

CHAPTER- 7

**RESOURCE MOBILISATION FOR DEMOCRATIC
DECENTRALISATION**

- 7.1** In chapters 4, 5 and 6 detailed examination has been carried out regarding the finances of PRIs, ULBs and GMC respectively. The attempt has been to bring out the present pitiable condition of the finances of these local governments and their inability and incapability to provide quality essential services as well as their unwillingness to mobilize their own resources. This has put them at a disadvantage as far as their political autonomy is concerned. They have become completely dependent on GOI and GOA for their very existence.
- 7.2.** Moreover, the substantial funds coming from sources external to these local bodies, particularly in the shape of Plan funds from GOI and commensurate state shares from GOA, are not being fully utilized because of the administrative incapability and inefficiency beside other causes. In 2006-07, for example, as much as Rs.446.73 crores of Plan funds meant for rural development remained unspent. It is also not certain whether all of the remaining Rs.2,494.89 crores of Plan funds, which was shown to have been spent during that year, was actually properly utilized for rural development and for the purposes for which these funds were originally provided by GOI and GOA. TASFC is aware that PRIs and ULBs will be able to properly utilize Plan funds only when sufficient non-Plan funds are available for the delivery system. That is where the necessity for non-Plan funds for salaries and other establishment expenditure lies. But at least a portion of the non-plan funds must be raised by PRIs and ULBs.
- 7.3** A national seminar held on July 6 and 7, 2007 at New Delhi on “Panchayat Level Revenue Mobilization and Efficient Fiscal

Transfers” in the National Institute of Public Finance and Policy come to the conclusion that “pending reform in the tax assignment system, significant gains can be made by concentrating on persuading PRIs, particularly Village Panchayats to undertake systematic and timely assessments, to survey fully the tax base and to enforce tax collection. States shall undertake a campaign mode approach on improving tax collection based on the existing legal regimes in various states and overcome the large slack in revenue collection.”

- 7.4** In this chapter, therefore, the problem and the connected issues are being examined afresh, even at the risk of some repetition, with particular references to taxation powers of PRIs and ULBs. This chapter is in two parts- one for PRI and the other for ULBs.

Resource Mobilization for Panchayati Raj Institutions (PRIs)

- 7.5** The terms of reference has mandated that the Third Assam State Finance Commission (TASFC) shall have regard, among other considerations, to the objective of balancing the receipts and expenditure on revenue account of the local bodies as a whole and for each local body separately, on the basis of the level of collection from taxes, duties, tolls, fees etc levied by them. This is a tremendous task and the time given is so minimal that it cannot be accomplished in the proper manner.
- 7.6** One of the main reasons for this is the absence of a database. It has been already mentioned that a database on the finances of Panchayati Raj Institutions (PRIs) in Assam is virtually non-existent. The Second Assam State Finance Commission (SASFC) had recommended the creation of a bank for budgetary data, social infrastructure data, economic infrastructure data and organizational data for PRIs. Earlier, the First Assam State

Finance Commission (FASFC) similarly had recommended the creation of a databank for PRIs and Urban Local Bodies (ULBs). However, the situation has not improved at all. Funds sanctioned by GOI on the recommendations of the Eleventh and the Twelfth Finance Commissions have remained unspent or wrongly spent. This has been mentioned in Chapter 1. Even when TASFC circulated its questionnaire for data collection from PRIs in August/September 2006 it was not able to get any information from either the PRIs or from the concerned departments for more than a year inspite of 14 reminders. TASFC had to put in extra efforts to gather whatever data was available particularly by district visits by its officers. Ultimately it has been moderately successful in getting some data from PRIs. However, the data is for the most part unreliable, incomplete and essentially unusable in the present form, that is, without scrutiny and cross-checking. This has necessitated a rather normative approach and not an analytical approach.

7.7 The existing mechanisms, which basically consist of a review of the appropriate legal provisions for revenue collection, are outlined in the following paragraphs.

7.8 The Gaon Panchayats (GPs) derive their taxation powers from section 25 and 26 of the Assam Panchayat Act, 1994 read with the Rule 46 of the Assam Panchayat (Financial) Rules, 2002. Under the statutes a GP is empowered to levy the following taxes:

(i) A tax on houses and structures within the local limits;

(ii) A tax on trades and callings carried on or held within the local limits of its jurisdiction on the basis of the total annual income accrued from such trades and calling.

