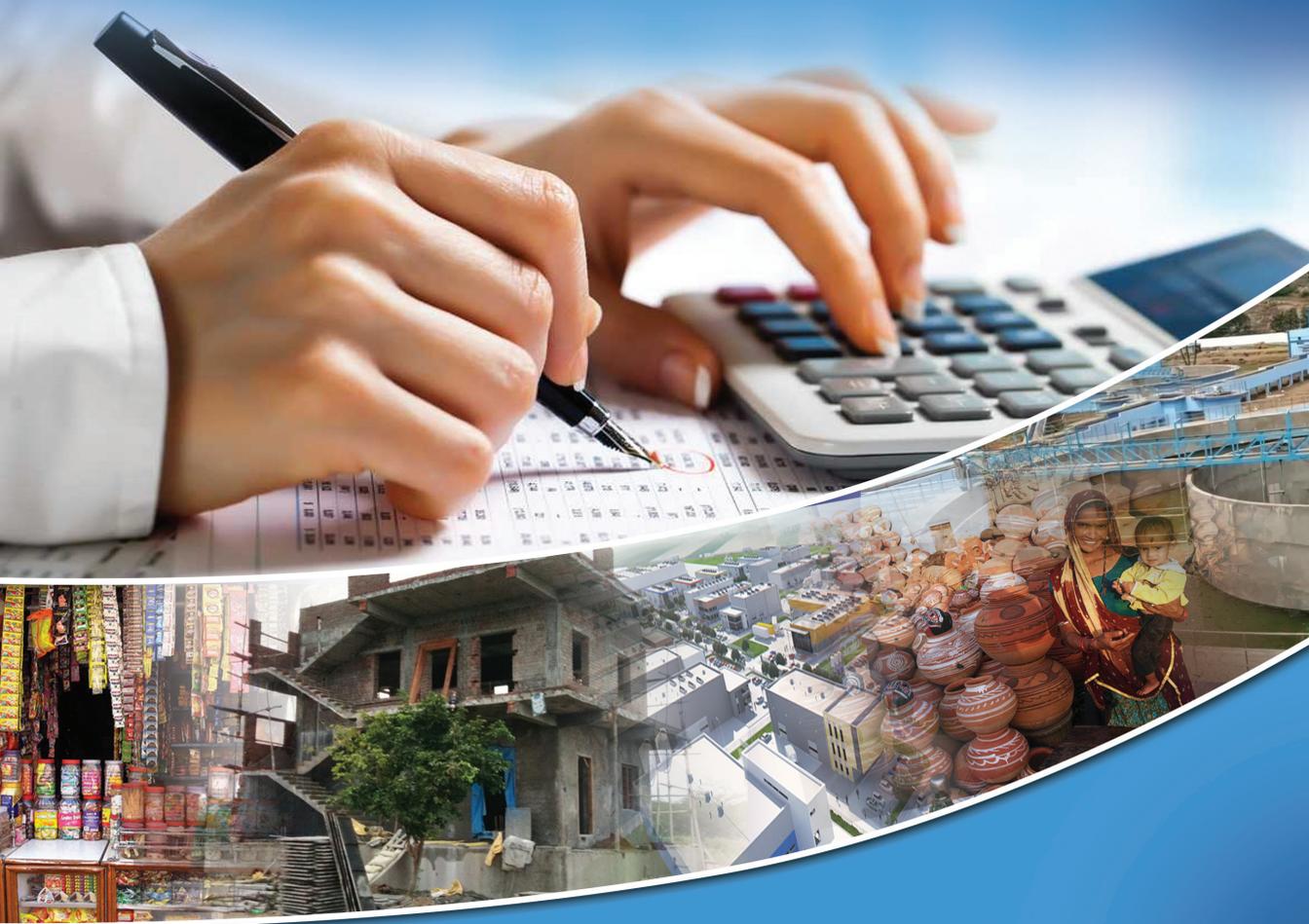


# NON-TAX RESOURCES IN URBAN LOCAL BODIES IN TELANGANA AND ANDHRA PRADESH - A STUDY ON LEVY AND COLLECTION



2019



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**NON-TAX RESOURCES IN URBAN LOCAL  
BODIES IN TELANGANA AND ANDHRA  
PRADESH - A STUDY ON LEVY AND  
COLLECTION**

By

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**CENTRE FOR GOOD GOVERNANCE**  
Hyderabad



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## FOREWORD

The Constitution has been amended by Constitution (74<sup>th</sup> Amendment) Act, 1992 (CAA) with effect from 01-06-1993 with a main objective of making Municipality as institution of self-government. It provides for a board structure for organizing urban governance with an accountable and decentralized system. As per CAA, Municipalities are mandated with the responsibility of the performance of 18 functions and implementation of schemes of which, the foremost services to be rendered by the Municipalities may be listed as solid waste management, water supply and sewerage.

It is noticed that Municipalities are not endowed with adequate resources to provide and maintain the core services in a satisfactory manner. In fact, there is a mismatch between the functions entrusted to the Municipalities and the resources made available to them to perform the functions.

In these circumstances, there is an urgent need to augment Municipal Finances by properly assessing taxes and non-taxes and making all efforts to collect 100% of taxes and non-taxes by Municipalities. The contents in this booklet contain various steps to be taken by Municipalities for levy and collection of non-taxes.

It is hoped that this booklet may be considered as a reference book and cannot be quoted as a basis for any litigation or legal action.

The efforts of the authors who have vast field experience in municipal administration in bringing out this booklet are appreciated

Rajendra Nimje, ex IAS  
Director General CGG



## PREFACE

The internal resources of municipalities (including municipal corporations) are taxes and non-taxes. The levy and collection of taxes, particularly, the property tax is under regular scrutiny of the stakeholders. There is enough literature and discussion on assessment, levy, collection, reform measures etc. in the area of property tax and to some extent, other taxes like land tax, profession tax, advertisement tax etc. not only in the State, but also across the country. On the other hand, information on non -taxes is scanty/lacking. The deficiency of information/literature is resulting in under-exploitation and/or non-exploitation of a major resource of revenue in the municipalities.

Unlike a tax which is a compulsory exaction of money by public authority for public purpose without quid pro quo, non-tax can be levied and collected after providing service to the residents. When a municipality provides a service, it can authorisedly levy and collect a non-tax.

Having felt the need, a brief and comprehensive booklet on 'Non-tax Resources in Urban Local Bodies in Telangana and Andhra Pradesh - A study on levy and collection' has been developed. This booklet is mainly based on several provisions of municipal laws, various statutory rules, executive instructions and circulars issued by Government and Commissioner & Director of Municipal Administration. The provisions relating to legislations and rules have been thoroughly examined in writing the booklet and the contents thereof may be used for reference and may not be used as basis for litigation or legal action. It is hoped that the brief information in this booklet would be useful to elected representatives, municipal commissioners, municipal officers, municipal staff, academics and researchers.

We are greatly indebted to our colleague Sri B. Purushothama Reddy, Director of Town & Country Planning, Andhra Pradesh (Retired) for his contribution in preparation of this booklet. The support provided by various officers of the Municipal Administration Department in extending data for preparing this booklet is acknowledged. The support of Centre for Good Governance, Hyderabad in printing and publishing this booklet is gratefully acknowledged.

M. Prasada Rao



## ABBREVIATIONS

AMR	Automatic Meter Reader
AMRUT	Atal Mission for Rejuvenation and Urban Transformation
AP	Andhra Pradesh
CDMA	Commissioner & Director of Municipal Administration
DCB	Demand, Collection and Balance
D&O trade	Dangerous and Offensive Trade
FC	Finance Commission
GoI	Government of India
GHMC	Greater Hyderabad Municipal Corporation
Govt.	Government
GST	Goods and Services Tax
GVMC	Greater Visakhapatnam Municipal Corporation
MA&UD	Municipal Administration and Urban Development
MoUD	Ministry of Urban Development
OYT	Own Your Tap
O&M	Operation and Maintenance
RWHS	Rain Water Harvesting Scheme
SC	Scheduled Caste
SLB	Service Level Benchmark
ST	Scheduled Tribe
TPBO	Town Planning Building Overseer
UDA	Urban Development Authority
ULB	Urban Local Body



# Non-Tax Resources in Urban Local Bodies of Telangana and Andhra Pradesh - A Study on Levy and Collection

## Chapter 1

### Finances of Municipalities

1.1 Article 243 X of the Constitution of India (inserted through The Constitution Seventy Fourth Amendment Act, 1992) provides that the State Legislature may, by law-

- (a) Authorise a municipality to levy, collect and appropriate such taxes, duties, tolls and fees (taxes and non-taxes) in accordance with such procedure and subject to such limits
- (b) Assign to a municipality such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits (assigned revenues)
- (c) Provide for making such grants-in-aid to the municipalities from the Consolidated Fund of the State, and
- (d) Provide for constitution of such Funds for crediting all moneys received respectively, by or on behalf of the municipalities and also for the withdrawal of such moneys therefrom.

1.2 In the State of Telangana/ Andhra Pradesh, the municipalities have been provided with the following resources and the authority is conferred by Telangana Municipalities Act, 1965/ Andhra Pradesh Municipalities Act, 1965 (hereinafter referred to as Act).

- (i) Taxes: (a) Property tax on buildings and lands, (b) Property tax on lands not used for agricultural purposes (c) Tax on carriages and carts, (d) Tax on animals, and (e) Advertisement tax<sup>1</sup>
- (ii) Non - taxes in the form of (a) Fees, (b) User charges, (c) Town planning charges, (d) Rents from municipal properties (e) Interest on delayed payment of property tax (f) Penalties etc.
- (iii) Assigned revenues

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<sup>1</sup> Sec. 81 and 114 of the Act

- (iv) Grants from Central and State Government
- (v) Loans (with Government guarantee)<sup>2</sup>

The Municipal Corporations are also authorized to levy and collect similar tax and non-tax revenues and the authority for levy and collection of the resources are governed under Greater Hyderabad Municipal Corporation Act, 1955 and Telangana Municipal Corporations Act, 1994 in Telangana and the Municipal Corporations Act, 1955, Greater Visakhapatnam Municipal Corporation Act, 1979, Vijayawada Municipal Corporation Act, 1981 and Andhra Pradesh Municipal Corporations Act, 1994 in Andhra Pradesh.

1.3 While taxes and non-taxes constitute internal revenue; assigned revenues, grants and loans are considered as external revenue.

The details of receipts (not income) from various sources in the municipalities (including municipal corporations other than GHMC) in the State of Telangana<sup>3</sup> during 2015-16, 2016-17 and 2017-18 are shown in the following Table and Figures.

Table 1

Sl. No.	Source of revenue	2015-16 (Rs. in crores)	%	2016-17 (Rs. in crores)	%	2017-18 (Rs. in crores)	%
1.	Taxes	236.45	18.65	271.57	23.65	327.12	21.02
2.	Non-taxes	307.71	24.27	332.32	28.94	537.17	34.52
3.	Assigned revenues	118.84	9.37	115.17	10.03	97.68	6.28
4.	Grants	578.62	45.64	402.51	35.05	478.51	30.75
5.	Loans	0.19	0.02	0.06	0.01	67.35	4.33
6.	Deposits (received)	25.90	2.04	26.80	2.33	48.09	3.09
	<b>Total</b>	<b>1267.72</b>	<b>100.00</b>	<b>1148.43</b>	<b>100.00</b>	<b>1555.91</b>	<b>100.00</b>

<sup>2</sup> Sec.131 of the Act

<sup>3</sup> Source from CCG, Hyderabad

The receipts from non-taxes constitute about 24.27 to 34.57 percent of total revenues of all municipalities and about 55.03 to 62.15 percent of internal revenues.

