

Manual of Collection of Taxes and Non-Taxes in Municipalities and Municipal Corporations of Telangana and Andhra Pradesh

February, 2017

**Manual of Collection of Taxes and Non-taxes in Municipalities
and
Municipal Corporations of Telangana and Andhra Pradesh**

By

M. Prasada Rao, IAS (Retd.)

Urban Governance Expert, APUFIDC,
Former Commissioner & Director of
Municipal Administration, A.P.

and

D.V. Rao

Consultant
Centre for Good Governance, Hyderabad

February, 2017

CENTRE FOR GOOD GOVERNANCE
Hyderabad

FOREWORD

Cities are engines of growth for the economy of every state, including Telangana State and contribute to national and state economic development. The urban population of Telangana as per 2011 census stood at 1.36 crores constituting 38.64% of total population which is 3.52 crores. With increasing urbanization the urban areas are expected to house about 50% of Telangana's total population by 2030. This requires comprehensive development of urban services, more particularly the institutional, social and economic infrastructure in urban areas.

Government of India has set up following Missions for comprehensive development of urban areas in the recent years.

1. Swachh Bharat Mission (SBM) - December, 2014
2. Atal Mission for Rejuvenation and Urban Transformation (AMRUT) - June, 2015
3. Housing for all (Urban) Mission - June, 2015
4. Smart Cities Mission - June, 2015

The above Missions stipulate a contribution of minimum of 25% to 50% funds of the estimated cost of the projects by State Governments and Urban Local Bodies (ULBs). The implementation of various projects under the above Missions requires huge funds as share of State and ULBs.

As stipulated by XIV Finance Commission, performance grants to a tune of Rs.677.78 crores will be disbursed to ULBs in Telangana State over a period of 4 years from 2016 - 2020 on fulfillment of 3 conditions. One of the conditions is that every ULB has to show an increase in the own revenues over the preceding year as reflected in the audited accounts.

In these circumstances, it is considered that there is immediate need to improve municipal revenues by taking all steps for collection of taxes and non-taxes in ULBs. The contents in this Manual contain detailed action to be taken for collection of taxes and non-taxes based on the Municipal laws, Rules and instructions issued in this matter by the Government.

It is appropriate that the Centre for Good Governance, Hyderabad is publishing this Manual as a part of improving capacity building in ULBs. It is hoped that this Manual will serve as a guide for municipal functionaries in the collection of taxes and non-taxes.

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

Rajendra Nimje, ex IAS
Director General

PREFACE

Atul Mission for Rejuvenation and Urban Transformation (AMRUT), an urban project initiated by Government of India during 2015 has included a set of reforms and the reforms are expected to improve service delivery and mobilize resources, besides making municipal functions more transparent and functionaries more accountable. One of the reforms is 'municipal tax and fees improvement'. The reform also has certain milestones and one among them is 'atleast 90% collection' and timeline to implement the milestone is 12 months. It is therefore felt to be an immediate need to gear the municipal functionaries to take up the reform right earnestly.

As is well known, taxes and fees are internal revenues in municipal governance and the responsibility of realizing them obviously fell on the municipal functionaries. To reiterate the responsibility, the Municipal Acts specifically mentioned that the Commissioner as Executive Authority is responsible for levy and collection of taxes and non taxes in the municipalities.

As in the case of assessment and levy of taxes and non-taxes, detailed procedure for collection of taxes and non taxes has also been specified in the Acts and rules. An attempt has therefore been made to bring out various provisions of the Act, rules, executive instructions and circulars relating to collection of taxes and non taxes in one place and make it available to the officers and employees of the municipalities for immediate reference and guidance. This resulted in bringing out this Manual. The provisions of concerned Acts and rules have been exhaustively examined in writing this Manual and contents in the Manual may be used for reference and may not be used as a basis for any litigation or legal action.

The support provided by various officers of the department in extending information are thankfully acknowledged.

Date: 21-02-2017

M. PRASADA RAO

Table of Contents

Chapter No.	Contents	Page No.
1.	Introduction	1
2.	Property tax and authority responsible for collection	2
3.	Property tax when payable	3
4.	Preliminary activities	3
5.	Demand Registers	3
6.	Property tax Demand Register	4
7.	Arrear Demand Register	5
8.	Mutation Register	6
9.	Demand notices	6
10.	Register of Bills Issued	7
11.	Service of demand notices	7
12.	Register of Revision Petitions	8
13.	Register of Appeals	9
14.	Register of Transfer of Titles	9
15.	Register of Vacancy Remissions	10
16.	Collection of taxes	10
17.	Levy of simple interest	13
18.	Coercive measures	13
19.	Distrainment Warrant	14
20.	Register of Warrants	15
21.	Execution of warrant	15
22.	Register of Distrainted Properties	16
23.	Sale of distrainted property	16
24.	Distrainment of Occupier's property	17
25.	Limitation for Distrainment	17
26.	Prosecution	18
27.	Filing of Suits	19
28.	Period of limitation for execution of distrainment, institution of prosecution and filing of suit	20

Chapter No.	Contents	Page No.
29.	Register of Writes-off and Temporary Remissions	20
30.	Vacant land tax	20
31.	Advertisement tax	21
32.	Tax on Carriages, Carts and Animals	22
33.	Collection of non-taxes	23
34.	Water charges	23
35.	Water supply Bye-laws	23
36.	Registers to be maintained	24
37.	Role of Municipal Engineer	24
38.	Water charges Demand Register	24
39.	Meter Ledger	25
40.	Water charges Arrear Demand Register	25
41.	Issue of bills	26
42.	Service of bills	26
43.	Collection of water charges	26
44.	Fees from markets and slaughter houses and Rents from shop rooms and other buildings	27
45.	D&O Trade licence fee	29
46.	Encroachment fee	31
47.	Commissioner's responsibility for collection work	32
48.	Monitoring of collection of taxes	33
49.	Reports to Council	34
50.	General measures for revenue improvement including Revenue Improvement Action Plan (RIAP)	34
51.	Collection of property tax in Municipal Corporations	40
52.	Appeals against Taxes in Municipal Corporations	40

Manual of Collection of Taxes and Non-Taxes in Municipalities and Municipal Corporations in Telangana and Andhra Pradesh

1. Introduction

- 1-1. Under Art. 243 X of the Constitution of India, the Legislature of a State may by law, authorize a municipality to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits.
- 1-2. The Andhra Pradesh Municipalities Act, 1965 and the Rules made thereunder governed the municipalities in the erstwhile State of Andhra Pradesh. After bifurcation of the State, Government of Telangana in GO Ms. No.142 MA dated 29-10-2015 have adapted the Act to the State of Telangana., Similarly, all rules which were in force on the date of formation of the State have also been adapted in GO Ms. No.45 dated 1-6-2016 of Law Department. As such, all provisions under APM Act, 1965 including the rules made thereunder are applicable for both the States of Andhra Pradesh and Telangana. The reference of various provisions of the Act, rules, GOs and executive instructions referred in the Manual applies to both the States.
- 1-3. The Andhra Pradesh Municipalities Act, 1965 (hereinafter referred as the Act) authorised the municipalities in the State to levy certain taxes and fees within the municipal limits. Besides levying various taxes and fees, the municipalities should collect them with equal amount of vigour and diligence. Various studies reveal that the performance of the municipalities in improving the infrastructure and delivering the services to its residents is very ineffective and the principal reason for this situation is laxity in levy of taxes and non taxes and equally in collection of taxes and non taxes.
- 1-4. Government of India observed that the recovery of revenues in municipalities need improvement and as a mandatory reform at the

level of urban local bodies (ULBs) under Jawaharlal Nehru National Urban Renewal Mission (JNNURM), it was stipulated in the year 2006 that property tax reforms be undertaken to improve collection efficiency to atleast 85% within next 7 years. Further, under recently sponsored Atul Mission for Rejuvenation and Urban Transformation (AMRUT), certain reforms and milestones have been contemplated (issued in June, 2015). Under the reform 'municipal tax and fees improvement', the milestones are 90% coverage and 90% collection.