7.9 Further, subject to such rules as may be made in this behalf, a GP shall levy:

(a)A duty in the shape of an additional stamp duty on all payments for admission in any entertainments;

(b)A fee for providing sanitary arrangement at such places of worship or pilgrimage, fairs and melas within its jurisdiction as may be specified by GOA.

(c)A water rate, where arrangement for the supply of water for drinking, irrigation or any other purpose is made by the GP within its jurisdiction;

(d)A lighting rate, where the GP within its jurisdiction makes arrangement for lighting of public streets and places.

(e)A conservancy rate, where arrangement for clearing private latrines, urinals is made by the GP within its jurisdiction.

7.10 In addition, subject to the rules and by laws framed in this behalf, a GP may impose tax on the following:

(a)Sale of firewood and thatch, conservancy and slaughter house; (b)Private hat, and private fisheries;

(c) Shops, pharmacies, tailoring, laundry, hair cutting saloons, carpentry works and automobile workshops, TV, VCR, radio and tape recorder repairing shops;

(d)Cultivable land lying fallow for two consecutive years at a rate not exceeding twenty five paise per bigha for every year, being payable jointly or severally by the owners of such land;

(e)A cess or fee on—

(i) Registration of cattle sold within the local area;

(ii) License for starting tea stall, hotel, sweet meat stall, restaurants;

(iii) Carts, carriages, bi-cycles, boats and rickshaws of any kind.

- 7.11** It has also been prescribed that the taxes etc. shall be imposed, assessed and realized at such time and in such manner as may be prescribed. Any person aggrieved by assessment, levy or imposition of any tax or fee may appeal to the Anchalik Panchayat (AP). In turn, any person aggrieved by the order of AP may appeal before the Zilla Parishad (ZP), whose decision in this regard shall be final. The Government of Assam (GOA) may, however, suspend the levy or imposition of any tax or fee at any time and rescind such imposition in consultation with ZP. Further, subject to such rules as may be made in this behalf by it, a GP may levy taxes on a particular trade or commerce with a view to utilize the fund so collected for the improvement of the facilities for development of that particular trade or commerce with the approval of the AP concerned.
- 7.12** Beside the above explicit taxation powers of GP, Section 26 of Assam Panchayat Act also provides for sharing of Land Revenue and Local Rates between GOA and PRIs . The concerned Section 26 (1) states that “subject to the provision of this section, every Gaon Panchayat shall be entitled to receive share of Land Revenue and Local Rates / grants-in-aid as prescribed from the consolidated fund of the state as recommended by the State Finance Commission constituted under section 113 of this Act.”
- 7.13** APs derive their powers of taxation from Section 57 of the Assam Panchayat Act, 1994 read with Rule 46 of the Assam Panchayat (Financial) Rules, 2002. Under Section 57, it has been prescribed that subject to such maximum rate as GOA may prescribe, an AP may:

- (a) Levy tolls on persons, vehicles or animals or any class of them at any toll-bar established by it on any road (other than a katcha road) or on any bridge vested in it or under its management;**
- (b) Levy tolls in respect of any ferry established by it, or under its management;**
- (c) Levy a surcharge on land revenue at the rate of 0.02 (two paise) per rupee;**
- (d) Levy a cess or water rate for recovery of cost of minor irrigation works taken up within the jurisdiction of an AP and such cess as may be necessary for the purpose of maintenance and repair of such works;**
- (e) Levy a tax on supply of water and lighting;**
- (f) Levy a tax on profession, trades, calling, manufacture and production save and except those levied under any other provision of the Assam Panchayat Act or under any enactment for the time being in force;**
- (g) Levy fee for cinema halls, bricks or tile kilns, saw mills, timber depots, rice mills and hullers, fairs, confectionery and bakery, private fisheries or vegetable gardens used for commercial purposes.**

7.14 As in the case of GPs, the taxes etc shall be imposed, assessed and realized at such time and in such manner as may be prescribed and any person aggrieved by the assessment, levy or imposition of any tax or fee may appeal to ZP. The decision of ZP in this respect shall be final. Further, GOA may suspend levy or imposition of any tax or fee and at any time rescind such imposition in consultation with the concerned PRIs in periods of natural calamities. The scale of toll, fees or rates and the terms and conditions for their imposition shall be such as may be provided

by bye laws. Such bye laws may provide for exemption from all or any of the tolls, fees or rates in any case or cases. In addition, subject to such rules as may be made in this behalf by an AP, an AP may levy taxes on a particular trade or commerce with a view to utilize the fund so collected for improvement of the facilities for development of that particular trade or commerce with the approval of the ZP.