Figure 1

Receipts (in crores of rupees) under different sources for the years 2015-16, 2016-17 and 2017-18 in the ULBs of Telangana

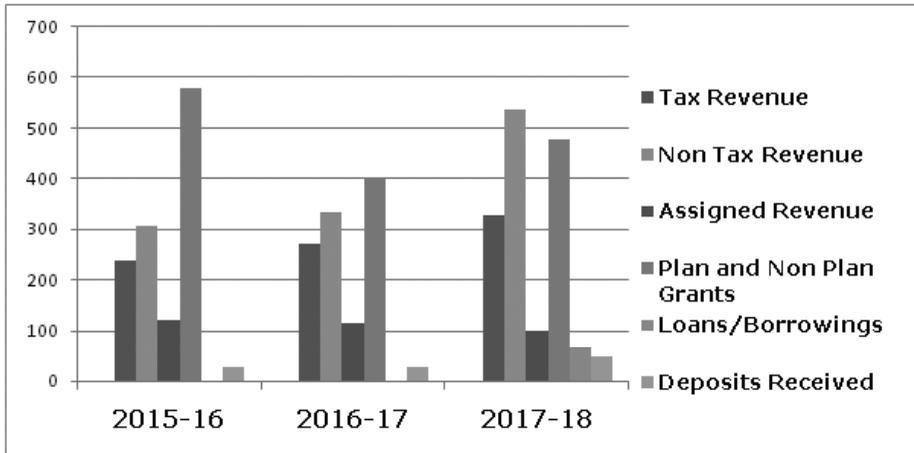
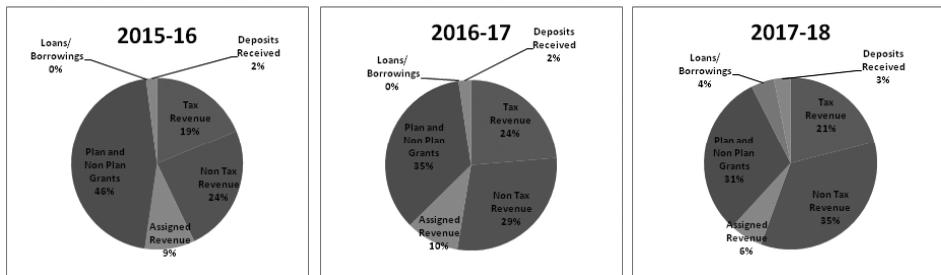


Figure 2

Share of sources of receipts for the years 2015-16, 2016-17 and 2017-18 in the ULBs of Telangana



Similarly, in the State of Andhra Pradesh<sup>4</sup>, the details of receipts (not income) from various sources in the municipalities (including municipal corporations) during 2015-16, 2016-17 and 2017-18 are shown in the following Table and Figures.

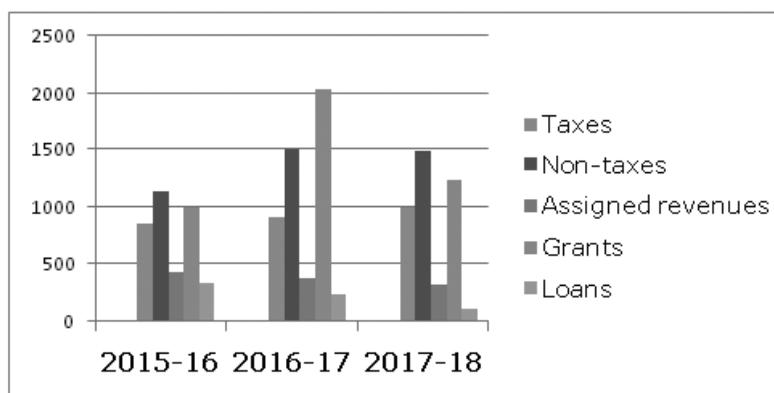
Table 2

Sl. No.	Source of revenue	2015-16 (Rs. in crores)	%	2016-17 (Rs. in crores)	%	2017-18 (Rs. in crores)	%
1.	Taxes	858.37	22.71	917.89	18.07	1002.20	24.02
2.	Non-taxes	1140.10	30.17	1504.00	29.61	1488.37	35.67
3.	Assigned revenues	438.21	11.60	372.23	7.33	327.02	7.84
4.	Grants	1001.50	26.50	2040.25	40.16	1236.21	29.63
5.	Loans	341.01	9.02	245.45	4.83	119.01	2.85
	<b>Total</b>	<b>3779.19</b>	<b>100.00</b>	<b>5079.82</b>	<b>100.00</b>	<b>4172.81</b>	<b>100.00</b>

The receipts from non-taxes constitute about 29.61 to 35.67 percent of total revenues of all municipalities and about 57.05 to 62.10 percent of internal revenues.

Figure 3

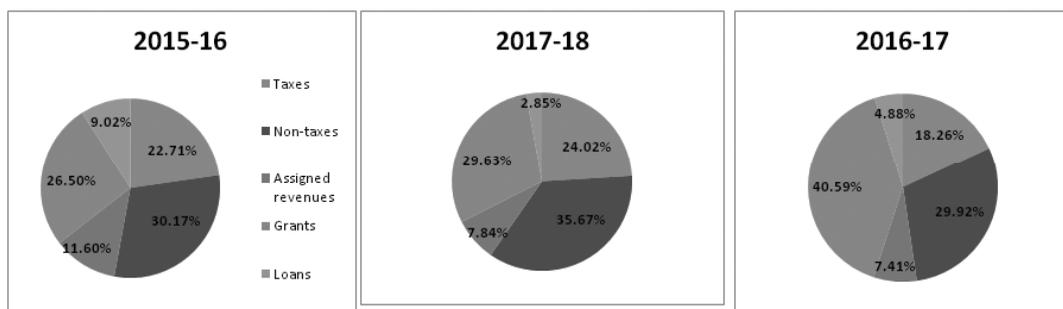
Receipts (in crores of rupees) under different sources for the years 2015-16, 2016-17 and 2017-18 in the ULBs of Andhra Pradesh



<sup>4</sup> Source from DMA, AP, Guntur

Figure 4

Share of sources of receipts for the years 2015-16, 2016-17 and 2017-18 in the ULBs of Andhra Pradesh



1.4 Various items of non - tax resources in a municipality with reference to the authority, the rationale, the levy and the collection are discussed in this booklet.

## Chapter 2

### Taxes and Non-taxes

**2.1** Besides taxes, the municipalities levy various non - taxes in the form of fees, user charges, rents from municipal properties etc. In this connection, it is necessary to make a note of the difference between tax and fee. Government have several means of raising revenue in order to make it to function. Among the two most popular methods of raising revenue are to impose taxes and fees on various activities. A tax is a compulsory exaction of money by public authority for public purpose enforceable by law and is not payment for services rendered. A fee, on the other hand, is a charge for special services rendered to individuals by the government agency or public authority.

**2.2** Between tax and fee there is no generic difference and both are compulsory exactions of money by public authorities. While a tax is imposed for public purpose and is not and need not be supported by any consideration of service rendered in return, a fee is levied essentially for services rendered in return, and as such there is an element of quid pro quo between the person who pays the fee and the public authority which imposes it.

### **2.3. Major items of non-taxes**

The major items of non-taxes levied by the municipality are:

- (i) Water charges
- (ii) Fees from markets and slaughter houses
- (iii) Rents from municipal buildings like shop rooms, office complexes etc.
- (iv) Building permission fees and other town planning related fees/charges
- (v) Trade licence fees
- (vi) Encroachment fees
- (vii) Parking fees
- (viii) Miscellaneous items
- (ix) Service charges on Central Government properties

Now, let us consider each of the above in terms of the authority, rationale for levy, how to levy and the collection mechanism.

## Chapter 3

### Water charges

Art. 243W read with Twelfth Schedule of the Constitution (item 5) specifies that the municipality has to perform the function of 'water supply for domestic, industrial and commercial purposes'. The Act provides that the Council has to supply water fit for use of the residents, subject to availability of funds.<sup>5</sup>

While considering the provision of water supply, levy of charges therefor and collection of charges, the municipality has to consider the following factors enunciated by the Ministry of Urban Development, Govt. of India.

#### 3.1 Service level benchmarking (SLB)

Recognising the importance of improving service delivery, the Ministry of Urban Development (MoUD), Government of India (GoI), prepared and released a Handbook of Service Level Benchmarks (SLB), among other services, for Water Supply.<sup>6</sup> The Handbook facilitated the urban local bodies (ULBs) of a shift from infrastructure creation to delivery of service outcomes, and made ULBs to consider integrating and benchmarking into their budgetary exercise and decision-making process. The indicators and the benchmarks therefor for the Water Supply are given in the following Table.

Table 3

Sl. No.	Indicator	Benchmark
1.	Coverage of connections	100%
2.	Per capita supply	135 lpcd
3.	Metering of connections	100%
4.	Non-revenue water	20%
5.	Continuity of supply	24 hrs
6.	Water quality	100%
7.	Complaint redressal	80%
8.	Cost recovery	100%
9.	Efficiency in collection of charges	90%

<sup>5</sup> Section 138 of the Act

<sup>6</sup> SLB Handbook 2008, Ministry of Urban Development, Govt. of India

### 3.2 Fourteenth Finance Commission and Performance Grant

The Fourteenth Finance Commission (14 FC) endorsed the SLBs published by the MoUD and insisted that the municipalities have to notify the SLBs every year and issue of the notification is one of the eligibility conditions for accessing the general performance grant.<sup>7</sup>

### 3.3 AMRUT and water supply

Government of India has recently (2015) launched an ambitious mission “Atal Mission for Rejuvenation and Urban Transformation (AMRUT)” and the Mission aims to achieve among others, that every household should have access to a tap with assured supply of water and sewerage connection.<sup>8</sup>

### 3.4 Levy of water charges

The Council has to make bye-laws for water supply under Section 141 of the Act. (The making of bye-laws by the Council is discussed in the following paragraph). The bye-laws, among others, have to provide for

- (i) Classification of supply of water under different categories, and
- (ii) Levy of different rates of charges<sup>9</sup> in respect of water supplied to different categories.

The different categories for supply of water<sup>10</sup> are:

- (i) Supply to residential buildings
- (ii) Supply to residential hotels
- (iii) Supply to shops, commercial establishments (other than industrial undertakings), restaurants, eating houses, theatres and places of public amusement or entertainment
- (iv) Supply to industrial undertakings
- (v) Supply to non-residential buildings not falling within the scope of category (ii), (iii), or (iv).

Making of bye-laws by Municipal Councils are governed under Sections 330, 332 and 333 of the Act. The Council before making bye-laws has to publish

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<sup>7</sup> Report of 14 Finance Commission (2015)

<sup>8</sup> AMRUT Mission Statement & Guidelines, MoUD, GoI

<sup>9</sup> Section 141 (2) (b) of the Act

<sup>10</sup> Section 141 (2) (a) of the Act

a draft of the bye-laws on the notice board of the office and one or two news papers; and call for objections or suggestions in the matter. A reasonable time of four weeks may be given for receiving objections or suggestions. On receipt of objections or suggestions, Council has to consider them and make the bye-laws.<sup>11</sup>

After making the bye-laws, the Council has to get confirmation of bye-laws from Government.<sup>12</sup> In respect of water supply bye-laws, the power of approval/confirmation has been delegated by the Government to the Engineer-in-Chief (Public Health). The Council therefore has to submit the bye-laws to the Engineer-in-Chief (Public Health) for approval. After getting the approval, the final bye-laws have to be notified in the manner prescribed by Government.<sup>13</sup> Government have issued Rules<sup>14</sup> for publication of bye-laws. Under these rules, every bye-law, after it has been approved by Government has to be published in the District Gazette in English and main language of the district. Further, copy of the bye-laws has to be affixed on the notice board of the municipal office and such other places as determined by Council, by beat of drum and by announcement through municipal wire broadcasting system wherever it is in operation.

Therefore, water charges have to be levied and collected as per the rates and the conditions stipulated in the water supply bye-laws made by the Council. Secondly, as per the SLBs under water supply, the cost recovery has to be maintained at 100%, that means, the user charges should be designed in such a manner that they are equivalent to the cost of operation and maintenance (O&M) of the service.

### **3.5 Rates of Water Charges**

The Act specifies various categories of buildings for charging the supply of water in the municipalities and they are:

- (i) Residential buildings
- (ii) Residential hotels
- (iii) Shops, commercial establishments, restaurants, eating houses, theatres, places of public amusements and entertainments
- (iv) Industrial undertakings
- (v) Other non-residential buildings.

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<sup>11</sup> Section 332 of the Act

<sup>12</sup> Section 333 (1) of the Act

<sup>13</sup> Section 333 (2) of the Act

<sup>14</sup> GO Ms. No. 531 MA dated 1-7-1969

The objective of classifying buildings to various categories is to charge differentially (not uniformly) on the basis of usage and affordability. Secondly, equity is another factor in charging for water. This can be achieved by providing meters and measuring the quantity of water used. Based on these factors, the municipalities are fixing the rates of water charges.

In addition to the water charges [Section 141 (2) (b) of the Act], municipalities are also levying pipeline service charges (Section 142 of the Act) to defray the capital cost of pipeline service works and O&M of pipeline system. It is a one-time payment and is in the form of contribution (donation) to the municipality.