- 1-5. The XIV Finance Commission (FC) also observed that the data in the local bodies relating to accounts and finances be updated and revenues need be improved. While recommending grants to ULBs, the XIV FC suggested that the grant should consists of (i) basic grant and (ii) performance grant. While basic grant is proposed on population and area criteria, performance grant is proposed on fulfillment of three (3) conditions. One of the conditions is improvement of own revenues and its certification by audit.
- 1-6. As in the case of assessment and levy of taxes and non-taxes, detailed procedure for collection of taxes and non taxes has been specified in the Act and rules. Sections 90 and 91 of the Act, Rules 29 to 36 of Taxation and Finance Rules contained in Schedule II of the Act, and Rules relating to collection of taxes issued in GOMs.No.1468 MA dated 18.12.1965 deal with the procedure for collection of taxes and non- taxes.

2. Property tax and authority responsible for collection

- 2-1. Property tax is one of the main sources of income to the municipalities. While Rule 6 of Schedule II of the Act relates to the authority for levy of property tax, Section 56 refers to the authority responsible for collection of taxes and non taxes. In both the cases, ie., levy of property tax as well as collection of taxes and fees, the Commissioner is responsible.

2-2. No doubt, as Executive Authority in the municipality, the Commissioner is made responsible for collection of taxes and non taxes. The Government in GO Ms. No.659 MA dated 17-11-2009 have approved 'Manual of Roles and Responsibilities of various functionaries in ULBs' and the Manual was published by Centre for Good Governance, Hyderabad during December, 2009. According to the Manual, the Bill Collector is responsible for collection and ensure collection of 100 percent of property tax and water charges. The Revenue Inspector is responsible to supervise the work of Bill Collectors and attend to the collection of taxes and non taxes. The Revenue Officer is responsible to supervise the work of Revenue Inspectors and Bill Collectors and attend to the collection of taxes and non taxes.

3. Property tax when payable

Under Section 91 of the Act, property tax is levied every half year and be paid by the owner of the assessed premises within thirty days after the commencement of the half-year. As such, the first half year tax has to be paid before 30th April of the year, and of the second half year before 30th October of the year. All taxes including property tax and dues to the municipality are liable to be recovered as if they were arrears of land revenue.

4. Preliminary activities

Before actually initiating collection activity (by the outdoor employees, ie., Bill Collectors, Revenue Inspectors and Revenue Officers), there are various preliminary activities to be undertaken (by the indoor/ministerial employees in the office) in the revenue section of the municipality. If these activities are undertaken, the collection activities can be effectively monitored by the senior officers.

5. Demand Registers

Demand Register is the basic register in the revenue section. Demand Registers have to be prepared for all tax revenues, where collections are

reflected against the demand. Separate demand registers have to be prepared for property tax (house tax), vacant land tax and advertisement tax. Some items of revenue are collection-based and in such cases, demand registers need not be prepared. For example, tax on carriages, carts and animals is monitored through Collection Register.

6. Property tax Demand Register

6-1. It is one of the important registers maintained in the municipalities. It has to be maintained in MF 17. Even though the registers are currently maintained electronically, it is necessary to understand the main features and purpose of the register and its role in monitoring collections and preparation of financial statements (annual account). It may be understood that the property tax in this context is the house tax. The striking feature of this register is that it provides for the record of demand, collection and balance of house tax for five years in one volume. [The reference for five year duration is because of five-yearly revision of taxes as contemplated under Rule 8 (1) of Schedule II of the Act]. The particulars of demand in the register have to be obtained from the assessment lists (general revision of property tax) and monthly lists. Initially, the demand for the first year is posted from the particulars in the assessment lists. Subsequently, the demand is posted from the monthly lists.

6-2. The register contains 49 columns with the following vital information.

- (1) Asst. No.
- (2) Locality Name
- (3) Door No.
- (4) Name of the Occupier

- (5) Assessment/Demand
 - Annual Rental Value
 - Property Tax
 - Education Tax
 - Library Cess
 - Total
- (6) Receipts/Collections
 - Month-wise collections
- (7) Write off/Remission
- (8) Balance by the end of the year
 - Property Tax
 - Education Tax
 - Library Cess
 - Total
- (9) Name of the Owner

6-3. The figures in the assessment columns have to be totalled at the beginning of each year as soon as the Demand Registers are prepared. The totals, register-wise totals, ward-wise totals and town totals need be reconciled with the previous year totals and with the help of the Mutation Registers (M.F.No.23). The total demand at the end of each register, each ward and at town-level should be written both in words and figures and certified by Commissioner or any officer authorized by him.

7. Arrear Demand Register

7-1. The Arrear Demand Register (ADR) is maintained in MF No.22. It contains 47 columns and they are similar with those of Demand Register. The balance of property tax outstanding at the end of the year in the Demand Registers has to be transferred to this Register as

the (arrear) demand. The ADR has to be written year-wise, beginning from the earliest year. The object of writing the arrear demand year-wise, the earliest year at the beginning, is to know the outstanding balances year-wise and to take action for recovery of taxes avoiding the taxes becoming time barred.

- 7-2. The totals in ADR have to be tallied with those of Demand Registers. The balances in the demand registers will become the demand in the ADR. The page-wise totals, ward-wise totals and town totals have to be made and certified by the Commissioner as in the case of Demand Registers. This register should be written by the end of April every year.
- 7-3. In the electronic system which is under use in the municipalities, the arrears are not shown year-wise. The total arrear tax due from the tax payer as one figure is being shown in the system. The years to which the arrears relate are not forthcoming. The Commissioner has to find out the years on the basis of current year tax and estimate for which years the arrear relates to and take action accordingly.

8. Mutation Register

Mutation Register is maintained in MF No.23. The objective of the register is to compare the demand of the year with the demand of the earlier year. The changes (increases or decreases in the demand) made during the course of an year either by the Commissioner or Appellate Commissioner are written in the register. This register is written from the entries of the monthly lists (increase), Register of Revision Petitions and Register of Appeal Petitions (decrease). With the help of these details, the demand of the current year would be reconciled with that of the previous year.