7.15 ZPs derive their taxation powers under Section 95 of the Assam Panchayat Act 1994 read with Rule 46 of Assam Panchayat (Financial) Rules, 2002. Under Section 95, subject to such maximum rate as GOA may prescribe, a ZP may-

- (a) Levy tolls in respect of any ferry established by it under its management;**
- (b) Levy the following fees and rates, namely:**
 - i) Fees on the registration of boat or vehicle;**
 - ii) A fee for providing sanitary arrangements at such places of worship or pilgrimage, fairs and melas within its jurisdiction as may be specified by GOA by notification;**
 - iii) A fee for license for melas;**
 - iv) A lighting rate where arrangement for lighting public streets and places is made by the ZP within its jurisdiction; and**
 - v) Water rate, where arrangement for the supply of water for drinking, irrigation or any other purpose is made by the ZP within its jurisdiction.**

7.16 It has been further mandated that the ZP shall not undertake registration of any vehicle or levy fee therefore and shall not provide sanitary arrangement at places of worship or pilgrimage, fairs and meals within its jurisdiction or levy fee thereof, if such

vehicle has already been registered by any other authority under any law for the time being in force or if such provisions for sanitary arrangements has already been made by any other PRIs or ULBs. In addition, the scale of tolls, fees and rates and the terms and conditions for the imposition thereof, shall be such as may be provided by the bye laws and such bye laws may provide for exemption from all or any of the tolls, fees or rates in any class or cases.

7.17 Notwithstanding the far-reaching powers for taxation and revenue generation given to PRIs under the Panchayat Act as well as Rules, hardly any PRI (at whatever level) is actually using these powers to collect revenue. The reasons for this are complex. Besides the general inertia in levying taxes, as these are, by nature, unpopular measures, the prevailing culture of grant dependence, which exists right across the state, militates against such steps. PRIs and ULBs prefer to take the easy way out and depend on grants received from GOI and GOA under various schemes to take care of their administrative expenditure. Besides, the concept of PRI as the third tier of governance coupled with expectations of people from their elected representatives in PRI is not very high. In short, despite their presence on paper, PRIs have not taken off in any meaningful way in the state.

7.18 TASFC's survey and replies to TASFC's questionnaire have shown that the taxes, fees, tolls, etc provided under the Acts and Rules have, even if notified, existed only on paper and are not implemented. PRIs only collect their fees/ settlements from the traditional sources such as the settlement of hats, ferries or fisheries and are notoriously lax to take any further steps. In this situation, one way out may be to release GOA funds, as part of the mandated devolution to PRIs contingent on a strictly prescribed level of own resource generation, specified on a yearly basis,

TASFC feels that this may cause problems because in a state where the people, by and large, are passive and generally content the public representatives may lack the motivation about obtaining additional incentive funds. The mass people will then suffer. Such incentives contingent on a certain level of achievement may be thought of later and not during the financial years 2008-11.

- 7.19 The basic thrust of the 73rd amendment was to give functional and fiscal autonomy to PRIs. The taxation and devolution regime should be carefully designed so that minimum interference from GOA is needed. PRIs should be given adequate freedom in the matters of rate fixation and periodic revision, assessment procedure and manner of collection. However, the norms for giving exemptions or non-collection should be stringent. This has been mentioned in Chapter 1 also.**
- 7.20 This is not to ignore the fact that these bodies have administrative and other constraints. Only if the local bodies can actually improve their own functioning by increasing their own revenue generation, will they have the confidence to engage the best available personnel in the market to set right their finances. If this does not take place, even the activity mapping done by the Panchayat and Rural Development (P&RD) Department, to transfer functions, funds and functionaries of various government departments, will remain only on paper.**
- 7.21 In addition, there are a few administrative measures that can help. For example, the Assam Panchayat (Financial) Rules, 2002 stipulate the ceilings to the taxes to be collected by GPs. This actually affects the collection buoyancy of taxes and is even an infringement on the autonomy of PRIs. A better framework should have been to have an indicative floor rate with a provision for revision every three years for all the taxes. SSFC had**

recommended that necessary amendments in the provisions of the Assam Panchayat (Financial) Rules, 2002 might be done, but no action appears to have been taken. TASFC reiterates this recommendation.