To address the equity factor, municipalities provide water meters to a set of water users to find out the quantity used by them. Currently, the rates in operation for water supply in municipalities and municipal corporations are in the following order.

### 3.5.1 Municipalities

Table 4

Sl. No.	Nature of charges	Classification	Charges (Tariff)
1.	Water charges	Residential	Rs.30/ to Rs.100/-per tap per month
		Non-residential (General) like small hotels, eating houses, small traders etc.	Rs.250/- to Rs.700/- per tap per month
		Non-residential (industrial and bulk supplies like gated communities, apartments etc.)	On meter connections - Rs.8/- to Rs.25/- per KL
2.	Capital cost of pipeline service works (contribution)	Regular connection	Rs.2,000/- to Rs.10,000/- per connection (one-time)
		OYT connection	Rs.5,000/- to Rs.30,000/- per connection (one-time)

### 3.5.2 Municipal Corporations

Table 5

Sl. No.	Nature of charges	Classification	Charges (Tariff)
1.	Water charges	Residential / Unmetered	Rs.60/ to Rs.90/- per tap per month
		Non-residential/ Industrial / Bulk supplies like gated communities, apartments etc	On meter connections - Rs.12.50 to Rs.25.00 per kilo litre
2.	Capital cost of pipeline service works (donation)	Regular connection	Rs.6,000/- per connection (one-time)
		OYT connection	Rs.10,500/- per connection (one-time)

Government have been issuing instructions to the municipalities from time to time to revise water charges and contributions (donations) to ensure that the operation and maintenance costs are recovered from the water charges.

### 3.6 Factors to fix water charges

The following factors should be kept in mind while fixing the water charges:

- (i) Per capita supply: As per Service Level Benchmark (SLB) suggested by GoI, the per capita supply should be 135 lpcd
- (ii) Tap for every household: As per AMRUT guidelines, all households should be provided with tap connection
- (iii) Cost recovery: As per SLB, there should be 100% cost recovery. This means, the cost of operation and maintenance should be fully recovered from water charges
- (iv) Maintenance: As per SLB, it should be 24 hours supply, non-revenue water should be limited to 20% and the quality should be 100%
- (v) Recovery: There should be 100% metered connections and 90% recovery. As per 14 FC recommendations, there should be an increase in internal revenue every year to access performance grant.

### **3.7 Rationale for user charges**

The primary rationale for levy of user charges is to provide financial stability and effective recovery of all costs associated with the service. Such financially viable user charges may even generate resources for expanding or upgrading the service and discourage wastage of services.

User charges can also be used as a redistributive mechanism in order to address some of the social or economic issues like concerns of the poor. It is in the form of reduced tariff or exemption for the aged and the poor implicitly using cross-subsidisation principles. User charge enables allocative efficiency. By fully recovering the operational costs of the service, the municipality does not consume resources meant for other services or sectors.

In essence, the rationale for the levy of user charges is not only to generate revenues but also to promote economic efficiency and exhibit the organisational, technical and manpower capacity of the municipality to provide these services.

### **3.8 O & M costs and User Charges**

During the year 2013-14, as per the information available, all ULBs have incurred an amount of Rs.261.64 crores per annum towards operation & maintenance costs on water supply, whereas they have realized a sum of Rs.163.88 crores towards water charges. The percentage of operation & maintenance cost recovered through water charges is around 63 and it is far less than the SLB indicator. By and large, it is of the same order in the later years also.

Similarly, the general observation with regard to recovery of water charges indicate that they are also not encouraging and its percentage with reference to the demand is far less than the SLB indicator

The general observation is that the municipalities are not realizing the total operation & maintenance costs from user charges (water charges) resulting in marked deficiency in the maintenance of water supply system, non-repairing of the filtration plants and pump sets periodically, non-replacement of the pipelines in several places though they outlived their utility and delay/default in payment of power charges to the power distribution companies. Further, the deficiency under operation and maintenance charges are made good through the general funds of the municipality.

### 3.9 Basis for fixing user charges

The basis of user charge levy is recovery of cost, particularly that component involving the operation and maintenance of the service. The capital costs of service have to be funded through general revenues or capital grants or from loans. However, the interest payment of the loan has to be included in the costs of a service, unless it is deliberately subsidised. Hence the total O&M cost of water supply should include the following:

- (i) Salaries of water works staff
- (ii) Electricity consumption charges
- (iii) Cost of consumables like bleaching power, alum, chlorine etc.
- (iv) Cost of replacement of pipelines and other material
- (v) Repair to pump sets, motors, other water supply and electrical installations
- (vi) Loan annuity on loans taken for water supply schemes

### 3.10 Other items of revenue under water supply

In addition to water charges, water supply contribution (donation) is collected for all categories of water supply before connection is given to meet the capital cost of providing water supply. Further, connection charges in the form of road cutting charges, and supervision charges are also collected before sanction of water supply house service connection.

### 3.11 Methodology for fixation of water charges

Besides fixing/revising the water charges to enable the municipal bodies to realise the O&M costs in full, it should conform to the reform contemplated under AMRUT. The reform (milestone) on water supply to be undertaken under AMRUT stipulates that a policy has to be adopted for fixation of user charges at differential rates for individual and institutional assessments duly safeguarding the interests of the vulnerable. In other words, the policy should (i) enable fixation of water charges on self-sufficiency basis, (ii) enable fixation of differential rates for individual and institutional assessments, and (iii) safeguard the interests of vulnerable sections.

As a measure to implement the AMRUT reforms, Govt. of Andhra Pradesh<sup>15</sup> have issued a policy on fixation of user charges for water supply in

ULBs with differential rates. Methodology for fixation of water charges has been detailed in para 7 of the policy document and the different steps in the methodology are given in the following paragraphs.

### **3.11.1 Step 1: Water supply consumed by different categories**

Water supply among various users may be broadly categorized into four (4) categories

- (i) Domestic category
  - (a) Domestic households
  - (b) Bulk domestic, i.e. Apartments and Gated communities
- (ii) Commercial category
- (iii) Industrial category

The total water supplied by the ULB to the above 4 categories need to be worked out on the basis of actual utilization. This can be done month-wise, since meter reading is done once in a month, wherever it is in operation. At the first instance, total water utilised for a month as per actual utilisation may be worked out as per usual procedure. As water supply to bulk domestic, commercial and industrial categories is on the meter basis, the water consumed by these three categories may be worked out based on the meter readings. Then, water supply to domestic household category can be arrived by deducting water used by bulk domestic, commercial and industrial categories from the total water supply in the month. For the purpose of arriving at the percentage of category-wise consumption, details of two or three months are taken and average percentage arrived.

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<sup>15</sup> GO Ms. No.159 MA dated 17-7-2018

**Illustration**

Table 6

Sl. No.	Category	Water supply (MLD)	Percentage
(1)	(2)	(3)	(4)
	Total water supply per month	1000	
1.	Water supply to bulk domestic category (as per meter reading)	100	10
2.	Water supply to commercial category (as per meter reading)	200	20
3.	Water supply to industrial category (as per meter reading)	200	20
4.	Water supply to domestic household category [Total (-) (1+2+3)]	500 1000 (-) 500	50

**3.11.2 Step 2: O & M cost category-wise**

Then, the O&M cost be apportioned among the four categories of water users based on the percentage arrived as per Step 1.

**Illustration**

Total O&M costs of water supply per annum include the following items.

Table 7

S. No.	Item of expenditure	(Rs. in lakhs)
(1)	(2)	(3)
1	Salaries of all employees in water supply section	
2	Electrical consumption charges	
3	Cost of consumables	
4	Cost of maintenance/replacement of pipelines and other material	
5	Repair to pump sets, motors and other installations	
6	Loan annuities (of borrowings taken for water supply)	
	Total O & M cost per annum	

Then, work out the category-wise O&M costs. For example, if the total O&M costs is Rs.200 lakhs per annum, the category-wise cost would be as follows (apportionment as per Step 1)

Table 8

Sl. No.	Category	% of consumption	Cost of O&M allocated (Rs. in lakhs)
(1)	(2)	(3)	(4)
1	Domestic household category	50	100
2	Bulk domestic category	10	20
3	Commercial category	20	40
4	Industrial category	20	40
	<b>Total</b>	<b>100</b>	<b>200</b>

**3.11.3 Step 3: Revenue from water charges:** The revenue realised from water charges includes water consumption charges, donations and all other charges referred in para 3.10. Revenues also need be worked out category-wise as is done in the case of O&M cost.

**Illustration**

If the total revenue under water supply is Rs.150 lakhs per year, the category-wise revenue would be as shown below.

Table 9

S. No.	Category	Percentage of consumption	Revenue per annum (Rs. in lakhs)
(1)	(2)	(3)	(4)
1	Revenue from domestic household category	50	75
2	Revenue from Bulk domestic category	10	15
3	Revenue from commercial category	20	30
4	Revenue from industrial category	20	30
	<b>Total revenue from water charges per annum</b>	<b>100</b>	<b>150</b>

### 3.11.4 Step 4: Percentage of O & M costs realised from various categories

The next step is to find out the percentage of O&M costs realised with reference to the revenue from various categories. The revenue realised from the 4 categories is found under step 3 and the O&M costs category-wise is available under step 2. Based on these figures, percentage of O&M cost with reference to revenue realised can be worked out.

#### Illustration

Table 10

S. No.	Category	Revenue realised per annum (as per step 3) (Rs. in lakhs)	O & M Cost per annum (as per step 2) (Rs. in lakhs)	Percentage of O & M cost realised w.r.t. revenue
(1)	(2)	(3)	(4)	(5)
1	Domestic household	75	100	75
2	Bulk domestic	15	20	75
3	Commercial	30	40	75
4	Industrial	30	40	75

### 3.11.5 Step 5: Self-sufficiency rate to be fixed

The first exercise in fixation of rate is to meet 100% of O & M costs (self-sufficiency rate) for each category of water consumption.

Illustration

Table 11

Sl. No.	Category	Water charges tariff (Rs.)	Revenue per annum (Rs. in lakhs)	O & M costs per annum (Rs. in lakhs)	Percentage of O & M costs realised w.r.t. revenue	Percentage deficit in O&M costs	Percentage by which water charges to be revised to meet 100% of O & M costs	Revised tariff
1	2	3	4	5	6	7	8	9
1	Domestic household	X1 (Rate per tap per month)	75	100	75	25	$\frac{25}{75} * 100 = 33.3$	X1 plus X1*33.3% or X1*1.33
2	Bulk domestic	X2 (Rate per tap per month)	15	20	75	25	$\frac{25}{75} * 100 = 33.3$	X2 plus X2*33.3% or X2*1.33
3	Commercial	Y (Rate per one Kilo Litre)	30	40	75	25	$\frac{25}{75} * 100 = 33.3$	Y*1.33
4	Industrial	Z (Rate per one Kilo Litre)	30	40	75	25	$\frac{25}{75} * 100 = 33.3$	Z*1.33

**3.11.6 Step 6: Differential rates to individual and institutional assessments and to safeguard the interests of vulnerable sections**

After arriving at the rate of water charges to be fixed to achieve self-sufficiency (100% of O & M costs), differential rates have to be provided to individual and institutional assessments and to provide relief to the vulnerable sections as shown hereunder.

1. Domestic category- household

Two rates of water charges may be provided on the basis of property tax paid on the building to provide relief to vulnerable sections.

Table 12

a	Buildings with property tax upto	Rs. 300/- per annum 50% of self-sufficiency rate
b	Buildings with property tax of more than	Rs. 300/- per annum 100% of self-sufficiency rate

2. Bulk domestic - 150% of self sufficiency rate
3. Commercial category - 200% of self-sufficiency rate
4. Industrial category - 150% of self-sufficiency rate

Table 13

S.No.	Category	Existing water tariff(Rs.)	Percentage of water tariff to be enhanced to make it self-sufficient	Revised tariff to make it self-sufficient(Rs.)	Water tariff to be fixed at differential rates(Rs.)
(1)	(2)	(3)	(4)	(5)	(6)
		As per step 5 (col.3, 8 and 9)			
1	Domestic category household				
(a)	Buildings with property tax upto Rs. 300/- per annum	Rs100/- per tap	33.3	100*1.33=133	67 (50% of self-sufficiency rate)
(b)	Buildings with property tax of more than Rs. 300/- per annum	Rs.100/- per tap	33.3	100*1.33=133	133(100% of self-sufficiency rate)
2	Bulk domestic	Rs. 100/- per tap	33.3	100*1.33=133	200(150% of self-sufficiency rate)
3	Commercial category	20 per KL	33.3	20*1.33 =27	54 (200% of self-sufficiency rate)
4	Industrial category	30 per KL	33.3	30*1.33=40	60(150% of self-sufficiency rate)

While fixing/revising the tariff as per the above methodology, the Councils should ensure that the user charges are fair and not regressive to enable the users to pay them willingly. The affordability of the user should also be considered during the exercise and the fixation should be persuasively presented and explained to the public.