9. Demand notices

Next step is preparation of demand notices. Demand notices are also called as Bills. The demand notice should contain the details like (i) owner's name, (ii) house number (iii) assessment number or any identification number

(iv) assessment year (v) amount of tax (vi) month-wise penalty (2% simple interest) and coercive measures for non-payment of tax etc. Now that electronic system is in use, the demand notices can be generated through the system. The concerned tax assistant should check all the demand notices with the entries in the demand register. Thereafter, not less than 10% of the demand notices have to be test-checked with the entries in the demand registers. The test check has to be done by the Revenue Officer or the Manager. Then, the demand notices have to be stamped with the facsimile signature of the Commissioner. The entire exercise of preparation of demand notices has to be undertaken under the direct supervision of the Revenue Officer or the Manager.

10. Register of Bills Issued

All the demand notices after their preparation and facsimile signature of Commissioner have to be entered in the Register of Bills Issued. This register is maintained in MF No.32. This register is intended to show that the demand notices are issued to Bill Collectors (for service to tax payers) and returned by Bill Collectors for any reason. The demand notices will be handed over to the Bill Collectors on due acknowledgement.

The demand notices have to be issued to the Bill Collectors before 30th April for the first half year and 31st October for the second half-year.

11. Service of demand notices

11-1. The next step is service of demand notices to tax payers by the Bill Collectors. Section 353 of the Act details the method of serving documents. This method has to be followed in serving the demand notices on the tax payers. Accordingly, the demand notice has to be served on the taxpayer as shown hereunder.

- (i) By handing over the notice to the tax payer duly obtaining his signature with date.

- (ii) If the taxpayer is not found, by handing over the same to some adult member or servant of his family, by obtaining the signature with date from such person. The name of the person who has received the notice and his relationship to the taxpayer has to be written underneath his signature. (Serving the demand notice to the servant of the family may be avoided)
- (iii) If the tax payer 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).

11-2. From this stage, work relating to collection of taxes by outdoor staff begins. However, there are some other activities which have to be attended by the indoor employees. Unless the indoor staff attend to these activities, it would be difficult for the outdoor staff to collect taxes effectively. The activities to be attended by the indoor staff are detailed in the following paragraphs.

12. Register of Revision Petitions

Municipalities receive revision petitions under rule 10 (general revision) or 11 (on service of special notice) or 12 (between general revisions) of Taxation and Finance Rules appended to the Act. Under Rule 13 of the said rules, the Commissioner has to dispose the petitions. These petitions need be entered in the Register of Revision Petitions. The register is prescribed in Form E appended to the Assessment of Taxes Rules issued in GO Ms. No.438 MA dated 29-10-1990. The Commissioner is responsible to dispose all revision petitions duly following the procedure prescribed under rule 13 referred above. Immediately after disposal of revision petition, the Commissioner has

to inform the petitioner of the orders passed. A model speaking order on the disposal of revision petition is prescribed in Circular Roc No. 5227/2012/F1 dated 16-3-2012 of C&DMA, AP. The Register should be maintained for one financial year, irrespective of date of petition, receipt of petition or disposal of petition.

13. Register of Appeals

- 13-1. On disposal of revision petition by the Commissioner, the orders passed thereon have to be communicated to the tax payer under rule 14 of Taxation and Finance Rules appended to the Act. On these orders, an appeal lies to Appellate Commissioner under rule 22 of the above rules. Currently, The Regional Director of Municipal Administration is the Appellate Commissioner. The appeal can be delivered in the municipal office. There are two conditions for filing an appeal. The tax payer has to file the appeal within 15 days from the date of receipt of intimation on the orders of revision petition (rule 14) and on payment of tax appealed against. The Appellate Commissioner has to dispose the appeals in consultation with the Chairperson of the Municipality.
- 13-2. All the appeals have to be entered in the Register of Appeals. The Register is prescribed in Form K appended to the Assessment of Taxes Rules issued in GO Ms. No.438 MA dated 29-10-1990. The Commissioner has to ensure that all appeals are disposed by the Appellate Commissioner and orders passed by the Appellate Commissioner are communicated to the tax payer. The Register of Appeal shall be maintained for one financial year, irrespective of date of petition, receipt of petition or disposal of petition.

14. Register of Transfer of Titles

- 14-1. The register is maintained in MF No.17 A. All applications received for transfer of titles in the demand registers are recorded in the register. Transfer of ownership takes place on many grounds like sale, gift, exchange, partition, succession, court order, court sale etc.

14-2. Separate rules on 'Alteration of ownership of property in assessment books' are issued in GO Ms. No.1059 MA dated 15-12-1966. All applications for alteration of ownership of properties have to be disposed in accordance with the rules and the transfers should be affected in the demand registers. This exercise is very important in realising the taxes.

15. Register of Vacancy Remissions

15-1. The register is maintained in MF No.40. Under section 92 of Act, 1965, when any building is vacant for 30 days or more in a half year, it is entitled for remission of tax. All applications received from owners of buildings for vacancy remission in property tax have to be entered in the register. Half year is the unit to claim the remission. There are various conditions to get the remission like advance notice to Commissioner, periodic verification by tax officials, payment of tax etc. If tax is fully paid within the stipulated time, the owner gets remission at half of tax to the extent of vacancy.

15-2. Even though applications under this count are rare, such applications should be disposed in time, to enable outdoor staff to realize taxes.

16. Collection of taxes

16-1. Sections 90 and 91 and Rules 29 to 38 of Taxation Rules (Part I) of Schedule II of the Act, and Collection of Taxes Rules issued in GO Ms. No.1468 MA dated 18-12-1965 are relevant.

16-2. As per the Manual of Roles and Responsibilities of various functionaries in ULBs, the Bill Collector is responsible for service of demand notices; and collection and ensure collection of property tax and water charges. The Revenue Inspector supervises the work of Bill Collectors and Revenue Officer supervises the work of Revenue Inspectors and Bill Collectors.

- 16-3. Before attempting collection of taxes, demand notices need be served on the tax payers. In many municipalities, Bill Collectors are not permitted to collect cash from the tax payers. The Bill Collectors have to ensure that tax is paid in mee-seva centres, municipal office counters, or banks and where it is introduced through online payment. Whenever tax is paid in mee-seva centre or municipal office counter, computer-generated receipt is issued instantly to the tax payer.
- 16-4. In few municipalities, Bill Collectors are permitted to collect cash from tax payers. They will be provided with blank Receipt Books. The Receipt Books are considered as money value forms/books. As per the Manual of Roles and Responsibilities, the Manager is responsible for management of money value forms including Receipt Books. In some municipalities, the work is entrusted to Accounts Officer. The money value forms/books are issued to Bill Collectors and other outdoor staff who are authorized to collect the dues by cash. The Manager/ Accounts Officer has to ensure procurement of Receipt Books, their safe custody, issue to and return from Bill Collectors. The Manager/ Accounts Officer, who is entrusted with the responsibility has to periodically verify the stock of books/forms and also the books/forms under use by Bill Collectors and other outdoor staff who are authorized to collect the dues by cash.
- 16-5. Apart from formal / official registers, the Bill Collector maintains an informal Hand book/Key register (or any other convenient local name), containing the details of assessments for which he is responsible to collect the tax. The details cover name of tax payer, door number/ assessment number, amount of tax, years of tax due, tax paid, address and contact details of tax payer etc. for information and follow-up action. He enters collection details (whether collected by himself or through other means) in the Hand book/Key register.