7.22 TASFC recommends that GOA improve the resource mobilisation efforts of PRIs by taking note of the recommendations of a national level seminar organized by the Ministry of Panchayati Raj, GOI on “Panchayat Level Revenue Mobilization and Efficient Fiscal Transfers” held at the National Institute of Public Finance and Policy, New Delhi on July 6 and 7, 2007. Chairman and Member-Secretary of TASFC attended the seminar. TASFC recommends the following actionable points from the seminar to GOA for consideration:

- (a) At present, as pointed out earlier, there is inadequate data available on PRI tax collection. GOA may take steps to prepare detailed demand, collection and balance statistics in respect of tax and non-tax revenues, separately, for each level of PRIs, through the permanent SFC cell mandated to be constituted by the Twelfth Central Finance Commission. TASFC reiterates this recommendation as a necessary first step that can be taken by GOA until PRIs are confident enough to stand on their own feet.**
- (b) The seminar recommended that the information system organized for tax administration in respect of PRI revenues shall be a part of the general statistical information system relied upon for designing the planning and delivery of services at PRI levels. The information system shall be progressively compiled on a Geographical Information System (GIS) using initially, each district as a unit. Such data would be uploaded on the National Panchayat Portal and regularly published. GOA may also act upon this.**

- (c) The seminar recommended that states should prepare a Compendium of legal provisions and executive orders issued by the Government in respect of the administration of taxes by PRIs. This Compendium would be made available to all PRIs. The Compendium would be updated every year on the 1st of January and would contain details of incentivisation programmes, recommendations of the State Finance Commissions and of any innovations in this regard. TASFC reiterates this recommendation as necessary for information sharing.

7.23 On an analysis of data on own revenues the seminar recommended the following:

- a) There are instances of good practices emerging where PRIs on their own have improved the collection of taxes and non-tax revenues through innovative measures. It is important to understand these practices to evolve incentive structures aimed at promoting tax collection. TASFC recommends that GOA identify champions among PRIs who have demonstrated good performance and publicise the case studies.
- b) Another method is to identify PRI leaders who have created an enabling environment for PRI taxation, who can be used as roving consultants to help design PRI specific solutions and promote the idea of tax collection by PRIs.

7.24 On assignment of tax and non tax revenue powers to PRIs the seminar recommended as follows:

- A. State Governments would assist the State Finance Commissions to lead policy work in respect of exploring the appropriate tax and non-tax revenue assignments to PRIs as well as ways and means of administering and enforcing them to achieve a greater linkage between revenue raising

and spending decisions at the local level. An examination of the various taxes levied by PRIs across various states revealed that there were as many as 66 different types of taxes, user fees and charges. The seminar recommended that states would undertake to rationalise the list of taxes that may be levied in order to improve efficient administration. In Assam, as pointed out earlier, there are a large number of levies, fees and toll powers given to PRIs but the distinguishing fact is one of poor implementation. TASFC recommends rationalisation of these taxes and more effective implementation of the powers guaranteed under the legislation.

- B. Another important recommendation of the seminar that TASFC would like to reiterate is that GOA, while undertaking the assignment of tax revenues to PRIs, shall ensure that each level of PRI is given a basket of at least one or two important tax handles.**
- C. Recent developments in courts with reference to the Assam Entry Tax and various judicial pronouncements thereof have brought out clearly the need to make this tax specifically ‘compensatory’, that is, the courts have been ruling that the proceeds of the entry tax should be used to develop trade and commerce directly. TASFC recommends that GOA make the relationship between Entry Tax collections and provision of trade and commerce facilitation through the PRIs and ULBs explicit in any new legislation that is considered. Further, following the introduction of VAT in Assam and the possibility that, in due course, the Amusement and Betting Tax would also be merged with it GOA could consider the following:**