### **3.12 Connections on tap rate and meter rate; and fixation of meters**

3.12.1 Domestic household connection is intended to individual houses and the water charges tariff may be fixed at tap rate per month. The tap rate model may be discontinued in the days to come and all connection whether domestic or non domestic should be metered. It ensures equity and judicious use of water and at the same times reduces wastage.

3.12.2 Bulk domestic connection is intended for apartments and gated communities, and they may be provided as metered connections (with water tariff rate per one kilo litre) in view of rapid urbanization and upcoming construction of apartments and gated communities in cities and towns.

3.12.3 Water connection to commercial establishments such as hotels, shops and other non-residential establishments may be treated as commercial category. The size of the water connection may vary from 20mm to 50mm and the water tariff shall be based on rate per one kilo litre.

3.12.4 The industrial category water connection may be treated as bulk consumer and the size of water connection may be above 50mm. The water tariff shall be based on rate per one kilo litre.

3.12.5 All commercial and bulk connections shall be provided with automatic meter reader (AMR) meters for volumetric assessment of the water being consumed.

3.12.6 All new domestic connections shall also be provided with mechanical multi jet meters (with provision for AMR compatibility at a later date) so that over a period of time, there shall be gradual switch over to 100% metering of all water connections. This will help water auditing and also to assess the water losses in the system and for enhancing the overall efficiency of the system.

### **3.13 Periodic revision of water charges**

In majority of ULBs, water charges have not been revised from the year 2005 onwards. In view of the increasing cost for the maintenance of the water

supply every year, the ULBs may consider enhancing water charges by 5% every year. If the rate proposed under the policy is less than the existing rate for any category of water supply, the existing rate may be retained.

### **3.14 Provision of water supply connection outside municipal limits**

As per Section 143 of the Act, the Council may, with the sanction of Government, and shall on the direction of the Government supply water to local authority or person outside the municipality on such terms as may be approved by the Government, wherever there is pipeline very close to the municipal limits.

In view of the above provision, where there is possibility to supply water to any local authority or person outside the municipal limit, the Council may submit a proposal to the Government for permission to supply water to such local authority or person on payment of water charges and other charges at double the rates than applicable within the municipal area.

### **3.15 Revision of water charges**

All the ULBs may take action to amend the water supply bye-laws to revise water charges as per this policy to come into effect from the ensuing year duly following the procedure prescribed in the Act and the rules issued thereunder for amendment of water supply bye - laws.

### **3.16 Collection of water charges**

The following registers have to be maintained in the revenue section to monitor collections under water supply.

- (i) Water Charges Demand Register
- (ii) Meter Ledger (MF No.21D)
- (iii) Water Charges Arrear Demand Register

In addition, the engineering section maintains

- (i) Water Service Connections Register (M.F.No.21A)
- (ii) Meter Register (M.F.No.21B)
- (iii) Meter Reading Cards (M.F.No.21C)

Whenever an application is received for water connection, it is entered in the Water Service Connections Register. After due inspection, the Chairman

in case of municipalities<sup>16</sup> and an officer authorized by the Commissioner in the case of municipal corporations<sup>17</sup> sanctions the water connection. If it is for domestic use, water charges are collected on tap rate basis and if the supply is for non-domestic use, water charges are collected on meter rate basis. The engineering section also maintains Meter Register for supply of meters to the non-domestic taps and Meter Reading Cards for reading the meters (by Meter Reader). Government have issued rules relating to house service connections in GO Ms. No.487 MA dated 14-8-1977. The Chairperson is competent to sanction water connection. However, he has to sanction water connection in consultation with Municipal Engineer. In case there is difference of opinion between Chairperson and Municipal Engineer, the matter shall be referred to Superintending Engineer and his decision is final<sup>18</sup>. The rates of water charges are fixed by the Council and form part of bye-laws.

### **3.16.1 Water charges Demand Register**

Whenever water connection is sanctioned, the engineering section sends a report to revenue section along with the date of connection and as to whether it is for domestic use (tap rate) or non-domestic use (meter rate). If it is for domestic use, it has to be entered in Water Charges Demand Register. This register provides, among others, information relating to name of house owner, door number, date of connection, monthly / half yearly water charges payable on tap rate basis (demand), collection (amount and date), and balance at the end of the year. The register finally gives the Demand, Collection and Balance (DCB) of water charges on tap rate basis.

### **3.16.2 Meter Ledger**

Tap connections given on meter rate basis are entered in the Meter Ledger. The Meter Reader (Engineering section) maintains two (2) meter reading cards, one is given to the house owner and the other sent to revenue section every month. The revenue section will prepare bill/demand notice and make collection of water charges. The charges are calculated on the basis of meter reading and the rate fixed by the Council and notified in the byelaws. The water charges are made every month and demand notice issued on monthly basis. The Meter Ledger is maintained in MF No.21D and it records the tap connections on meter basis. Besides details like owner's name and house number etc. the

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<sup>16</sup> Section 140 (1) of the Act

<sup>17</sup> Section 353 (1) (a) of GHMC Act

<sup>18</sup> Rule 10 (2)(b) of Municipal Works Rules, 1967 amended in 2002

ledger contains water consumed every month, amount billed, amount collected and balance at the end of the year. Based on meter reading card and rate fixed by the Council, the demand is fixed and amount billed. Collections will be entered month-wise as in the case of property tax and balance struck at the end of the year.

### **3.16.3 Issue of bills**

The water supply bye-laws in general provide for collection of water charges on monthly basis. Since it is cumbersome to collect water charges every month and is time-consuming, as a practice water charges on tap rate basis are collected once in a half-year along with property tax. As regard metered connections, they are collected every month. After preparation of bills for collection of water charges, they have to be stamped with the facsimile signature of the Commissioner and entered in the Register of Miscellaneous Bills (MF No.60).

### **3.16.4 Service of bills**

Bills have to be issued to the Bill Collectors before end of April for first half-year and before end of October for the second half-year in respect of connections on tap rate basis. Regarding connections on meter-based taps, bills have to be prepared every month by 10<sup>th</sup> of succeeding month and issued to Bill Collectors. Bills have to be served on the house owners within 15 days from date of receipt of the bills by the Bill Collectors. The procedure prescribed under the Act for service of documents has to be followed<sup>19</sup> and the procedure is:

- (i) By giving to the owner of the service connection duly obtaining acknowledgment on the office copy of the notice with date
- (ii) Whenever the owner of service connection is not found in the building, by handing over the same to some adult member or servant of his family by obtaining signature with date from such person. In these cases, the name of the person on whom notice is served be got written in capital letters underneath the signature duly noting down the relationship of the recipient to the owner of the service connection. Date of service shall be noted in the office copy of the notice (As far as possible, service of the notice on the servant of the family should be avoided)

- (iii) If the owner of the service connection does not reside in the municipality and his address elsewhere is known, by sending the same to him by registered post acknowledgement due
- (iv) If the above methods are not available, by fixing the same to some conspicuous part of such place of abode or business (with proper panchanama/proof).

### **3.16.5 Collection of water charges**

Water charges have to be paid within 15 days from the date of service of the bill. The Commissioner is competent to order for disconnection of water supply if water charges are not paid within the stipulated time<sup>20</sup>. Further, arrears of water charges can be collected as arrears of property tax. All efforts have to be made to collect water charges without any arrears, since the Commissioner is empowered to disconnect water supply and to collect water charges as arrears of property tax. Whenever there is a request from revenue section for disconnection of water supply, the engineering section has to comply with the request and take action to disconnect water supply.

### **3.16.6 Water charges Arrear Demand Register**

The balance of water charges outstanding at the end of the year has to be transferred to Arrear Demand Register. Balances of water charges on tap rate basis (Water charges Demand Register) as well as meter basis (Meter Ledger) are entered in this register. The balances are entered year-wise beginning from the earliest year. Collections will be entered month-wise as in the case of property tax and balance struck at the end of the year. This register should be prepared by the end of April of every year.

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<sup>19</sup> Sec.353 of the Act

<sup>20</sup> Section 144 of the Act

## Chapter 4

### Fees from Markets and Slaughter Houses

Municipalities maintain public markets and slaughter houses for the convenience of the public and levy fees for their use.<sup>21</sup> Municipalities may place collection of such fees under the management of such persons on such terms and conditions.<sup>22</sup> This means that the municipality may lease out the right to collect fees (fees fixed by it) to a third party. The right to collect fees in the markets and slaughter houses to the third party shall be effected by public auction. Auctioning the right and entrusting it to a third party are detailed in rules relating to regulation of receipts and expenditure.<sup>23</sup> The detailed procedure for leasing out the right to collect fee in markets and slaughter houses is prescribed in rules 7 and 12. The rules have been amended recently<sup>24</sup> and they are very exhaustive. The Commissioner shall prepare a preliminary notice (draft sale notification) wherein the right to collect fees for use of markets and slaughter houses (including other leasehold rights) is proposed to be leased out by the Council. The preliminary notice (sale notification) has to be approved by the Council.

#### 4.1 Preliminary Notice (Sale Notification)

The preliminary notice (sale notification) shall set forth the following conditions for lease of immovable properties including markets and slaughter houses.

- (i) The rate of fee for use/occupation of space in the market
- (ii) The rate of fee for slaughtering of various animals in the slaughter house
- (iii) The selection of the lessee shall vest in the Council / Contract Committee / Commissioner depending on the value of the lease amount<sup>25</sup>
- (iv) The participant has to pay security deposit as specified in the preliminary notice (sale notification), and furnish a solvency

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<sup>21</sup> Section 277 (2) and 271 (1) of the Act

<sup>22</sup> Section 277 (2) and 271 (2)(a) of the Act

<sup>23</sup> GO Ms. No.686 MA dated 30-7-1968

<sup>24</sup> GO Ms. No.56 MA dated 5-2-2011

<sup>25</sup> Section 43 of the Act

certificate as specified in the preliminary notice (sale notification) issued by an officer of Revenue Department not below the rank of Tahsildar in case of landed property or by the Commissioner in case of house property in the municipality before participating in the auction

- (v) Where the period of lease is one year or below, the lessee shall deposit one-fourth of the lease amount including the security deposit already paid within one week from the date of confirmation of the lease. The security deposit is adjusted towards the monthly installments of last three months of the lease period. The deposit amount shall not carry any interest
- (vi) The balance of the lease amount shall be paid in equal monthly installments within a period of nine months commencing from the 1 April. A due date has to be fixed for payment of monthly installments. If the monthly installment is not paid within the due date, it attracts penal interest as specified in the preliminary notice (sale notification)
- (vii) The lease deed shall be executed and registered within 15 days from the date of confirmation of the lease at the cost of the lessee
- (viii) If any installment due is not paid within one month of the date on which it becomes payable, the Commissioner shall forthwith report the matter to the Council which thereupon shall terminate the lease and put the leasehold right for public auction at the risk of original lessee. The Council may also order its management departmentally till new lease is confirmed
- (ix) The lessee shall maintain correct accounts and registers of collections made by him and produce before the Commissioner by 15<sup>th</sup> of each month and get the same affixed with the Council seal.

#### **4.2 Auction of Leasehold Rights**

The preliminary notice (sale notification) after approval of the Council shall be published in the District Gazette and on the notice board of the municipal office, collectorate, revenue division office and Tahsildar office. It shall also be announced through microphone wherever possible. The date of auction shall be published in one or more newspapers having wide circulation in the district.

The Commissioner or an officer duly authorised by him shall conduct the auction subject to the conditions stipulated in the sale notification. After completion of the auction, the Commissioner shall place before the Council/Contract Committee/Commissioner a list of bids received at the auction together with a comparative statement of the income realized during the past three years with a recommendatory note. Normally, the Council/Contract Committee/Commissioner accepts the highest bid. Where the bid accepted is not the highest, the reasons for rejection shall be recorded. In exceptional cases, where sales in public auction have proved unsuccessful on atleast two occasions owing to want of bidders or strong combination among them, the Commissioner may invite sealed tenders for the lease and place such tenders before the Council/Contract Committee/ Commissioner for necessary action.