- 16-6. As soon as the Bill Collector receives any amount, he should enter the date of receipt against the corresponding entry in the hand book/key register for his immediate information. After making such entry, he should prepare the receipt in the Receipt Book. The receipt book contains both original and duplicate. He should use carbon paper, fill all columns in the receipt, sign the receipt with date and hand over the original receipt to the tax payer. The duplicate of the receipt will however remain in the receipt book. No amount should be collected by the Bill Collector without giving the taxpayer the receipt duly acknowledged by him with the date of collection. No receipt should be detached from the Receipt Book, unless he collects and receives the amount. Further, the amounts collected by him each day (as per receipt book) have to be entered in Bill Collector's Collection Register (M.F.No.101A).
- 16-7. Bill Collector has to bring the receipt book and Bill Collector's Collection Register to the office whenever he makes remittance of the collections (made by him) in the municipal treasury to the Shroff/Cashier. On the basis of Bill Collector's Collection Register, the Bill Collector makes entries in the Challan Register (MF No.101). The register is also called Irsalnama. The entries in the BC's Collection Register and Challan Register are similar. While the BC's Collection Register is retained at BC level, Challan Register will be used for subsequent activities. The Bill Collector will take the receipt book and Challan Register to the tax clerk. The tax clerk verifies the Challan Register with reference to the duplicate copies of the receipt book and also the Demand Register (if required) and satisfies himself with the correctness of entries made in the Challan Register and permits the Bill Collector to remit the collection in the municipal treasury and to hand over the amount to the Shroff/Cashier. The tax clerk should ensure that the amount collected by BC on that date with reference to duplicate copies in the receipt book are totally entered in the Challan Register. The Shroff/Cashier receives the amount from the Bill

Collector and acknowledges the receipt in the Challan Register. On receiving the amount from Bill Collector and on acknowledging the amount in Challan Register, the Shroff will enter the amount in the Chitta (MF No.103) maintained by him.

- 16-8. In some municipalities, Bill Collectors are permitted to remit the amount directly in the bank, instead of handing over to the Shroff. In such cases, after verification of Challan Register by the tax clerk, a bank challan will be prepared by the Bill Collector and the amount will be remitted direct into the bank. The bank challan also will be verified by the tax clerk with reference to the Challan Register. On remitting the amount in the bank, the Bill Collector makes necessary entries in the Challan Register and hands over the bank challan to the Shroff/Cashier. The Shroff/Cashier will make necessary entries in the Chitta.
- 16-9. Normally, the Bill Collector has to remit the collection amount in the municipal treasury (Shroff/Cashier) or in the Bank either on the same day of collection or the next working day.

17. Levy of simple interest

As per second proviso to Section 91 of the Act, simple interest at the rate of 2% per month has to be collected (as penalty) if the tax payer fails to pay property tax by the end of June for the first half year and by the end of December for the second half year. The amount of interest payable after the end of June or December, as the case may be, is being printed in the computer-generated demand notice. The Bill Collector has to collect the penalty from the tax payer and issue a separate receipt for the penalty collected. The same receipt book may be used for this purpose also.

18. Coercive measures

In addition to the levy of penalty, certain coercive measures have been provided under the Act for realisation of taxes (sections 90 and 91) . They are

- (i) Distraint and sale of movable property
- (ii) Attachment and sale of building or land (immovable property) in such manner as may be prescribed – (So far, no rules have been prescribed for attachment and sale of building or land)
- (iii) Disconnection of essential services to the premises, after giving notice to the owner or occupier – (Though electricity and water supply are essential services, municipality can handle water connection only)
- (iv) Recovery as if they were arrears of land revenue – (Arrears of land revenue can be recoverable under Land Revenue Recovery Act. Municipal Commissioner is not authorized to resort the Land Revenue Recovery Act).

While, measures (ii) to (iv) could not be adopted due to various constraints, we may discuss the measure (i), ie., Distraint and sale of movable property.

19. Distraint Warrant

19-1. If the tax due in respect of building or land is not paid within 15 days after service of demand notice, it may be recovered by distraint under warrant of the Commissioner (section 90). 'Distraint' means seizure and holding of movable property as security for payment of tax and its sale in case of non-payment. 'Warrant' means a command (which is enforceable). Since the distraint, ie., seizure and holding of movable property as security for payment of tax and its sale is a sensitive issue, adequate precautions have to be taken before resorting to this measure. Property tax cannot be recovered by distraint or prosecution, unless the demand notice is served on the tax payer (Rule 29 of schedule II of Act). If tax is not paid within fifteen days from the date of service of demand notice and after repeated demands, warrant should be issued.

19-2. 'Warrant' is a command of the Commissioner to an officer to act as directed in the warrant. The specimen copy of Distraint Warrant is available at Appendix A of Schedule II of the Act. Generally, the Revenue Officer or Revenue Inspector or any officer specially drafted for collection of taxes (during last days of financial year) will be entrusted with the execution of warrant. When it is decided to distraint property and issue warrant, it should not be on a select basis. All properties in the locality or street or bastee have to be considered and warrants written. The warrants should be signed by the Commissioner.

20. Register of Warrants

All the warrants prepared have to be entered in the Register of Warrants. The register is prescribed in MF No.35. Details of warrant number, name of tax payer, assessment number, period to which tax relates and amount of tax etc. have to be entered in the register.

21. Execution of warrant

21-1. The officer charged with the execution of warrant, has to, before distraining the movable property, demand payment of the tax and the warrant fee [12 paise as per rule 30 (3) of Schedule II of the Act]. If the tax and warrant fee are paid, no distraint would be made. If the tax and warrant fee are not paid, the officer charged with the execution of the warrant has to:

- (i) seize such movable property of the tax payer as he thinks necessary;
- (ii) make an inventory of the property seized, and
- (iii) give to the person from whom the property is seized, a notice containing the particulars of movable property seized and notice of sale of property if the property tax, penalty, warrant fee, distraint fee (ranging from 25 paise to ten rupees on the

basis of amount distrained as per Appendix C of Schedule II of the Act) and expenses for keeping the property are not paid within seven days. The format of notice is prescribed in appendix B of Schedule II of the Act.

- 21-2. The value of property distrained has to be equivalent to the tax, warrant fee, distraint fee and expenses incidental to distraint, detention and sale of property. The distraint of property need not be restricted to the premises on which the tax is due, but on any property found within the municipality (Rule 34 of Schedule II of the Act). Further, a warrant has to be executed between sunrise and sunset.
- 21-3. With Commissioner's permission, the Warrant Officer may break open the door or window for execution of warrant. However, the Warrant Officer has to ensure that the ladies withdraw from the premises before breaking open the door.
- 21-4. The distrained property has to be brought to municipal office and made over to the Store Keeper/Shroff who should record the same in the Register of Distrained Properties.

22. Register of Distrained Properties

The register is maintained in MF No.37 and by the Store Keeper. After the warrant is executed, the property will be brought to the office and made over to Store Keeper, who will record the details of property in this register. The property will be returned to the owner, if the dues (tax, penalty, warrant fee, distraint fee and expenses) are paid within 7 days.

23. Sale of distrained property

- 23-1. If the tax payer does not pay the dues, ie., tax, penalty (simple interest), warrant fee, distraint fee and expenses for detention within seven days as mentioned in the notice referred above, the property seized

has to be sold by public auction under the order of the Commissioner and the amount due to the municipality adjusted from the sale proceeds.