- (i) Earmarking a stipulated percentage of levy on the VAT turnover at the last point at which a registered dealer sells the commodity to the non-registered dealer or consumers which could be assigned to PRIs and ULBs in addition to percentage devolution as recommended in Chapter 9;**
- (ii) Powers to ZPs and APs in locations close to urban agglomerations to levy local business tax or charges.**
- (iii) ZPs and APs to be the focus of such tax assignments as they are generally not assigned any responsibilities of fixing tax rates and collection of revenues.**

7.25 It has become necessary to specifically promote collection of tax and non-tax revenues by PRIs. TASFC would therefore recommend the following:

- (a) GOA should undertake a campaign mode approach on improving tax collection based on the existing legal regime and overcome the large slack in revenue collection. This has been mentioned at the beginning of this Chapter. Subsequently, GOA should re-examine the current rates of taxation, previously fixed, and consider an upward revision, keeping in mind the circumstances. As mentioned earlier, GOA should remove the maximum limits fixed on tax and all conditionalities that hamper or restrict the powers of PRIs to tax.**
- (b) The seminar mentioned in the previous paragraphs pointed out the imperative need to strengthen the capacity of GPs to levy and administer property tax. Cross-country experience has shown that area based property taxation would be appropriate, varying with the location of the property, floor area and the type of**

construction. TASFC recommends that GOA may work towards implementing a Unit Area Method (UAM) as discussed in Chapters 5 and 6 on a block-wise basis, making it easy for PRIs to apply these guidelines in a simple and transparent manner.

- (c) An important recommendation of the seminar was that states should take steps to focus on improving the collection efficiency in respect of water charges for the provision of drinking water, with a view to achieving the recommendation of the Twelfth Finance Commission that PRIs recover 50 per cent of the maintenance costs by way of user charges. TASFC recommends that where the task of supply of drinking water has not yet been devolved to PRIs and the Public Health Engineering Department undertake water supply, GPs be assigned the role of collection agents for which they would be adequately compensated at predetermined rates. Similar intermediation may also be considered in respect of electricity bills.**

7.26 In the context of the need for capacity building of PRIs for larger tax administration TASFC recommends the following measures:

- (a) GOA should take steps to strengthen the administrative and enforcement capacity of PRIs to collect revenues through frequent training of Tax Collectors in PRIs to determine and collect tax demands in accordance with the rules and regulations. Tax Collectors should be assigned appropriate responsibility.**
- (b) GOA should also ensure that training programmes for PRIs' elected representatives and officials contain well-structured modules on administration and collection of taxes and non-tax revenues.**

7.27 Besides the above mentioned points, TASFC would like to draw attention of GOA to the fact that SSFC had made 11 recommendations for Additional Revenue Mobilization (ARM) in its report at sections 3.28 (i) to (xi). Though these largely non-

financial recommendations were stated to have been accepted (in the Action Taken Report), no follow up action appears to have been taken by the concerned departments. TASFC would again reiterate action on these points.

Resource Mobilisation for the Urban Local Bodies (ULBs)

- 7.28 TASFC has already pointed out in the forgoing section on Resource Mobilisation for PRIs that most PRIs and ULBs lack institutional capacity for performing entrusted functions. The institutional capacity of PRIs and ULBs depend primarily upon three factors, namely, (1) Human Resource Development, (2) Organizational Development and (3) Institutional and Legal Framework. These three important parameters together contribute to the strengthening of financial resource mobilization, financial management system and finally fiscal capacity. The buoyancy and growth of own sources of revenue of ULBs are an indicator of their fiscal capacities. If ULBs continue to depend on the cash transfers from GOA, then their autonomy would remain at best only a cherished goal.**
- 7.29 As pointed out in the earlier section, the terms of reference has mandated that TASFC shall have regard, among other considerations, to the objective of balancing the receipts and expenditure on revenue account of the local bodies as a whole and for each local body severally on the basis of the level of collection from taxes, duties, tolls, fees etc levied by them. Similar problems as mentioned in the section on PRIs have precluded TASFC from fulfilling this micro-level balancing.**
- 7.30 As a background to the recommendations of TASFC for resource mobilization for ULBs, it will be important to drive home the fact that Guwahati city is the gateway to the North East (NE).**

Guwahati has the largest Municipal Corporation in the entire NE called the Guwahati Municipal Corporation (GMC). The importance of Guwahati can also be gauged by the fact that there is a dedicated department in GOA for Guwahati Development (GDD). In addition, there exists the Guwahati Metropolitan Development Authority (GMDA) with some concurrent and overlapping functions. The Urban Development Department (UDD) looks after the issues of other Municipal Boards and Town Committees of Assam. The two important statutes that are relevant are the Assam Municipal Act, 1956 (for the ULBs other than GMC) and the Guwahati Municipal Corporation Act, 1971 for GMC.