### **4.3 Registration of Lease Deed**

After approval of the bid by the competent authority, the Commissioner shall enter into a written contract with the successful bidder. A lease deed shall be executed and registered at the cost of the lessee incorporating all conditions of lease set forth in the sale notification.

The collection of amounts due from the lessee shall be watched through the Miscellaneous Demand Register (MF No.21).

### **4.4 Departmental Management**

Whenever the market or slaughter house is managed departmentally, all fees levied in respect of the use thereof shall be collected by means of tickets printed and supplied by the Commissioner. The tickets shall be printed in foil and counterfoil for different rates of fees. Before issue of tickets to the collecting officers they shall be stamped with the common seal of the Council in the presence of the Commissioner or any officer authorised by him.

A register in two parts shall be maintained in the municipal office in respect of these tickets. The first part shall be a stock register. The second part shall be a personal ledger for each officer entrusted with the collection of fees by means of these tickets. The stock register shall be debited with the number and value of each kind of ticket issued to each collecting officer and shall be credited with the amount of collections remitted by him into the municipal office. Remittances shall be made by the collecting officer every day and shall be accompanied by details of the number and value of each kind of ticket issued to him.

Where any ticket book has been completely used, the counterfoils shall be returned to the municipal office for check with actual credits and get a new book. The collecting officer shall also keep an account of the tickets given to him and the collections made by him in the personal ledger. The daily collections by each kind of ticket shall be entered in such account and the balances struck at the end of every day. This account and the stock of tickets shall be verified at regular intervals by the Commissioner or any officer authorised by him, who shall certify such verification.

#### **4.5 Revision of fees**

The Commissioner shall undertake a study of the rates of fees collected for various items sold in the market and various animals slaughtered in the slaughter house with reference to the rents or charges prevailing in the vicinity of the market or other places used for similar purposes and place the proposals before Council once in every three years for revision of fees.

## Chapter 5

### Lease of Immovable Properties of Municipalities

As per Section 277 (4) of the Act, the Council may lease any immovable property like land, shop, godown, building or terrace of a building owned by it for any period not exceeding five years at a time and subject to such terms and conditions as the Council may deem fit. The Council is also competent to grant with the prior sanction of the Government, any such lease for a period exceeding five years but not exceeding twenty five years at a time.

As per Rule 12 (1) (e) to (h) of the Regulation of Receipts and Expenditure Rules, 1968 as amended by G.O.Ms No.56 MA dated 05-02-2011, among others, all sales of leases of the buildings, shops or godowns and of land belonging the Council shall be effected by public auction.

#### 5.1 Preparation of notification of lease

The Commissioner shall prepare a preliminary notice (lease notification) setting forth the terms and conditions subject to which the lease of immovable properties will be granted namely:

- (a) The selection of the lessee shall vest in the authority competent to approve the lease.
- (b) Upset price fixed for the lease of the property or renewal of lease of property.
- (c) A person intending to participate in the auction shall deposit as security such sum as specified in the notification and submit a solvency certificate as prescribed in rule 7(3) (b).
- (d) The lessee shall deposit an amount equal to three monthly installments of the lease amount including the security deposit within a week from the date of confirmation/ renewal of the lease.
- (e) The monthly installments shall be paid within the due date as prescribed in the notification.
- (f) The lease deed shall be executed and registered within one month from the date of confirmation or renewal of the lease at the cost of the lessee.

- (g) If monthly installments are not paid within one month of the due date, the lease is liable for termination.

## **5.2 Manner of fixing the upset price for lease**

The upset price for lease of immovable properties for the first time or renewal shall be fixed by the Council in the following manner:

- (a) In case of lease for the first time, rent at 10% of the current market value of the property per annum i.e. both land and building; of the land as per market value and of the building as per construction rates of the structures and buildings fixed by Registration Department under the Telangana/Andhra Pradesh Revision of Market Value Guidelines Rules, 1998 (or) prevailing rent of such properties situated in the vicinity whichever is higher.
- (b) In case of renewal of lease, the upset price shall be fixed either at the rent mentioned in clause (a) or rent at 33 1/3 % above the earlier rent whichever is higher.

## **5.3 Manner of Publication of notification**

The lease notification shall be approved by the Council and after approval, it shall be published as a notification in the following manner:

- (a) In the District Gazette and in one or more newspapers having wide circulation in the municipality.
- (b) In the municipal office, Collector's office, offices of Revenue Divisional Officer and of Tahsildar.
- (c) By announcing through micro-phone wherever it is possible to do so.

## **5.4 Renewal of lease of Immovable Properties**

The Council may renew the lease of immovable properties for a period of three years at one time and with the prior sanction of the Government for a period exceeding three years and not exceeding twenty-five years at a time without conducting public auction if the present lessee agrees to renew the lease in his favour at the rent as fixed hereunder and for revision of the rent once in three years as per the procedure specified below:

- (a) Rent at 10% of the current market value of the property per annum i.e. both land and building, of land as per market value and of building as per construction rates of the structures and buildings fixed by Registration Department under Revision of Market Value Guidelines Rules, 1998 (or)
- (b) Rent at 33 1/3 percent above the earlier rent, or;
- (c) Prevailing rent of such properties in the vicinity whichever is higher.

### **5.5 General conditions of auction**

The conditions in respect of security deposit and solvency certificate etc. as referred in para 5.1 shall be followed. As regards deposit, six months rent has to be insisted and the deposit would be adjusted towards rent of the last six months of the lease period. The deposit does not carry any interest. The regular monthly lease amount should be collected on a date fixed for the purpose and penal interest is also collected, if the monthly rent is not paid in time. Further, the lease should be in writing and registered.

The bids at the auction shall be placed by the Commissioner before the competent authority<sup>26</sup>, ie., Council or Contract Committee or Commissioner. The competent authority normally accepts the highest bid for the leasehold right of the property. Where the bid accepted is not the highest, the reasons for rejecting the bid or bids higher than the one accepted shall be recorded in writing.

### **5.6 Conditions of Lease**

The sale of lease of the buildings and shop rooms, among others, is subject to the following conditions.

- (i) If the bid in the auction is found to be lower than that obtained in the previous lease and if the previous lessee desires continuance of the lease at the old rate, the competent authority may notwithstanding the public auction held, grant the lease to him.
- (ii) The Council with the prior sanction of the Government or the Government may dispense with public auction and allot shop or shops to any institution on rent which shall not be less than that

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<sup>26</sup> Section 43 of the Act

which the adjoining shops of the same or similar accommodation in similar circumstances usually fetch in public auction.

- (iii) 15% of the shops and stalls shall be reserved for allotment to the members of scheduled castes (SCs) without normal channel of public auction at 50% of the rent of adjacent shops or stalls leased out in public auction or at the rent of Rs.2-50 per square foot per month whichever is less. Further, production of solvency certificate and six months advance rent need not be insisted upon such members of SCs.
- (iv) 6% of the shops and stalls shall also be reserved for allotment to the members of scheduled tribes (STs) without normal channel of public auction at 50% of the rent of adjacent shops or stalls leased out in public auction or at the rent of Rs.2-50 per square foot per month whichever is less. Further, production of solvency certificate and six months advance rent need not be insisted upon such members of STs.
- (v) The Council may lease out vacant sites belonging to it for a period not exceeding five years dispensing with public auction in special cases with the prior approval of the Government.
- (vi) The Council may lease out the fishing rights in the tanks other than fresh water tanks belonging to it in favour of fisherman's cooperative societies or scheduled castes or scheduled tribes cooperative societies engaged in fishing operations as may be notified or approved by the Government without conducting auction for a period of three years. The lease amount shall be fixed basing on the average income realised for the past three years and also in consultation with Director of Fisheries.

## Chapter 6

### **Auction of shop rooms constructed on the basis of Goodwill**

Government accorded permission to the ULBs in the year 1998 for construction of shopping complexes in the vacant lands based on the good will amount raised through public auction and leasing out shop rooms on monthly rental basis to the successful bidders to enable ULBs to improve municipal revenues. Guidelines were issued initially in this matter in G.O. Rt. No.535 MA dated 08-07-1998 and later on revised guidelines in G.O.Ms. No.21 MA dated 18-01-2013 were issued in supersession of the guidelines issued earlier in the year 1998.

#### **6.1 Preparation of design by Architect and approval of the design**

Whenever a municipal site for construction of shopping complex is identified, the Commissioner shall arrange to prepare a design and an estimate by engaging an Architect who has got good reputation and experience as per prescribed procedure. A minimum of 1% of project cost can be paid as consultancy fees to the Architect. The design has to be got approved by Director of Town and Country Planning and the estimate has to be got approved by SE (PH) or Engineer-in-Chief (PH) as the case may be as per existing rules.

#### **6.2. Procedure for fixation of monthly rent**

The monthly rent under this scheme has to be collected mainly for the land in question for the reason that cost of construction of shopping complex will be realized from the prospective lessees as goodwill amount. In this connection it may be stated that the Revenue Dept. in G.O.Ms No.100 dated 02-02-2010 has fixed the standard rent for the grant of government lands leased for industry and trade purposes at 10% of the current market value of the site per annum prevailing at the time of grant of lease. Similarly municipal authorities shall calculate the rent chargeable for shop rooms constructed under goodwill auction and arrive at annual rent at 10% of the current market value of the land.

#### **6.3. Allotment of shops on auction of goodwill amount**

As a measure to raise revenues for the construction of shopping complex, the proposed shop rooms (as per the approved design) have to be put to public auction. The public auction should be on the basis of non-refundable deposit (good will) payable to the municipality.

#### **6.4. Lease period**

The lease period should be fixed initially for five years and it can be renewed for 3 years @ 33 1/3% excess over the lease amount, and for another period of 3 years @ 33 1/3% excess over the lease amount.

#### **6.5. Fixation of monthly rent**

The annual rent chargeable for markets / shopping complexes / remunerative enterprises to be constructed under goodwill amount auction method shall be fixed by the Council at 10% of the market value of the land as fixed by the Registration Department under the Revision of Market Value Guidelines Rules, 1998.

#### **6.6 Fixation of upset price for goodwill amount**

After getting the technical sanction of the estimate for construction of shopping complex under this method from the competent authority, the estimated cost of each shop room shall be calculated based on the total estimated cost of the shop rooms. The upset price for lease of each shop room by way of the goodwill amount (non-refundable amount) shall be fixed at an amount equal to the estimated cost of each shop room as calculated above. Public auction should be conducted for the goodwill amount as stipulated in Rule 12-A of Municipalities (Regulation of Receipts and Expenditure) Rules, 1968 as subsequently amended. The goodwill amount shall be paid in four installments namely:

- (i) 25% of the goodwill amount shall be paid immediately after approval of the bid.
- (ii) 25% of the goodwill amount shall be paid when construction comes upto lintal stage.
- (iii) 25% of the goodwill amount shall be paid after the roof is laid.
- (iv) Balance 25% of the goodwill shall be paid at the time of handing over the shop room.

#### **6.7 Preparation of lease notification for auction of shop rooms**

The Commissioner shall prepare a lease notification setting forth the terms and conditions subject to which the lease of shopping complexes by way of goodwill amount will be granted namely:

- (i) The selection of the lessee shall vest in the authority competent to approve the lease
- (ii) Monthly rent shall be fixed for each shop room
- (iii) Upset price to be fixed in respect of goodwill amount for each shop room
- (iv) A person intending to participate in the auction shall deposit as security such sum as specified in the notification and submit a solvency certificate as prescribed in Rule 7(3) (b) of the Municipalities (Regulation of Receipts & Expenditure) Rules, 1968
- (v) The lessee shall deposit an amount equal to three monthly installments of the lease amount including the security deposit within a week from the date of confirmation or renewal of the lease
- (vi) The monthly installments of rent and goodwill installments shall be paid within the due date as provided in the notification
- (vii) The lease deed shall be executed and registered within one month from date of confirmation or renewal of the lease at the cost of the lessee.
- (viii) If the above installments are not paid within one month of the due date, the lease is liable for termination.

### **6.8 Publication of lease notification**

The lease notification, after approval by the Council shall be published in the following manner:

- (i) In the District Gazette and in one or more newspapers having wide circulation in the municipality.
- (ii) In the offices of the Municipality, District Collector, Revenue Divisional Officer and Tahsildar.
- (iii) By announcing through micro-phone wherever it is possible to do so.