- 23-2. If the sale proceeds are sufficient to cover the total amount due on account of the tax, penalty, warrant fee, distraint fee and expenses incidental to the detention and sale of the property, they should be credited in the chitta and surplus sale proceeds credited under the head 'deposits'. The surplus sale proceeds have to be returned. The property (unsold) should also be returned to the concerned person and his acknowledgement obtained in the Register of Distraint Property against the entries of the property concerned.
- 23-3. If the proceeds of the sale are insufficient for adjustment of the amount due on account of the tax, fees and other charges, the Commissioner may again proceed to distraint the property in respect of the sum remaining un-paid.

24. Distraint of Occupier's property

When the owner has not paid the tax, a notice can be issued to the occupier of the building to pay the tax within fifteen days. If the occupier fails to comply with such requisition, the Commissioner may distraint and sell any movable property found on the building. This provision is limited in respect of the tax due for the current year only. The provisions of distraint and sale referred above apply to the distraint and sale of movable property of the occupant also. (Rule 35 of Schedule II of the Act). The occupier however is not liable to prosecution or civil suit in respect of any sum recoverable from him under this provision.

25. Limitation for Distraint

Time limit has been prescribed for making distraint of movable properties (Section 365 of Act). The Act prescribes 3 (three) years time limit

from the date on which liability accrues for making the distraint. As explained in the earlier paragraphs, the liability for payment of tax for first half year accrues on 30th of April and for the second half year on 30th October and accordingly, action has to be taken to make the distraint within the time limit.

26. Prosecution

- 26-1. If for any reason the distraint or a sufficient distraint of the defaulter's property is impracticable, the defaulter may be prosecuted before a Judicial Magistrate. [Rule 30 (2) of Schedule II]. Default in payment of tax is an offence (criminal act) and the defaulter can be prosecuted before a Judicial Magistrate.
- 26-2. Rule 37 of Schedule II of the Act is relevant in respect of prosecutions. The Magistrate has to be satisfied that the defaulter has willfully omitted to pay the amount due by him or that he willfully prevented the distraint. The Magistrate is competent to convict him and impose a fine not exceeding twice the amount due by him, on account of the tax, simple interest, warrant fee, distraint fee and other charges. In addition to imposing the fine, the Magistrate is competent to recover the tax, simple interest, warrant fee, distraint fee and other charges. On recovery of the amount from the defaulter, the Magistrate transfers the amount to the Municipality.
- 26-3. The prosecution can be filed by the Commissioner or any person expressly authorized by the Council (Section 366 of the Act). Further, a prosecution has to be filed within six years from the date on which the liability accrues (Section 365 of the Act). As explained in the earlier paragraphs, the liability for payment of tax for first half year is 30th of April and for the second half year is 30th October. Accordingly, action has to be taken to file the prosecution within the time limit.

26-4. The details of prosecutions filed have to be entered in the Register of Prosecutions. The register has to be maintained in MF No.62. Reference of prosecution need be entered against relevant assessment in the Demand Register for the purpose of information.

27. Filing of Suits

27-1. Failure to pay tax, besides a criminal offence (as discussed above) is also a civil matter. Rule 29 (4) of Schedule II provides that the Council may sue any person in a Civil Court for any tax due to it under the Act. Further, Section 365 provides that no suit has to be instituted after expiry of nine years from the date on which a suit might first have been instituted, ie. the day when tax becomes due.

27-2. If distraint could not be made and prosecution not instituted for realization of tax, a civil suit may be filed for realization of tax within nine years from the date on which the tax becomes due. The suit has to be filed through the Municipal Standing Counsel. Filing of suit involves expenditure and as such it is necessary to take the sanction of Council before filing the civil suit.

27-3. All suits have to be entered in the Register of Suits and the register has to be maintained in MF No.118. It provides a record of suits filed by and against the municipality. The register contains information like name of court, suit number, particulars of suits/appeals, decretal details, EP details etc. Proper service of demand notice is a condition precedent to initiate proceedings in a civil court. The reference of suit may be entered against relevant assessment in the Demand Register for information.

28. Period of limitation for execution of distraint, institution of prosecution and filing of suit

Section 365 of the Act provides time limits to initiate various acts for realization of tax. The following time limits are prescribed and they refer to the date on which tax becomes due or liability accrues for payment. The accrual of liability, as discussed earlier, is 30th April in respect of first half year and 30th October in respect of second half year. The limitation laid down for the three modes of recovery is as follows:

Execution of Distraint	-	3 years
Institution of Prosecution	-	6 years
Filing of Civil Suit	-	9 years

29. Register of Writes-off and Temporary Remissions

The register has to be maintained in MF No.39. The Council is competent to write off any tax, fee or other amount whatsoever due to it, if in its opinion such tax, fee or other amount is irrecoverable (Section 124). Even, time-barred taxes can also be written-off, if found irrecoverable. Amounts found irrecoverable have to be reported by the Bill Collectors with valid reasons. The Revenue Officer or the Commissioner has to personally check up all such cases before referring the matter to the Council.

All amounts (taxes and non-taxes) written-off by the Council have to be entered in Register of Writes-off. The amounts have also to be entered against the relevant assessment in the Demand Register. There is separate column for write-offs in the Demand Register.

30. Vacant land tax

Vacant land tax assessment list has to be prepared in Form C for general revision and in Form G for monthly lists. These forms are prescribed in

Assessment of Taxes Rules. Separate Demand Register and Arrear Demand Register have to be maintained for (vacant) land tax. The procedure prescribed for collection of house tax has to be followed for collection of (vacant) land tax also.

31. Advertisement tax

- 31-1. As per Section 81(1) (b) of the Act, Advertisement tax is levied in the municipality with the previous sanction of the Govt. on all advertisements which are displayed for public view. The rate of tax is fixed by the Council as per the rates specified in Advertisement Tax Rules, 1967. The Commissioner has to issue a written permission before any advertisement is exhibited. The Commissioner will not grant permission if any tax on the advertisement is due. If there is no written permission or if tax is not paid, the Commissioner is empowered to remove the advertisement.
- 31-2. The following procedure has to be followed in collection of advertisement tax.
- (i) On receipt of application for erection of advertisement, the Commissioner has to intimate the applicant the amount of tax liable on the proposed advertisement (if the advertisement is approved by the Commissioner), collect the tax and then issue written permission for the advertisement. The tax on advertisement has to be paid in advance before permission is granted.
 - (ii) In respect of advertisement erected upon street margins vested in the municipality or land belonging to it, separate fee or rent at such rates as may be fixed by the Council shall be charged in addition to the tax payable on the advertisement.

- (iii) Where the advertisement is not intended for full year, the advertisement tax will be collected on monthly basis at $1/12^{\text{th}}$ of the amount fixed for the year. Full month tax has to be charged and collected for part of the month.
- (iv) In respect of advertisements of trailer films, where the advertisement is not intended for a full month, tax shall be collected on weekly basis at $1/4^{\text{th}}$ of the amount fixed for a month.
- (v) In respect of advertisements which are already erected by paying tax, renewal of permission shall be obtained by paying the tax in advance before 31st March of the year.