7.31 Under the Assam Municipal Act, 1956, taxes are collected as per provision of Section 68. Under this section the Municipal Board may, from time to time, at a meeting convened expressly for the purpose, of which due notice shall have been given, impose within the limits of the municipality the following taxes, fees and tolls, or any of them: -

- (a) A tax on holding situated within the municipality assessed on their annual value, payable by the owner;**
- (b) A water tax payable by the owner or occupier, on the annual value of holding;**
- (c) A latrine-tax, payable by the owner or occupier, on the annual value of holding;**
- (d) A drainage-tax, payable by the owner, where a system of drainage has been introduced;**
- (e) A tax on private markets payable by the owner;**
- (f) License fees on carts, carriages and animals used for riding, or burden;**

- (g) A fee on the registration of dogs and cattle;**
- (h) A license fee on boats moving within the Municipality;**
- (i) Tolls on bridges;**
- (j) A betterment fee on holdings in any area of which value has increased due to improvement schemes completed at Board's cost;**
- (k) Fees for setting up and maintenance of fire brigade;**
- (l) Fees for conducting at the cost of the Board concerned, any scheme of social service for the improvement of public health, and, finally,**
- (m) With the sanction of the State Government any other tax, toll, rate or fee.**

7.32 However, such taxes are subject to certain proviso. A few of these shall not be imposed in respect of the same premises and that, when the concerned Board has taken a loan from or guarantee by GOA, the Board shall not, without the previous sanction of GOA, make any alternation in respect of any tax which may have the effect of reducing the income of the Board. Further, the GOA may, by order, exempt from the payment of any rate, tax, toll or fee payable under the provisions of this Act, any diplomatic or consular mission of a foreign State and the diplomatic and consular officers of such missions.

7.33 Moreover, the Board may, from time to time at a meeting convened as per Rules, and in accordance with a scale of fees to be approved by GOA, charge a fee in respect of the issue and the renewal of any license which may be granted by the Board under the Act and in respect of which no fee is leviable under sub-section (1) of Section 68 of the Act.

7.34 It may be noted that the basis of taxation in the form of holding tax, water tax, lighting tax or latrine tax imposed by ULBs on land and building within their respective jurisdictions under Sections 68 and 79 of the Assam Municipal Act, 1956, is the annual value of the holding. A holding means a well-demarcated plot of land held under one title or agreement. The annual value of a holding is the gross annual rent expected from letting out the holding. The rates of these local taxes are fixed as a certain percentage of the annual value. This is known as the Annual Rental Value (ARV) method. TASFC would now recommend the Unit Area Method (UAM) as explained in paragraph 7.37. The Assessment of local taxes is ideally done once in every five years by appointing assessors by ULBs concerned with approval of GOA (Section 86 of the Act).

7.35 The taxation powers of GMC are given in part IV (Chapters XI – XXI) of the GMC Act, 1971. The sources of revenue of GMC may be summarised as the following:

1. Own Sources:

- (a) Property Tax comprising of general tax, water tax, scavenging tax, light tax and urban tax.**
- (b) Trade license fee.**
- (c) Entry toll.**
- (d) Parking fees.**
- (e) Toll and rent from municipal markets.**
- (f) Tax on advertisements.**
- (g) Tax on slow moving vehicles.**
- (h) Animal tax.**
- (i) Building permission fees and penalties.**

(j) Water connection charge.

(k) Fines.

2. Other Sources:

(a) Share of motor vehicle tax.

(b) Share of entertainment tax.

(c) Share of land revenue and surcharge on stamp duty.

(d) Devolution from Finance Commission (Central/State).

7.36 There are four components of GMC's property tax. These are (a) general property tax (b) water tax, (c) scavenging tax, and (d) lighting tax. GMC's property tax demand is made quarterly. Additionally, urban immovable property tax is collected annually. GMC is roughly collecting about 30 per cent of its current demand. In this connection, it may be recalled that SSFC had observed that a large number of buildings are coming up in Guwahati without permission and thus evading the property tax. SSFC had also recommended levying of service charges on the properties of Central and State Governments because taxation of such properties is barred under articles 285 and 289 of the Constitution.