### **6.9 Administrative sanction of the Government**

The administrative sanction of the Government for the project should be obtained before putting the shops to public auction. The bid of goodwill amount in the public auction should be accepted by the Council.

### **6.10 Committee at District Level for supervision**

The identification of site, appropriate selection of Architect, design, publicity, auction of shops on the basis of goodwill and execution of work have to be supervised by a Committee at the district level. The Committee will be headed by the District Collector and shall consist of the Regional Director-cum-Appellate Commissioner of Municipal Administration, the Superintending Engineer (PH), the Regional Deputy Director of Town & Country Planning and the Chairpersons and the Commissioners of the municipalities concerned.

### **6.11 Economical construction of shopping complex**

The construction of the shopping complexes should be done most economically with cement flooring and minimum electrical points. The lessees may be permitted to undertake flooring and electrical points as required by them at their own cost. They should not disturb the main structure of the shops rooms, but they can make internal arrangements at their own cost to suit the business. They shall bear the maintenance charges of the shop rooms.

The shop rooms shall be handed over to the lessees within one year from the date of agreement with the municipality after payment of initial deposit. The transaction should be in writing and the relevant agreement should be registered as per law.

### **6.12 Reservation for SCs and STs**

The usual reservations for SCs and STs in the matter of letting out the shops will continue. However, the procedure for auction based on goodwill deposit should be the same as per other categories.

### **6.13 Miscellaneous Demand Register**

The leases of shop rooms shall be entered in Miscellaneous Demand Register and the collections should be monitored through this register.

## Chapter 7

### Building permit fees and other town planning related fees/charges

Every licence or written permission given by the municipality shall specify the purpose, the period and the restrictions and conditions subject to which the same is granted<sup>27</sup>. For every such licence or written permission, a fee shall be charged at such rate as shall from time to time be fixed by the Council<sup>28</sup> or by the Commissioner with the sanction of the Corporation<sup>29</sup>. The fee fixed by the Council/Corporation shall be notified by the Commissioner and should be published in the District Gazette.

The acceptance of pre-payment of fee for a licence or permission shall not entitle the person making such pre-payment to the licence or permission.<sup>30</sup>

#### 7.1. Main categories of fees and charges

Main categories of fees and charges levied under town planning activities are given below:

- (i) Conversion charges (For Lay outs)
- (ii) Approval of layouts
- (iii) Building permit fee
- (iv) Construction of huts
- (v) Betterment charges
- (vi) External betterment charges
- (vii) Impact fee
- (viii) City level infrastructure impact fee
- (ix) Development charges

The basis for arriving at the quantum of building permit fees and other categories of fees and charges is given below.

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<sup>27</sup> Section 344 (1) of the Act

<sup>28</sup> Section 344 (2) of the Act

<sup>29</sup> Section 622 (2) of the GHMC Act

<sup>30</sup> Section 344 (13) of the Act/Section 622 (7) of GHMC Act

## 7.2 Conversion charges (For Lay outs)

The owner of any agricultural land who intends to utilize or sell such land for building purposes shall pay to the Council such conversion fee as may be fixed by Council.<sup>31</sup> Therefore, the Council has to fix the conversion fee in the unit of square meter and the Commissioner shall collect the conversion fee when any person applies to the municipality for utilizing or selling the agricultural land for building purpose in the municipality.

## 7.3 Approval of Layouts

The Council is competent to sanction a lay out having regard to the recommendations of Director of Town and Country Planning.<sup>32</sup> As such, the Council should fix layout approval fee. The lay out fee may be fixed per acre or hectare of land.

## 7.4 Building permit fee

Construction or reconstruction of building is governed under Section 209 of the Act. Any person intends to construct or reconstruct a building has to apply to Commissioner for

- (i) Approval of site<sup>33</sup>, and
- (ii) Permission to execute the work<sup>34</sup>.

As such, to sanction a building plan, the municipality should collect fee for approval of site and also for construction of building. The site approval fee and building permit fee shall be fixed by the Council on a square meter basis. While the site approval is only with reference to the area of the total site, building permit fee is chargeable on many factors. Besides the plinth area of the building, the other factors are the use of building (residential/commercial/institutional/function halls etc), compound walls, drinking water wells, septic tanks etc. The quantum of fee charged shall have relationship to the cost of issuing the permission, cost of inspecting the premises for sanction of permission, cost of subsequent inspection of the premises to verify whether building is being constructed as per plan, cost of action to be taken for violation of the conditions of building permission, and cost of issuing occupancy certificate etc.

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<sup>31</sup> Section 184 (1) of the Act

<sup>32</sup> Section 185 (3) of the Act

<sup>33</sup> Section 209 (1) clause (a) of the Act

<sup>34</sup> Section 209 (1) clause (b) of the Act

The building permit fee therefore varies depending on the plinth area of the building, type and use of construction i.e., individual building or residential/commercial apartment or commercial or office complex. The Council / Corporation is competent to prescribe the fee for approval of site and building permit fee.

### **7.5 Construction of huts**

Every person who intends to construct or reconstruct a hut shall take permission from the Commissioner for (i) approval of site<sup>35</sup> and (ii) construction of hut<sup>36</sup>. As such, the Council has to fix separate rates for site approval for construction of huts and also for construction of huts.

### **7.6 Betterment Charges**

This levy exists in municipal corporations only. Under Municipal Corporation Layout Rules<sup>37</sup>, betterment charges are levied and collected from a private person to meet the costs of roads, drains, street lights and avenue plantation while approving layouts and sub-division of plots.

Under GHMC Act, 1955/Municipal Corporations Act, 1955<sup>38</sup>, drainage betterment charges are also collected while according approval for the layout development. These charges are levied for the land area in case of approval for layouts and sub-divisions.

If the site proposed for building construction falls in the unapproved layouts betterment charges will be levied both for land area and built up area in accordance with the provisions of the Act.

### **7.7 External Betterment Charges**

This levy exists in the municipal corporations. Under Section 463A of the GHMC Act, 1955/Municipal Corporations Act, 1955, it shall be lawful for the Corporations to levy and collect external betterment charges at the time of according approval to the layouts or sub-divisions of a plot or issue of building permit for the purpose of providing or maintaining major arterial roads, lung spaces, and other major civic infrastructure.

However, such charges shall not be levied in the case of layouts which were finally released before 10 March 1986 and also for residential buildings

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<sup>35</sup> Section 220 (1) clause (b) of the Act

<sup>36</sup> Section 220 (1) clause (a) of the Act

<sup>37</sup> Schedule IV of MCH (Lay out) Rules, 1965

<sup>38</sup> Section 388 of GHMC Act

whose plot area does not exceed 200 sq.m. Further, such charges shall not be levied and collected in respect of layouts or buildings taken up in notified slums. After the slum is denotified, such charges shall, however be collected.

The external betterment charges shall not exceed thirty percent of betterment charges being collected by the Corporation as per the MCH (Layout) Rules, 1965.

### **7.8 Impact Fee**

Government permitted GHMC through G.O. No.766 MA dated 18.10.2007 to levy and collect impact fee to mitigate the impact of construction of commercial buildings that lead to increased traffic and necessitates decongestion measures. This fee is collected for the sites abutting certain important potential roads where there is demand for commercial activity.

The impact fee is meant to address city wide problems emanating from high density commercial development. The fee collected is utilized for implementation of capital improvement and decongestion plan i.e. for works such as road widening, link roads, slip roads, parallel roads, junction improvements, flyovers etc. Impact fee is 'one-time' charge collected at the time of granting permission for a building abutting certain important and notified roads.

### **7.9 City Level Infrastructure Impact Fee**

This levy exists in various ULBs in Andhra Pradesh. It is levied as per the provision contained in the Andhra Pradesh Building Rules, 2017. This is a 'one-time' charge levied at the time of granting permission for the high-rise buildings. Buildings of more than 15m (excluding stilt floor) high are considered as high-rise buildings. The fees would be levied based on the use of the building and height of the building as provided in the Building Rules and varies from Rs.200 to Rs.3,000 per sq.m.

The amount levied and collected under this provision is credited and maintained in a separate escrow account by the concerned ULB and 50% of the amount is being utilized for development of infrastructure in the same area and balance utilized towards improvement of city level capital infrastructure. An Infrastructure Plan and Action Plan for implementation are required to be prepared by the ULB and the fund has to be utilized accordingly.

### **7.10 Development charges**

Section 18A of the Andhra Pradesh Town Planning Act, 1920/Telangana Town Planning Act, 1920 provides levy of development charges in the Master Plan areas of the ULBs which are not falling in the jurisdiction of Metropolitan/Urban Development Authorities. This section is inserted during 1996. The development charges are levied for change of land use or building use and for development of land or building for which permission is required. The land uses are classified as industrial, commercial, residential, agricultural/conservative, recreational and others. Levy of development charges do not apply on the lands belonging to the Central and State governments.

### **7.11 Procedure for levying various categories of fees and charges**

The building permission fee, betterment charges and other charges are intended to ensure planned development of the municipality. The Commissioner shall consider the costs associated with the issue of building permissions and the regulation of building and town planning activities and work out the amount of various fees and charges under town planning activities. He may also compare the amounts with the neighbouring municipalities in the district and the region. After arriving at the amounts, the proposals have to be placed before the Council and get their approval. After obtaining the approval of the Council for fixation of various fees and charges, a notification has to be issued in the District Gazette along with a schedule of rates containing various fees and charges. It is also necessary to make a brief press notification in one or two local news papers.

The Commissioner should also take action for revision of the above categories of fees and charges once in two years keeping in view the cost of regulating the construction of buildings and funds needed (in the form of betterment charges) for provision of civic amenities in the layout areas and unauthorized layouts etc.

### **7.12 Collection of fees and charges**

Generally, building licence fee does not have any demand and the collections are considered as income. There would be no demand register to watch the collection of fee. The licence fees collected under this category have to be entered in the Register of Miscellaneous Licences (MF No.51).

## Chapter 8

### Trade licence fees

#### 8.1 Trade licence fee in municipalities

The Council shall issue a notification to the effect that no place within municipal limits shall be used for any or more of the purposes specified in schedule IV of the Act without the licence of the Commissioner and subject to the conditions specified therein<sup>39</sup>. The notification shall be published in the district gazette and on the notice board of all important offices in the municipal limits. The purposes mentioned in schedule IV for usage of places are commonly known as dangerous and offensive trades (D&O trades). The Council is competent to fix the fees for every licence or permission on such units and at such rates<sup>40</sup>. Trade licence fee is a major non-tax item in municipalities.

#### 8.2 Basis for fixation of licence fee

A licence fee for carrying on a trade or purpose shall not be regarded as a tax. The following principles may therefore be kept in view while fixing the licence fee.

- (i) Cost of issuing the licence
- (ii) Cost of inspecting the premises to see whether they are suitable for the purpose proposed
- (iii) Subsequent cost of inspecting the premises to see that they are being used properly and that the conditions and restrictions imposed are complied and followed
- (iv) Cost of keeping the surroundings of the premises clean where trade is located.

#### 8.3 Grant of licence

The owner of every place covered by schedule IV of the Act, within 30 days of publication of the notification under section 263 shall apply to the Commissioner for a licence for the use of such place for such purpose. He has to pay the prescribed licence fee along with the application.<sup>41</sup> Application for renewal of such licence shall be made not less than thirty days and not more than ninety days before the end of every year. Application for licence for places

<sup>39</sup> Section 263 (1) of the Act

<sup>40</sup> Section 344(2) of the Act

to be newly used shall be made not less than thirty days and not more than ninety days before they are used. The Commissioner after inspection of the premises may either grant or refuse the permission<sup>42</sup> and in case of refusal, he has to give reasons.<sup>43</sup> Generally the licence fee for running trades is for a financial year and the licence expires at the end of the financial year<sup>44</sup>.

The acceptance of pre-payment of fee for a licence or permission shall not entitle the person making such pre-payment to the licence or permission<sup>45</sup>.

#### **8.4 Yearly and Monthly lists of trades**

Licence fee under trade licences is demanded and to be watched through a Demand Register. The Sanitary Inspectors are required to submit yearly lists of trades and premises liable for licence after commencement of every year by 30 April for scrutiny and approval by the Commissioner. Further, they should also submit monthly lists showing names of all persons who carry on trades or using premises newly and liable to take out licence during the month. If any trade or premises is found unlicensed (without paying licence fee), the Sanitary Inspector should ensure that the trade is stopped. Else, the person carrying on the trade or business should be prosecuted with the approval of the Commissioner. Persons shown in the monthly lists who have not taken out the licences should also be similarly prosecuted.

