lands. Non payment of dues of tax could be recovered either as arrear of land revenue or by distraint and sale of defaulter's property.

The position of property tax outstanding as on 31 March 2006 in respect of 12 urban local bodies test checked was as under:-

Arrear as on 01-04-2005	Demand (2005-06)	Total demand	Collection (2005- 06)	Outstanding as on 31-03-06
(Rs. in lakh)				
1016.11	762.01	1778.13	670.63	1107.50

(Unit-wise details are given in appendix-5)

Year-wise break-up of outstanding property tax was not made available to audit. Perusal of above table would reveal that the pace of recovery was slow as the local bodies failed to collect even current demand during 2005-06.

Out of Rs.1107.50 lakh, Rs. 600.42 lakh (54 percent) pertain to Municipal Corporation, Shimla. Although the concerned urban local bodies had issued notices to the defaulters for recovery, yet no case for recovery as arrear of land revenue had been initiated. Thus, non-realization of property tax had deprived the local bodies from huge revenue which could have been utilised for other developmental works.

2.1.2 Non realization of rent

Section 258 (i) (b) (2) of Himachal Pradesh Municipal Act, 1944 provides that any amount which is due to the municipality remains unpaid for fifteen days

after the same is due, the executive officer/secretary as the case may be may serve notice of demand upon the persons concerned. The Act also provides that any sum due for recovery shall without prejudice to any other mode of collection be recoverable as arrear of land revenue.

It was noticed that in 15 urban local bodies (Appendix -6) test checked an amount of Rs. 610.56 lakh on account of rent from shops/stalls (owned by these bodies) let out was outstanding as of March, 2006. Age-wise breakup of outstanding amount was not made available to audit. Although the concerned local bodies had issued notices to the defaulters for recovery of rent but no case for recovery as arrear of land revenue had been initiated. Thus, non- realization of rent from properties reduced the revenue of these urban local bodies to that extent. The government stated (January 2007) that action to appoint Tehsildar recovery pertaining to urban local bodies was being considered for speedy recovery of outstanding dues.

2.1.3 Outstanding water charges.

Municipal Corporation, Shimla and two Municipal Councils (Palampur and Solan) have been entrusted with providing of drinking water to the residents of their jurisdiction and recovery of water charges from them.

Test check of records revealed that in two urban local bodies, an amount of Rs. 52.35 lakh (Shimla: Rs.50.45 lakh and Palampur: Rs. 1.90 lakh) was recoverable as on 31st March 2006 from defaulters on account of water charges. The outstanding amounts relates to the period from 2003-04 and onwards. The concerned local bodies stated that notices had been issued to the defaulters for recovery and for disconnection of water connections in certain cases.

2.1.4 Outstanding receipt of royalty.

The Municipal Corporation, Shimla and Municipal Council, Nahan had been maintaining forests in municipality area and timber salvaged from these forests was being handed over to Himachal Pradesh Forest Corporation for further sale and in lieu thereof local bodies were getting royalty.

It was noticed that royalty of Rs.11.34 lakh (Shimla: Rs.10.06 lakh and Nahan: Rs. 1.28 lakh) was outstanding from Himachal Pradesh Forest Corporation as of March 2006 on account of timber supplied to the Corporation between 1987-88 and 2005-06. No reasons for non-recovery of royalty has been furnished by the Corporation.

2.1.5 Non-realization of show tax.

Section 84(2) (d) of Himachal Pradesh Municipal Corporation Act 1994 and section 66(1) (5) of Himachal Pradesh Municipal Committees Act, 1994 provide that every urban local body is empowered to levy show tax on every cinema house situated in their jurisdiction.

Out of fifteen test checked Urban Local Bodies (ULBs), in respect of five urban local bodies, an amount of Rs. 9.53 lakh (Shimla: Rs. 4.64 lakh, Mandi: Rs.0.64 lakh, Kullu: Rs. 2.29 lakh, Sundernagar: Rs. 1.01 lakh and Solan: Rs. 0.95 lakh) (Appendix-7) on account of show tax pertaining to the period from 2003-04 onwards was outstanding from cinema owners as of March 2006. The concerned officers of urban local bodies stated that efforts were being made to effect the recovery.