7.37 SSFC also recommended setting up of an Expert Committee by GOA to go into the details of the proposal to change the method of assessment of property tax from ARV method to Unit Area Method (UAM) – a progressive method of property taxation, which has also been validated by the Supreme Court.

7.38 SSFC also recommended the merger of the two types of property taxes being collected by GMC and other ULBs, the first under the Assam Immovable Property Tax Act, 1969 and the Second under

GMC Act, 1971 (in the case of GMC) and the Assam Municipal Act, 1956 (in the case of other ULBs).

- 7.39 TASFC reiterates the above recommendations of SSFC and would recommend that GOA act accordingly without further delay.**
- 7.40 Building permissions are at present being given by GMC and GMDA having concurrent powers in the respective statutes. The duality of authority encourages violation of the Master Plan. SSFC strongly recommended making GMC as the sole authority for issuing building permissions. As the sole elected body of the citizens of Guwahati GMC should alone be allowed to exercise this power.**
- 7.41 SSFC had observed that there is considerable scope for enhancing collections under the head of trade license fees. The collection of trade license fees was hampered on account of factors such as non-receipt of NOC from concerned landowners and ambiguous status of businesses being undertaken from premises on encroached government land. SSFC recommended for provisional collection of trade license fees from all parties or persons engaged in the businesses listed in the fourth schedule without prejudice. TASFC would reiterate this recommendation.**
- 7.42 As has been outlined above, there are a number of taxes, etc under different provisions of the Acts. But the local bodies actually raise very little revenues. They virtually depend on the transfers made by GOA and to some extent, by GOI. The statements of collection of revenue for the year 2005-06 by GMC and other ULBs are shown in Annexure- 6.1 and Annexure- 5.2 respectively.**
- 7.43 So far as other statutory provisions regarding sharing of taxes are concerned beside the Professional Tax mention may be made of the Motor Vehicles Act, 1988 and the Rules framed there under. A**

portion of the tax collected under the provision of the aforesaid statute is shareable between GOA and ULBs. The same is the case with the charges realized under the provision of the Indian Registration Act, 1906, the Stamp Act, 1899 and the Amusement and Betting Tax Act, 1939, the proceeds of which are shareable between GOA and ULBs. The local tax leviable under the provision of the Assam Land & Revenue Regulations, 1886 are also to be shared by GOA and ULBs. One more statutory source of fund is the grants-in-aid/loan to the ULBs under the rules framed in 1937 emanating from the Local Authorities Loan Act, 1914.

7.44 The details of amount received by the ULBs and PRIs during 2005-2006 are given in the following table:

TABLE 7.1

(Rs. in lakh)

Name of the Acts, proceeds of which are to be received by ULBs	Name of the Acts proceeds of which are to be received by PRIs	Amount collected under such Acts (2005-06)	Amount received by ULBs (2005-06)	Amount received by PRIs (2005-06)	Amount received from other sources by PRIs (2005-06)	Amount received from other sources by ULBs (2005-06)
1	2	3	4	5	6	7
1. Assam Land & Revenue Regulations, 1886.	Land revenue and local rates under Assam Panchayat Raj Act, 1994	7465.45 (of which 5218 lakhs is cess on green tea leaf)	Nil	Nil	During the financial year 2005-06, an amount of Rs.5260.00 lakh was received as Awards of Finance Commission	An amount of Rs.550.00 lakh was received as the 12 th Finance Commission
2. APTC&ET Act, 1947.	-	9961.55	Nil	-	12 th Finance Commission Grants	n inclusive of excluded areas.

3. The Assam Amusements & Betting Tax Act, 1939	-	486.34	414.11	-	inclusive of excluded areas.
4. Motor Vehicles Act, 1988.	-	15591.46	616.19	-	
5. Indian Registration Act, 1906.	-	1946.40	Nil	-	
6. The Stamp Act, 1899.	-	6641.44	59.07	-	

Source: Finance Accounts GOA 2005-06 and Finance Departments.