All unauthorized advertisements need be removed after giving a notice at the risk and cost of the party concerned. On expiry of reasonable period prescribed by the Commissioner, the tax and the costs therefor be recovered in the same manner as property tax.

31-3. There is a provision in the Act (Section 119) that the collection of advertisement tax may be farmed out (leased out) for one year by the Commissioner; and in that case, the terms and conditions for such activity have to be determined by the Council.

31-4. Separate Demand Register and Arrear Demand Register have to be maintained for advertisement tax also as in the case of property tax. The procedure prescribed for collection of property tax can be adopted in collection of advertisement tax including arrears of tax.

32. Tax on Carriages, Carts and Animals

32-1. There is no Demand Register or Arrear Demand Register for collection of tax on carriages, carts and animals. The relevant register is the

Collection Register of Tax on Carriages and Animals and it is maintained in MF No. 47.

- 32-2. The Collection Register provides a record of collections made from carriages, carts and animals with licence number. The Bill Collectors furnish half yearly lists as well as monthly lists. The half yearly lists will be totalled and demand certified. The collections will be noted from the entries in the Register of Miscellaneous Licences (ML) and the particulars of tax payers along with date and amount collected will be entered in this register.

33. Collection of non-taxes

Non taxes cover various items. However, the following items of non-taxes contribute major amount and collection measures in respect of those items are discussed in the following paragraphs.

- (i) Water Charges
- (ii) Fees from Markets and Slaughter Houses
- (iii) Rents from Shop Rooms and Buildings
- (iv) D&O trade Licence Fee
- (v) Encroachment Fee

34. Water charges

Municipal Councils have to make bye-laws for all matters relating to water supply under Section 141 of the Act. The water supply bye-laws provide, among others, for payment of water charges by various categories of users.

35. Water supply Bye-laws

The Municipal Council has to publish draft bye-laws or alternations to bye-laws and call for objections or suggestions from the public as per

section 332 of the Act. After consideration of the objections/ suggestions, the Municipal Council has to finalise the bye-laws. Thereafter the Municipal Council has to obtain approval of E-in-C (P.H.) and publish the bye laws under Section 333 of the Act for making them effective.

36. Registers to be maintained

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
- (iii) Water Charges Arrear Demand Register

37. Role of Municipal Engineer

The Engineering section maintains Water Service Connections Register (M.F.No.21A), Meter Register (M.F.No.21B) and 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 engineering section arrange for sanction of water connection. If the connection 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 maintains Meter Register for supply of meters to the taps and Meter Reading Cards for reading the meters (by Meter Reader). The rates of water charges are fixed by the Council and form part of bye-laws.

38. Water charges Demand Register

Whenever water connection is made, the Engineer will send a report to Revenue section containing the date of connection and 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, date of collection, and balance at the end of the year. The register finally gives the DCB of water charges on tap rate basis.

39. Meter Ledger

- 39-1. The Meter Reader (engineering section) maintains 2 meter reading cards, one is given to the house owner and the other sent to revenue section every month. After making the reading every month, one copy is given to the owner of the house and the other copy is given to revenue section to prepare bill/demand notice and make collection of water charges. Tap connections given on meter rate basis are entered in the Meter Ledger. 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.
- 39-2. 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 ledger contains water consumed, amount billed, collected and balance. Based on meter reading card and rate fixed by Council, the demand is fixed and amount billed. Collections will be entered month-wise as in the case of property tax and balance struck.

40. 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 as well as meter basis 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.

41. Issue of bills

- 41-1. The water supply bye-laws provide for collection of water charges on monthly basis, but in practice water charges are collected once in a half-year along with property tax in respect of tap rate connections and once in a month in respect of metered connections. 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).
- 41-2. 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 basis, bills have to be prepared every month by 10th of succeeding month and issued to the Bill Collectors.

42. Service of bills

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 for service of documents as per Sec.353 of the Act has to be followed for service of bills.

43. 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 [Section 144 (1) (b) of the Act]. 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.

44. Fees from markets and slaughter houses and Rents from shop rooms and other buildings

44-1. Fees from markets and slaughter houses and rents from shop rooms and other buildings have to be watched through the Miscellaneous Demand Register (MDR). The Register has to be maintained in MF No.21. Separate portions have to be set apart in the Register for each of the above revenues.

44-2. After issue of orders approving the lease for the right of collection of fees from markets and slaughter houses and right of usage of shop rooms / buildings by the competent authority, the following entries have to be made in the MDR.

- (i) Serial No.
- (ii) Name of the contractor / lessee
- (iii) Monthly kist amount / rent (Demand)
- (iv) Penal interest
- (v) Amount collected
- (vi) Date of collection
- (vii) Balance

44-3. The detailed procedure for leasing out the collection of fees from markets and slaughter houses are prescribed in Rule 7 of Regulation of Receipts and Expenditure Rules issued in GO Ms. No.686 MA dated 30-7-1968. Similarly, regulations relating to leases of shop rooms and buildings have been detailed in Rule 12 of the same rules. They are very detailed and should be followed carefully. After the leases are finalized by

competent authority as per Section 43 of the Act, the details have to be entered in the MDR. All leases have to be in writing and the lease deeds should be registered to avoid disputes in later days. The rules have been amended recently in G.O. Ms. No. 56 MA dated 5-2-2011 and they have to be followed.

- 44-4. The contractors / lessees initially pay three months kist/six months rent as security deposit to be adjustable towards the last installments of the lease period and the security deposit does not carry any interest. They have to pay the kist amount or lease amount before 10th of every month or the date stipulated in the sale notification. The amount has to be paid in the municipal treasury by cash or by cheque / pay order. Penal interest has to be collected from the contractor / lessee for delay in the payment of kist / lease amount at the rate prescribed in the sale notification.
- 44-5. A miscellaneous demand notice has to be issued to the contractor of markets for any failure to pay the *kist* amount within the stipulated time. If the *kist* amount is not paid even after service of demand notice, a notice has to be issued to the contractor to show cause why the matter should not be placed before Municipal Council for cancellation of the lease agreement. If the *kist* amount is not paid even after service of the show cause notice, the matter has to be placed before the Municipal Council for cancellation of the lease and for re-auction of the right of collection of fees in markets and slaughter houses. Since 3 months kist is available with the municipality as security deposit, the municipality should be in an advantageous position.
- 44-6. In respect of shop rooms and buildings also, a miscellaneous demand notice has to be issued to the lessees of shop rooms for failure to pay the monthly rent within the stipulated time. If the monthly rent is not paid even after service of demand notice, a notice has to be issued to the lessee to show cause why the matter should not be placed before

Municipal Council for cancellation of the lease agreement. If the monthly rent is not paid even after service of the show cause notice, the matter has to be placed before the Municipal Council for cancellation of the lease and for re-auction of the lease of shop rooms and buildings. Since 6 months rent is available with the municipality as security deposit, the municipality should be in an advantageous position.