#### **8.5 Prosecution of unlicensed trades**

A notice has to be issued to the person before launching prosecution calling him to take out the requisite licence and warning him that if he does not do so within a reasonable time, he would become liable to be prosecuted. The prosecution should be launched as early as possible after the commencement of the year or commission of the offence if it is commissioned in the course of the year but in any case within three months of the commission of the offence. Further, failure to take out a licence shall be deemed a continuing offence until the expiration of the period i.e. end of financial year<sup>46</sup>. In view thereof, prosecution can be launched within three months from the closure of the financial year in respect of trades run in the previous financial year.

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<sup>41</sup> Section 263 (2) of the Act

<sup>42</sup> Section 263 (4) of the Act

<sup>43</sup> Section 263 (5) of the Act

<sup>44</sup> Section 263 (6) of the Act

<sup>45</sup> Section 344 (13) of the Act

Ordinarily, there should be no arrears under trade licence fee, if the Sanitary Inspectors follow the above procedure. The Commissioner should review this work once in a month. Wherever there is a post of Municipal Health Officer, the Commissioner may delegate these powers to him.

### **8.6 D&O Trades Demand Register**

This register provides a record of D&O trades liable for licence, demand, collection and balance of licence fees. As explained above, the Sanitary Supervisors/Inspectors in-charge of various wards have to submit yearly lists of D & O trades which require licence from the municipality. They will also submit monthly lists showing new trades, which require licence. All these trades will be brought into the D & O Trades Demand Register. Based on the yearly lists and monthly lists, the demand will be fixed as per the licence fee notification made by the Council.

The collections under D&O trades, which are generally made through challans will be entered in the Register of Miscellaneous Licences (MF No.51). Thereafter, they will be entered in the D&O Trades Demand Register. At the end of the year, the demand, collection and balance statement has to be brought out as in the case of other revenues.

### **8.7 D&O Trades Arrear Demand Register**

This register provides a record of balances of licence fee under D&O trades outstanding at the end of the year. The amounts (licence fees) remained uncollected at the end of an year in the D&O Trades Demand Register will be brought into D&O Trades Arrear Demand Register. They will be entered year-wise beginning from the earliest year. The collections have to be posted and balances struck at the end of the year.

### **8.8 Trade licence fee in Municipal Corporations**

As per section 521 of GHMC Act, 1955 /Municipal Corporations Act, 1955 (Andhra Pradesh), a licence is required from the Commissioner for the following purposes:

- (i) To keep articles mentioned in Part I, II and III of Schedule 'P' in any premises.

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<sup>46</sup>Section 366 of the Act

- (ii) To carry on any of the trades or operations connected with the trade specified in Part IV of Schedule 'P'.
- (iii) To carry any dangerous and offensive trade likely to be dangerous to life, health or property of the citizens.

Certain trades and commercial establishments are statutorily required to obtain trade licence from the Commissioner to run their trades / operations<sup>47</sup>. Regulatory control over the process or manner of the trade or operation and compensatory service in the form of provision of additional cleaning service, infrastructure of roads and lights and other utility services constitute the basis and rationale for the municipal trade licence. Without regulatory control the trades potentially can cause nuisance, health hazards to the residents and damage to the private as well as public properties in the area. Thus it is imperative that every trade needs to be enrolled and registered in municipal records and regulated through trade licenses. Term of trade licence expires by 31 March every year and has to be renewed for the succeeding financial year in the month of April.

### **8.9 Fee to be chargeable**

For every such licence under section 521 of the GHMC Act 1955 / Municipal Corporations Act 1955, fee may be charged, at such rate as may be fixed by the Commissioner, with the sanction of the Corporation as per section 622(2) of GHMC Act 1955/Municipal Corporations Act 1955. In case of belated application, an additional fee shall be charged at the following rates:

- (i) Upto a delay of 60 days - 25% of the licence fee
- (ii) Over 60 days - 50% of the licence fee

### **8.10 Application for grant or renewal of licence**

Every application for grant or renewal of trade licence shall be made to the Commissioner in the prescribed form. An application for renewal of licence shall be made within 30 days before expiry of previous licence duly enclosing the following documents/ information.

- (i) Blue print plan of the site and building
- (ii) Present usage of the premises

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<sup>47</sup> Section 521 and 622 of GHMC Act/ Corporations Act (Andhra Pradesh)

- (iii) Width of the street
- (iv) Buildings located in 30 meters around the premises proposed for trade stating whether those are used for residential or non-residential purposes
- (v) True copy of the title deed of the premises or copy of lease deed
- (vi) Certificate showing upto-date payment of property tax from municipal corporation

The fee payable in respect of a licence shall be remitted to the municipal treasury in advance of the application for grant / renewal of licence and receipt shall be attached to the application. No licence or permission shall be transferred without the previous sanction by the Commissioner. In respect of transfer of licence, prescribed fees has to be paid to the municipal corporation and transfer should be permitted by the Commissioner.

## Chapter 9

### Encroachment fees

The Commissioner may grant licence for temporary erection of pandals and other structures in a street or in any public place, subject to such conditions and restrictions as he thinks fit.<sup>48</sup>

As such, the Council may fix fee for licencing the erection of temporary structures (encroachments) in a public street<sup>49</sup> and the licence should specify the period, limitations and conditions and be signed by Commissioner.<sup>50</sup> The Town Surveyor and town planning subordinates shall submit list of encroachments by 30 April of every year. The Commissioner shall inspect all encroachments and classify them as objectionable or unobjectionable from public health, safety and traffic point of view. Action shall be taken to remove objectionable encroachments. Unobjectionable encroachments can be licenced by collection of licence fee.

#### 9.1 Register of Encroachment Fees (M.F.No.197)

This register provides a record of all unobjectionable encroachments licenced, and demand, collection and balance of licence fees from such encroachments. The licence fee will be levied as per the rates fixed by the Council. The details of unobjectionable encroachments, like name of the encroacher, the location, nature and extent of encroachment and the licence fee payable per year (with reference to the rates fixed by the Council) will be entered in the Demand Register.

The collections under encroachment fees, which are normally made through challans will be entered initially in the Register of Miscellaneous Licences (MF No.51) and thereafter in the demand register. At the end of the year, the demand, collection and balance statement will be brought out as in the case of other revenues.

#### 9.2 Encroachment Fees Arrear Demand Register

This register provides a record of all balances of encroachment fees outstanding at the end of the year. The amounts (licence fees) remained

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<sup>48</sup> Section 193 (2) of the Act

<sup>49</sup> Section 344 (2) of the Act

<sup>50</sup> Section 344 (1) of the Act

uncollected at the end of an year as per the Register of Encroachment Fees will be brought into the Encroachment Fees Arrear Demand Register. They will be entered year-wise beginning from the earliest year. The collections will be posted and balances struck at the end of the year.

### **9.3 Collection of fee/Regularisation of encroachments**

Demand notices have to be issued to all encroachers by the end of June of every year requiring them to get licence for the encroachment by paying the prescribed fee within 15 days from the date of service of the notice. The Town Planning Building Overseer (TPBO) is responsible to ensure that all encroachments are licenced and to remove unlicenced encroachments in his jurisdiction. In other words, it is the responsibility of the TPBO to ensure that the fee is collected and the encroachments are licensed. Action shall be taken to remove the encroachments, if the fee is not paid within the stipulated time. Ordinarily, there shall not be any arrears of encroachment fees as there is a provision for removal of encroachments for failure to pay the fees. In respect of a person who has not taken the licence for the encroachment, he may be prosecuted.<sup>51</sup> The Commissioner shall review this item of work once in a month. Wherever there is a post of Town Planning Officer, the Commissioner may delegate these powers to him.

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<sup>51</sup> Section 366 of the Act

## Chapter 10

### Parking fees

The Commissioner has got power to lease road sides and street margins vested in the Council for occupation for temporary purpose<sup>52</sup>. Under this provision, the Commissioner may identify certain roads and streets and lease them out for parking of vehicles by collecting fee. The rate of fee and unit of fee have to be fixed by Council<sup>53</sup>; and the Council may place the collection of such fees under the management of such person as may appear to it proper.<sup>54</sup>

In view of these provisions, the Commissioner may identify important road and street margins for temporary parking of vehicles by collecting parking fee and entrust the right to collect fee to a third party through public auction. The Commissioner has to prepare a sale notification for approval of Council with the following terms and conditions.

- (i) List of road/street margins and the extent for parking of vehicles
- (ii) Timings for parking of vehicles
- (iii) Parking fees to be collected for different vehicles (on hourly basis or other unit)
- (iv) Period of right of collection of parking fee
- (v) Amount of security deposit to be paid at the time of auction
- (vi) Amount of solvency certificate to be produced by the bidder
- (vii) Payment of three months parking fees after acceptance of the bid (as advance)
- (viii) Payment of balance amount in nine equal installments
- (ix) Execution of agreement by the lessee at his cost within 15 days from the date of acceptance of the bid
- (x) Maintenance of accounts and registers by the lessee.

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<sup>52</sup> Section 193 (3) of the Act

<sup>53</sup> Section 344 (2) of the Act

<sup>54</sup> Section 344 (3) (a) of the Act

### **10.1 Auction of right to collect parking fee**

After approval of the sale notification by the Council, the Commissioner has to take action to publish the notification in the District Gazette and on the notice board of the municipal office and other important local public offices. The Commissioner or an officer authorised by him shall conduct the auction subject to the conditions stipulated in the sale notification. After completion of auction, the Commissioner shall place before the Council or Contract Committee or Commissioner<sup>55</sup> a list of bids received at the auction together with a comparative statement of income during the past three years with a recommendatory note. Normally the competent authority accepts the highest bid. Where the bid accepted is not the highest, the reasons for rejection of higher bids shall be recorded. In exceptional cases where sales in public auction have proved unsuccessful on atleast two occasions owing for want of bidders or strong combination among them, the Commissioner may invite sealed tenders for the lease and place such tenders before the competent authority for necessary action.

### **10.2 Registration of Lease Deed**

After approval of the bid by the Council/Contract Committee/Commissioner, the Commissioner shall enter into a written lease deed with the bidder and get the lease deed registered at the cost of the lessee incorporating all conditions of lease set forth in the sale notification. The collection of amounts due from the lessee shall be watched through the Miscellaneous Demand Register.

### **10.3 Parking Fees in Municipal Corporations**

Under clause (40) of Section 115 of GHMC Act, 1955/Corporations Act, 1955 (Andhra Pradesh), the Corporation may provide parking places, public landing places, halting places for vehicles of any description including motor vehicles and levy fees for their use.

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<sup>55</sup>Section 43 of the Act

## Chapter 11

### Miscellaneous items of Non -taxes

There are certain other miscellaneous items for which non-taxes are collected by the municipalities. They are like:

- (i) Issue of birth and death certificates
- (ii) Extracts of records like council resolution, property tax demand, building permit, licence, notification etc.
- (iii) Sale proceeds of road sweepings / compost
- (iv) Revenue from avenue trees
- (v) Lease of water tanks and lakes (fisheries)
- (vi) Sale of tender documents, application forms etc.
- (vii) Sale proceeds of old newspapers, distrained properties, unserviceable material etc.
- (viii) Burial ground charges
- (ix) Guest house charges, etc.

Wherever, the proceeds are realized through fees, the rate of fees has to be fixed by the Council and notified. In case the proceeds come through sale, the sale has to be agreed by the Council initially; and the matter relating to acceptance of bid has to be referred to the Council/Contract Committee/Commissioner<sup>56</sup> later. Secondly, all such sales have to be entered in the Register of Revenue Yielding Properties and Other Miscellaneous Sources of Revenue (M.F.No.24).

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<sup>56</sup> Section 43 of the Act

## Chapter 12

### Service charges on Central Government properties

12.1 Under the Constitutional provision<sup>57</sup>, Central Government properties are exempt from payment of property tax. Government of India however permitted ULBs to levy service charges on Central Government properties. Levying service charge is limited to Central Government properties only. The central government undertakings are liable for property tax like any other person/institution.