7.45 There are some important problems with respect to the assignment of tax powers to ULBs. The first is that although in terms of numbers there are quite a few taxes and fees, none of these is significant from the viewpoint of generating revenues except property taxes. At present, even administration and enforcement of property taxes has left much to be desired. The reasons for insignificant tax collection by ULBs may be summed up as follows: -

- a. Absence of culture of collecting any tax;**
- b. Lack of effort by the tax collection machinery;**

7.46 In order to augment the revenue powers of ULBs it is necessary to take a re-look at the tax powers assigned to them and examine the possibility of assigning additional productive revenue handles. In addition, it is important to build the capacity of ULBs to administer and enforce the taxes assigned to them. The basic requirement in building their capacity is to create a reliable data base and information system. Unless the basic information system is built up, and updated from time to time, it will be impossible to create the capacity to levy, administer and enforce any tax. Some of the recommendations made in the earlier section on PRIs are equally applicable to ULBs.

7.47 SSFC made many recommendations for additional revenue mobilization by ULBs in paras 4.56 to 4.69 of their Report. These recommendations may be summarized as following:

- (a) Rationalization of assessment and engagement of Tax Collectors on commission basis.**
- (b) Periodic revision in the assessment every five years.**
- (c) Authorizing GMC to collect property tax with penalty from unauthorized constructions on Annual Patta lands. Drive for Annual Patta to Periodic Patta Conversion in Guwahati.**
- (d) Review of the procedure for urban land valuation.**
- (e) Minimizing the exemptions / concessions on discretion.**
- (f) Amendment of Section 148 of GMC Act in order to expand the base for special scavenging charges from Hotels, Restaurants, Cinema Halls, Nursing Homes etc.**

- (g) Revision of Trade licenses fee every three years by ULBs.**
- (h) Expansion of Schedule 4 of GMC Act to include new trades. Similar action in respect of the Assam Municipal Act, 1956.**
- (i) Streamlining the system for collection of surcharge on stamp duty by GMC and ULBs @ 2% and 1% respectively.**
- (j) Public Private Partnerships for development of Markets.**
- (k) Revision of lease rent every 3 years by GMC and ULBs for owned markets and shops.**
- (l) Levy of user charges for the services provided to the central and state government properties.**
- (m) Improvements in the system for tax collection.**

7.48 TASFC would like to reiterate these recommendations since action has not been taken on these. GOA may take up a time-bound programme for implementation.

7.49 GMC and other ULBs can improve collection of Property Tax significantly. For this purpose, there is a need to reassess Property Tax on properties for which rates were fixed a long time back. In fact, there should be periodical increase in the rates of Property tax. Considering that there is an inflation rate of 5-6% per annum, the rate of increase should at least partially cover the inflation rate. A mechanism may be evolved to increase the rate of Property Tax by an appropriate hike periodically. However, to give a proper effect to such periodical increases, it is necessary as has been already mentioned, that the method of assessment of Property Tax be changed from the current Annual Rental Value (ARV)

method to the Unit Area Method (UAM). This will enable periodic increase in the rates of tax without actually reassessing the properties.

- 7.50 Further, considering the increase in the number of holdings in each ULB, the ULBs should computerize the tax administration. Computerization of tax administration will help in better monitoring, effecting periodic increase in rates of tax etc.**
- 7.51 GMC can increase income from trade license fees by widening the tax net. Other local bodies should also be allowed to collect trade license fees by making a suitable amendment in the Assam Municipal Act. In fact all ULBs can increase their income from rents on shops and markets under them by refixing the rents fixed many years back in line with the prevailing rates.**
- 7.52 There is tremendous scope for increasing the collection of tax on advertisements in GMC area. This will require suitable revision of rates, strict enforcement and, if necessary, modification in the method of collection, preferably through the lease system. Similarly, the other ULBs should also have facility of charging tax on advertisements, if necessary, by amending the Assam Municipal Act, 1956.**
- 7.53 There is need to launch a massive awareness programme with local bodies functionaries to orient them in the basic Acts and Rules. Training of such functionaries through satellite based communication channel on distant learning method can be considered. A SATCOM for PRIs has been recommended. This can be used by ULBs and GMC occasionally. The relevant recommendations are in Chapters 4, 5 and 6. Appropriate grants-in-aid have also been recommended for these purposes.**
- 7.54 To clear up outstanding dues, a one-time settlement of arrears scheme can also be formulated without any penalty as has been**

done in Mumbai. A Settlement Commission has been recommended in Chapter 6.