- 44-7. Another measure is available for collection of rents of municipal shop rooms and buildings. If the monthly rent is not paid even after service of demand notice, a bill has to be served under Section 364 of the Act. If the amount is not paid in pursuance of such bill (served under Section 364), action can be taken under the provisions of Schedule II of the Act, ie. distraint warrant and prosecution etc. The Commissioner may issue a warrant to the Revenue Inspector / Revenue Officer to seize movable properties in the shop room. The procedure prescribed for execution of warrants in respect of collection of property tax has to be followed in this case.
- 44-8. Since the items of demand would be few, the Commissioner has to review the collection of revenue from the above items once in a month and initiate appropriate action, if the revenues are not realised within the stipulated time.

45. D&O Trade licence fee

- 45-1. There are various kinds of licences to be taken under the Act, but licence for regulating dangerous and offensive (D&O) trades is an important category. An annual licence has to be taken for carrying out D&O trades. The trades are listed in Schedule IV of the Act and licence fee is prescribed by the Council under Section 263 and notified. Application for fresh licence or renewal of licence for the trade has to be presented to the Commissioner not less than 30 days before opening the trade or 30 days before the beginning of the financial year.

- 45-2. Sanitary Inspectors have to submit yearly lists of places of business liable for licence by 30th April for scrutiny and approval by the Health Officer and Commissioner. The Sanitary Inspectors should ensure that all the trades are licensed after paying required license fee. Any person found in the list who has not obtained licence has to be prosecuted by the Sanitary Inspector with the approval of the Commissioner. Further Sanitary Inspectors have to submit monthly lists showing the list of new trades that have come up during the month which require licence. The owners of trades shown in the monthly lists who have not taken licence should also be similarly prosecuted.
- 45-3. A notice may be issued to the party before prosecution calling on 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 has to be deemed as a continuing offence until the expiration of the period i.e. end of financial year as per proviso to section 366 of the Act. In view of proviso to section 366 of the Act, prosecution can be launched before June of the year if the trades are continuing from the previous year. It should be ensured that the omission of the party is that the trade is not licenced rather has not paid the license fee. As per the Manual of Roles and Responsibilities of various functionaries in ULBs, the Sanitary Inspector is responsible to ensure that all D&O trades in his jurisdiction are licensed.
- 45-4. The collections under D&O trade licence fees have to be monitored through D & O Trades Demand Register. The register provides a record of D&O trades liable for licence - demand, collection and balance of licence fees. The Sanitary Inspectors would submit the yearly list and

based on the list, the demand is fixed. They will also submit monthly lists and with the help of monthly lists, the demand will be added. Collections under this item of revenue will be made in the register as per the entries made in the Register of Miscellaneous Licences (MF No.51). The Arrear Demand Register for D&O trade also has to be maintained, if there are arrears of licence fee.

46. Encroachment fee

- 46-1. The Municipal Council has to issue a notification under section 344(2) of the Act fixing the rates of encroachment fee for various temporary encroachments. The Town Surveyor and town planning subordinates have to submit list of encroachments by end of April of every year. The Municipal Commissioner has to inspect all encroachments and classify them as objectionable or unobjectionable from public health, safety and traffic point of view. Action has to be taken to remove objectionable encroachments.
- 46-2. The list of unobjectionable encroachments has to be entered in Register of Encroachment Fees (MF No.197). The register contains the names of encroachers, details of encroachment and amount of fees payable (Demand). Whenever new encroachments come in and if they are found unobjectionable, they will be brought to the register and the demand is added. This will be done through monthly lists as in the case of new trades. Miscellaneous demand notices have to be issued to all encroachers to pay the encroachment fee within 15 days from the date of service of the notice and get the encroachment licenced. If the encroachment fee is not paid and the encroachment is not licenced within the stipulated time, action should be taken to remove the encroachment or file a prosecution.
- 46-3. As per the Manual of Roles and Responsibilities of municipal functionaries, the Town Planning and Building Overseer is responsible to ensure that all encroachments in his jurisdiction are licensed or

removed. It should be ensured that the omission of the party is that the encroachment is not licenced rather has not paid the license fee. 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 and get the encroachment licensed. Collections under this item will be made in the register as per the entries made in the Register of Miscellaneous Licences (MF No.51). At the end of the year, DCB statement has to be prepared. The Arrear Demand Register for Encroachment Fee also has to be maintained, if there are arrears of encroachment fee.

47. Commissioner's responsibility for collection work

- 47-1. Under the Municipal Act, the Commissioner exercises all powers in relation to collection of taxes and non-taxes. If the Commissioner finds any employee is negligent and responsible for loss of municipal revenue, he may recover the loss in full or part from him.
- 47-2. The rules relating to various State Municipal Services issued under Section 80 (2) of the Act are relevant. The Rules provide that the Commissioner may recover from the pay of an employee the whole or any part of the pecuniary loss caused to the municipal council by negligence or breach of orders while working in the municipality. The employee may be in revenue section (taxes and shop room rentals etc.), or in public health section (trade licences) or in town planning section (advertisements or encroachments). The employee has to be given an opportunity of explanation before ordering recovery. Otherwise, the Commissioner becomes personally responsible for the loss sustained by the municipality through his failure to take timely action for recovery of taxes and non-taxes. The Municipal Council with the permission of Government or the Government may file suit for recovery of loss from any officer or employee including Commissioner. (Section 374)

- 47-3. The Commissioner should devote his personal attention to collection work and ensure that no tax becomes time barred as a result of his negligence. It is unsafe to wait till the period of limitation expires. Efforts should be made from the very first year for collection of taxes and non-taxes.
- 47-4. The Commissioner or Revenue Officer should compare atleast 5% of the tax receipts with the postings/collections in the Demand Registers and make a record of the receipts so compared. This exercise enables the Commissioner to see whether there is any delay in crediting the amounts in the municipal treasury.
- 47-5. The work of the Bill Collectors should be closely supervised by fixing Job Charts and reviewing the collection work every week and the outstanding arrears verified at periodic intervals. Any defalcation or loss of money has to be reported to the Director of State Audit immediately to enable him to conduct audit.

48. Monitoring of collection of taxes

The Commissioner has to monitor the collection work in the following ways.

- (i) Weekly targets have to be fixed for all Bill Collectors and Revenue Inspectors.
- (ii) Review the collection of taxes and non-taxes once in a week and ensure that weekly targets are achieved.
- (iii) Ensure collection of numbers (targeted assessments) and not amounts.
- (iv) Ensure that penal interest at 2% per mensem is charged in respect of payment after June end for first half year and after December

end for second half year. This will go a long way in realizing the tax within the stipulated time.

- (v) Make publicity of the provision relating to 5% rebate if yearly tax is paid before end of April.
- (vi) Attempts have to be made for collecting 100 percent of taxes and non-taxes before end of March of every year.

49. Reports to Council

49-1. In order to enable the ward members (non-officials) to keep a watch over the progress of collections, the Demand, Collection and Balance statements of all taxes and non taxes shall be prepared every month and submitted to the council for its information and for such orders as deemed fit. (Rule 47 of Regulation of Receipts and Expenditure Rules)

49-2. The Commissioner has to place before the Council a list of arrears due to the Council which are likely to be time-barred at least one year before the expiry of the period of limitation for instruction or directions of the Council in regard to the recovery of such arrears [Section 365 (2) of the Act]. If the Commissioner fails to furnish the list as aforesaid, the Commissioner is deemed to be negligent in the discharge of his duties, and he is liable for the recovery of the loss sustained by the Municipal Council.