2.1.6 Outstanding conservancy/sanitary tax.

The conservancy tax at the rate of 5 percent of the assessed annual rental value of the property had been imposed (July 1964) by Solan Municipality.

Test check of records revealed that the conservancy tax amounting to Rs. 26.47 lakh was outstanding as of March 2006 in Solan. The Executive Officer stated (December 2006) that notices had been issued for recovery.

In addition, the Executive Officer, Solan had raised(July 2003) a bill for Rs. 15.92 lakh on account of sanitary tax for the period from 1994-95 to 2002-03 to Mohan Meakin Brewery Limited, Solan. However, neither the outstanding amount was recovered nor bills for the subsequent period were raised. The Executive Officer stated (December, 2006) that it was agreed upon by the firm in

the meeting to deposit the outstanding amount but nothing had been received so far.

In Municipal Council Nahan, sanitary tax of Rs. 12.41 lakh for the period from 2003-04 to 2005-06 was outstanding (March 2006) for recovery. The Executive Officer stated (December, 2006) that the work of collection of sanitary tax for 2006-07 was subsequently entrusted to contractor and prior outstanding amounts would be recovered at the earliest. Further developments were awaited.

2.1.7 Outstanding Teh Bazari.

Under the provisions of Municipal Corporation Act, the corporation is empowered to impose a tax on trade and profession.

In Shimla town an amount of Rs. 4.96 lakh was outstanding as of March 2006 on account of Teh Bazari from identified vendors. Yearwise break up of outstanding amount was not made available to audit. In reply, it was stated (September 2006) that action had been initiated to recover the amount. Further developments were awaited.

2.2 Loss of Revenue.

2.2.1 Loss of revenue due to non-imposition of House Tax.

Under the provisions of section 65 of the HP M.C., Act, 1994, the imposition of house tax is a statutory binding on every municipality of the State and non imposition thereof tantamount to default in performance of duty imposed upon the municipalities by the Act *ibid*. In order to get the provision of the Act implemented, the Urban Development Department through a notification (28 August 1997) imposed house tax on the buildings and lands on the annual rental value within the jurisdictional areas of fifteen Municipal Councils/Nagar Panchayats at specified rates with effect from 1st September, 1997.

In five urban local bodies (Appendix 8) test checked no house tax had been imposed between September 1997 and March 2006) and resultantly loss of revenue to the extent of Rs. 860.86 lakh (Bilaspur: Rs. 482.57 lakh, Sundernagar:

Rs. 116.00 lakh, Solan: Rs. 110.31 lakh, Nahan: Rs. 116.87 lakh and Sunni: Rs. 35.11 lakh as assessed by concerned urban local bodies in their records on this account was suffered by these bodies. In Sundernagar and Nahan, the collection of house tax had been started from January 2003 and April 2002 respectively.

The concerned urban bodies stated that elected house did not approve the imposition of house tax. The reply was not tenable as the imposition of house tax was mandatory as per section 65 of Municipal Acts, 1994.

2.2.2 Loss of revenue due to non-revision of rates of House Tax.

The Director (Urban Development) informed (November 2003) all the urban local bodies that as per the recommendations of the State Finance Commission there shall be a percentage increase in the rate of house tax every year so as to reach the level of 12.5 percent at the end of 2006-07. Accordingly, the rates were to be enhanced at the rate of one percent each year beginning at the end of 2002-03 to 2006-07.

In eight test checked urban local bodies (Appendix-9) the instructions had not been followed for revision of rates of house tax resulting into loss of revenue to the tune of Rs. 28.87 lakh. The concerned officers of urban local bodies stated that action would be taken to revise the rates.

2.2.3 Non-revisions of agreements of shops.

As per conditions of agreements for allotment of various shops/stalls, the agreements were required to be revised after expiry of initial period.

In seven urban local bodies test checked, 397 shops/stalls (Appendix-10) were initially allotted for a period ranging from 11 months to 60 months. However, agreements in all cases had not been revised/renewed after expiry of original period. Thus the urban local bodies have been loosing revenue which would have been fetched as a result of revision of agreements.