12.2 In pursuance of the orders of the Supreme Court<sup>58</sup>, Government of India (2009)<sup>59</sup> have issued guidelines that the Union of India and its departments will pay service charges to the municipalities and municipal corporations. No property tax will be paid. Service charges will be paid on the basis of services utilized by the central government properties at the following rates (Table 14):

Table 14

S.No.	Criteria	Range of Service Charge
1	Where properties of the central government are provided with all services/facilities as were provided to other areas	75% of property tax
2	Where central government properties are provided with some of the services/facilities	50% of property tax
3	Where central government properties do not avail any of the services provided by the municipalities	33.3% of property tax

12.3 The State Government have also issued instructions in the matter.<sup>60</sup> The Commissioner has to take the following action in the matter.

- (i) He shall make intensive survey of various central government properties and identify the head of the office. He should also identify the level of provision/utilisation of services (fully, partially and none) availed by the central government properties.
- (ii) He has to intimate the heads of central government properties in the town about the civic services provided by the municipality in

<sup>57</sup> Art.285 of the Constitution

<sup>58</sup> Orders of Supreme Court dated 19-11-2009 in CA No.9458-9463 of 2003

<sup>59</sup> Lr. No. N-11025/26/2003-UCD dated 17-12-2009 of MoUD, GoI

<sup>60</sup> Govt. Memo No.170/TC-1/2010-1 dated 5-5-2010 of MA&UD Dept. of GoAP and Endorsement Roc. No.9292/2010/F1 dated 13-7-2010 of CDMA,AP

the vicinity of concerned central government properties and request them to furnish full data regarding their properties to enable the municipality to work out the service charges. After receipt of required data, the Commissioner has to calculate the property tax (on the usual method) and then fix service charges payable at 75%, 50% or 33.3% of property tax according to the level of services provided to the central government properties.

- (iii) He has to issue a self contained (speaking) order to the head of central government property indicating the process followed in working out the service charges and the amount of service charges payable per annum.
- (iv) He has to enter into an agreement with the head of central government department for payment of service charges till the next general revision of property tax.
- (v) He shall not resort to coercive steps like stoppage of service, or resorting to revenue recovery proceedings for recovery of service charges.
- (vi) In the event of disagreement on any issue, he has to send proposal to Government for constitution of a 3-member mediation committee to resolve the issue. The committee consists of (i) a representative of central government, (ii) a representative of concerned municipality; and (iii) a representative of MA&UD Department.

#### **12.4 Instructions from Government of India and AP Government**

The following instructions issued by Govt. of India and AP Govt. in this matter are attached

- (i) Letter No. 11025/26/2003-UCD dated 17-12-2009 of Ministry of Urban Development Govt. of India
- (ii) Memo No. 170/TC-1/2010-1 dated 5-5-2010 of MA & UD Dept., Govt. of AP

## Annexures:

### **1. Copy of Letter No.11025/26/2003-UCD dated 17-12-2009 of Ministry of Urban Development, Govt. of India addressed to Secretaries (Urban Development) of all State Governments and Union Territories**

Sub: Payment of service charges to local bodies in respect of Central Government properties – Supreme Court Order in Civil Appeal No.9458-63/2003 – Rajkot Municipal Corporation & Others Vs UOI & Others

Sir,

(1) I am directed to state that the Hon'ble Supreme Court vide its order dated 19-11-2009 disposed off Civil Appeal No.9458-63/2003 filed by Rajkot Municipal Corporation & Others Vs. UOI & Others (copy enclosed) relating to payment of service charges by Central Government Departments to Urban Local Bodies with the following directions:

- (1) The UOI & its Departments will pay service charge for the services provided by appellant Municipal Corporations. No Property Tax will be paid by UOI but service charges calculated @ 75%, 50% or 33 1/3 % of Property Tax levied on property owners will be paid, depending upon utilization of full or partial or Nil services. For this purpose, agreements will be entered into by UOI represented by concerned Departments with respective Municipal Corporation.
- (2) The arrangement at (1) is open to modification or revision by mutual consent. In the event of disagreement, the same shall be resolved by a 3 member Mediation Committee consisting of a representative of Central Government, a representative of Municipal Corporation & a senior representative (preferably the Secretary in-charge of Department of Municipal Administration) of the State of Gujarat.
- (3) In the event of any Department or Railway owning a property changes the Agreement unilaterally or fails to reach settlement through Mediation Committee, the concerned Municipal Corporation could take such action as it deems fit by approaching Courts/Tribunals for relief.
- (4) The Municipal Corporations shall not resort to coercive steps (such as stoppage of services) nor resort to revenue recovery proceedings for recovery of service charges from UOI or its Departments.

- (5) The services payable by UOI shall not be more than the service charges paid by State Governments for its properties. Wherever exemptions or concessions are granted to the properties belonging to the state government, the same shall also apply to the properties of Union of India.
- (6) If railways do not abide by the instructions of Ministry of Finance as contained in the 4 circulars dated 10-5-1954, 29-3-67, 28-5-1976 and 26-8-1986 and general consensus set out above, it is open to Municipal Corporation to take suitable action as is permissible in Law.

(2) All the State Governments are requested to kindly note the above orders of the Supreme Court and suitably advice their Urban Local Bodies for regulating payment of service charges in respect of Central Government properties in terms of the above judgement. In this connection, it is stated that the arrangements mentioned in point (2) of para (1) above is specific to the State of Gujarat and appropriate dispute resolution mechanism may be considered by the State Governments in respect of their States. Action taken in this regard may be intimated to this Department for compliance.

Yours faithfully

/Sd./ x x x x x x

(R. Sathyanarayanan)

Under Secretary to the Government of India

Ph:23061072

**2. Copy of Memo No. 170/TC-1/2010-1 dated 5-5-2010 of MA & UD Dept., Govt. of Andhra Pradesh**

Sub: MA&UD Dept. – Payment of service charges to Urban Local Bodies in respect of Central Government Properties – Supreme Court Order in Civil Appeal No.9458-9463 of 2003 – Rajkot Municipal Corporation & Others Vs. Union of India (UOI) & Others – Instructions issued

Ref: Lr. No. 11025/26/2003-UCD dt.17-12-2009 from Ministry of Urban Development, Govt. of India, New Delhi.

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Commissioners of Urban Local Bodies in the State are informed that the Ministry of Urban Development, Government of India in the reference cited (copy enclosed) has stated that the Hon'ble Supreme Court vide its order dated 19-11-2009 (copy enclosed) disposed off the Civil Appeal No.9458-63 of 2003 filed by Rajkot Municipal Corporation & others Vs. Union of India (UOI) & others relating to payment of service charges by Central Government Departments to Urban Local Bodies, with the following directions:

- (i) The Union of India (UOI) & its Departments will pay service charge for the services provided by appellant Municipal Corporations. No Property Tax will be paid by UOI but service charges calculated @ 75%, 50% or 33 1/3 % of Property Tax levied on property owners will be paid, depending upon utilization of full or partial or Nil services. For this purpose, agreements will be entered into UOI represented by concerned Departments with respective Municipal Corporation.
- (ii) The arrangement at (i) is open to modification or revision by mutual consent. In the event of disagreement, the same shall be resolved by a 3 member mediation committee consisting of a representative of Central Government, a representative of Municipal Corporation & a senior representative (preferably the Secretary in-charge of Department of Municipal Administration) of the State.
- (iii) In the event of any Department or Railway owning a property changes the Agreement unilaterally or fails to reach settlement through Mediation Committee, the concerned Municipal Corporation could take such action as it deems fit by approaching Courts/Tribunals for relief.

- (iv) The Municipal Corporations shall not resort to coercive steps (such as stoppage of services) nor resort to revenue recovery proceedings for recovery of service charges from UOI or its Departments.
- (v) The services payable by UOI shall not be more than the service charges paid by State Governments for its properties. Wherever exemptions or concessions are granted to the properties belonging to the State Government, the same shall also apply to the properties of Union of India.
- (vi) If railways do not abide by the instructions of Finance as contained in the 4 circulars dated 10-5-1954, 29-3-1967, 28-5-1976 and 26-8-1986 and general consensus set out above, it is open to Municipal Corporation to take suitable action as is permissible in Law.

2. Further, the attention of Commissioners of all ULBs is invited to Memorandum No. N-11025/26/94 dated 26-4-1994 - UCD of Ministry of Urban Development, GOI (copy enclosed) wherein it is stated, though the properties of the Union are exempted from payment of property tax, such properties of the Union are liable to pay service charges for the services rendered by the ULBs. It is further stated in the letter, that Ministry of Finance had issued broad guidelines in 1954 which were later on amended in 1967 and according to the instructions contained in the Ministry of Finance's letter No.14(1)-P/52-1 dated 10-05-1954, No.4(7)-P/65 dated 29-03-1967, No.4 (2)-PF1/74 dated 28-05-1976 and No.42(1)-PF1/79 dated 28-08-1986, the service charges on the properties belonging to the Central Government are calculated as under:

- (i) In respect of isolated Central Government properties, where all services are availed of by the Central Government in the same manner as in respect of private properties, the Central Government will pay service charges equivalent to 75% of the property tax realized from private individuals.
- (ii) In the case of colonies which do not directly avail of civic services within the area and are self sufficient in all respects, the payment of service charges will be restricted to 33 1/3% of the normal rate of property tax applicable to private properties.
- (iii) In respect of colonies where only partial use of the services is made, service charges will be paid at 50% of the normal property tax rate.

- (iv) In respect of colonies where all the services normally provided by the municipal body to the residents of other areas within its limits are being availed of, the service charges will be paid at 75% of the property tax realised from private individuals

3. In pursuance of the orders of the Supreme Court in this matter, the following instructions are issued to Commissioners of all ULBs for regulating payment of service charges in respect of Central Government properties.

- (i) Copy of letters dated 26-4-1994 and 17-12-2009 of Ministry of Urban Development, GOI and order dated 19-11-2009 of Hon'ble Supreme Court in Civil Appeal No.9458-9463 of 2003 shall be communicated to all Heads of Central Government Departments including Railways in their jurisdiction for regulating the payment of service charges by Central Government Departments to ULBs.
- (ii) While communicating the material in para 3 (i), Commissioners of ULBs shall intimate the Heads of Central Government Departments about the civic services provided by the ULBs in the vicinity of concerned Central Government properties and request them to furnish full data regarding their properties to enable the ULB to work out the service charges payable as per para 6, 7 and 8 of the order dated 19-11-2009 of the Hon'ble Supreme Court of India. After receipt of the required data, the Municipal Commissioner shall calculate the service charges payable on these properties at 75%, 50% or 33 1/3% of property tax levied in the case of private property owners based on the civic services availed by Central Government properties.
- (iii) To issue a self contained order to the Heads of Central Government Departments indicating the process followed in working out the service charges payable by them and the amount of service charges payable per annum as per para 6,7 and 8 of Hon'ble Supreme Court of India.
- (iv) To enter into a Memorandum of agreement or understanding with Heads of Central Government Departments for payment of service charges to the ULBs till the next general revision of property tax.

- (v) In respect of a disagreement on any issue, the Municipal Commissioner shall submit proposals to the Government for constituting a three member mediation committee consisting of the following officers for resolving the issue:
  - a) Representative of Central Government
  - b) Representative of concerned ULB
  - c) Representative of MA&UD Department
- (vi) In the event of any Central Government Department or Railways owning a property changes the Agreement unilaterally or fails to reach settlement through Mediation Committee, the concerned ULB could take such action as it deems fit by approaching Courts for reliefs.
- (vii) The ULBs shall not resort to coercive steps (such as stoppage of services) nor resort to revenue recovery proceedings for recovery of service charges from Central Government Departments.
- (viii) The service charges payable by Central Government Department shall not be more than the service charges (ie. property tax) paid by State Government for its properties. Wherever exemptions or concessions are granted to the properties belonging to the State Government, the same shall also apply to the properties of Union of India.

4. Commissioners of all ULBs shall ensure that entire exercise of payment of service charges by Central Government properties is completed by the end of September, 2010 and send a self contained report on the action taken in this matter to the Commissioner and Director of Municipal Administration under intimation to the Government.

/Sd/ PUSHPA SUBRAHMANYAM  
PRINCIPAL SECRETARY TO GOVERNMENT

Encl:

1. Copy of Memo. No.N-11025/26/94 dated 26-4-1994 - UCD of Ministry of Urban Development, GOI
2. Copy of order dated 19-11-2009 of Hon'ble Supreme Court in Civil Appeal No.9458-9463 of 2003
3. Copy of Lr. No. 11025/26/2003-UCD dated 17-12-2009 from Ministry of Urban Development, Govt. of India

To

The Commissioner and Director of Municipal Administration, AP, Hyderabad

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