50. General measures for revenue improvement including Revenue Improvement Action Plan (RIAP)

The Commissioner, besides realizing the taxes and non taxes to the full extent, should also consider improving the revenues of the municipality. Some measures have been suggested in this Manual. They are not exhaustive and the Commissioners may innovate any measure to improve revenue and implement in the municipality. The measures suggested in this Manual include:

- 50-1. Capacity Building to officers concerned on assessment and recovery procedures. It is observed that the revenue officials are not fully conversant with procedures relating to assessment as well as recovery. It is high time that the officials are given training in the procedures.
- 50-2. Updating of demand registers (both current and arrear)
- The demand registers relating to various taxes and non taxes where demand is fixed are to be updated. Since computers are in use in ULBs, this item of work need be attended on priority basis.
- 50-3. Preparation of computerised property tax demand notices
- To be completed within one month i.e., April or October of the year.
- 50-4. Service of demand notices
- (i) Service of demand notices through postal authorities / courier may be encouraged and service by hand may be discouraged
 - (ii) Service of demand notice is a must to take coercive steps for realisation of tax
 - (iii) To be completed by May / June or November / December every year
 - (iv) Public notice to be issued informing taxpayers that demand notices have been dispatched and if any one fails to get demand notice, it can be collected from office
- 50-5. Bring all tax payers into the tax net
- (i) Make door to door survey
 - (ii) Identify un-assessed and under-assessed properties and make/ revise assessment
 - (iii) Assess all unauthorised constructions to tax and impose penalty

- (iv) Classify proper usage – residential/non-residential - rate of tax different
- (v) Classify proper usage and construction – MRV rates are different
- (vi) Classify proper occupant of residential property as owner/tenant – Different rates of rebate
- (vii) Assess correct age of building - Different rates of rebate.

50-6. System of collecting taxes from door-to-door by Bill Collectors has to be dispensed with.

- (i) Collections to be made in the office counters (main office/ circle office/ ward office) or collection centres or mee-seva centres or banks.
- (ii) Bill Collectors and Revenue Inspectors have to visit houses not for collection purpose, but as Warrant Officers to distrain movable properties

50-7. Intense review of collections

- (i) Weekly targets have to be fixed for collection of taxes to all Bill Collectors and Revenue Inspectors. The target should be in terms of numbers and not the amounts.
- (ii) There must be regular review once a week and ensure that the weekly targets are achieved.
- (iii) Micro-analysis of arrears, ie., to find out the details of arrears and to analyse as to how and why they become arrear; and how to collect them.

50-8. Ensure collection of interest on all delayed payments.

- (i) Simple interest at 2% per month to be levied in case of failure to pay property tax by the end of June for first half year, and by

the end of December for second half year (second proviso to section 91)

- (ii) Make publicity of penal interest provision

50-9. Rebate for prompt payment

- (i) Rebate of 5% of property tax be given in respect of assessments where property tax for the entire current financial is paid before 30th April of the year (first proviso to section 91)
- (ii) Make publicity about rebate provision

50-10. Attempt to achieve collection of 100 per cent of taxes

- (i) As per AMRUT guidelines there must be at least 90 per cent recovery under property tax. If 100 per cent is targeted and start collecting at that rate, 100 per cent target may be achieved in a matter of 3-4 years.
- (ii) Institute rewards for good performance
- (iii) Initiate disciplinary action/ punishment for non-performance.

50-11. Sharing responsibility of collection work

- (i) Currently only the Bill Collector is targeted for collection; and other officers in the revenue section like Revenue Inspector, Revenue Officer and Commissioner are supervising the work.
- (ii) Instead, all the supervisory officers (including Commissioner) should take the responsibility of collection which is particularly hard for the Bill Collector.

50-12. Clearing transfer of title applications

This is one area where the collection staff faces difficulty. All applications received for change of title should be disposed and demand notices are served in the names of the transferees.

50-13. Disposal of Revision Petitions

All revision petitions for reduction of tax at the Commissioner level should be disposed within one month from the date of receipt of Revision Petition.

50-14. Disposal of Appeals (to be pursued with AC-cum-RDMA)

It should be ensured that the appeal petitions pending with Appellate Commissioner should be disposed within two months.

50-15. Disposal of Vacancy remission petitions

All petitions for vacancy remission be disposed promptly.

50-16. Making use of coercive steps permitted under the Act

- (i) Distraint of movable properties
- (ii) Distraint of movable properties of occupants
- (iii) After sufficient time period, defaulter lists have to be prepared for every ward/area/bustee and warrants executed on all defaulters.

50-17. Institution of prosecutions

When distraint is impracticable, the defaulter may be prosecuted before the Judicial Magistrate.

50-18. Filing of civil suits

Civil suits can also be filed for realisation of taxes or other dues. Since it involves considerable time and expenses it may be discouraged.

50-19. Adjustment of tax amount at office level

With their consent, tax may be adjusted from deposits or recovered from payments from office staff/contractors/suppliers/consultants etc.

50-20. Informing the Council

- (i) The Municipal Council should be informed of the details of the municipal accounts on monthly basis.
- (ii) The Municipal Council should be informed about DCB every month.
- (iii) Reporting to Council about taxes likely to be time-barred in a year and seek their suggestions for recovery.

50-21. Take the assistance of Chairperson/ Ward Members in revenue collections

- (i) Commissioner should take the assistance of Chairperson and Ward Members in the collection exercise.
- (ii) Take the support of Ward Committee, since one of its functions is facilitation in the collection of taxes and non-taxes.

50-22. Compromise/taking the assistance of Lok Adalat on pending civil suits

There is a provision of compromise of suits pending in the courts. This may be explored through courts or Lok Adalat.

50-23. Resorting section 364 of the Act

It is a key provision for recovery of any sum due to the municipality. It reads as '*All costs, damages, penalties, compensation charges, fees (other than school fee), expenses, rents, contributions and other sums which are due by any person to the council may, if there is no special provision in the Act for recovery be demanded by a bill as provided in the rules in Schedule II and recovered in the manner provided therein*'.

50-24. Resorting to modern management practices

- (i) Establish credibility of the municipality
- (ii) Improve municipal performance

- (iii) Improve municipal service delivery
- (iv) Respond public grievances quickly
- (v) Maintain public relations
- (vi) Observe transparency
- (vii) Disseminate/Disclose information

51. Collection of property tax in Municipal Corporations

Broadly the procedure for collection of property tax in Municipalities and Municipal Corporations is one and the same except the following minor changes.

Property tax when payable (Section 264 of GHMC Act, 1955)

Property tax shall be payable in advance as shown hereunder:

First Half year – 1st day of April

Second Half year – 1st day of October

52. Appeals against Taxes in Municipal Corporations

Appeals against Taxes (Section 282 of GHMC Act, 1955)

Appeal against property tax fixed under the Act shall be heard and determined by the Judge. The following items have to be fulfilled before preferring an Appeal.

- (i) A complaint has previously been made to the Commissioner under section 221 and such complaint has been disposed
- (ii) Appeal has to be preferred within 15 days after the receipt of orders on the complaint made to the Commissioner.
- (iii) The amount of tax due by the Appellant has been deposited by him with the Commissioner.



Jubilee Hills Campus
(Dr. MCR HRD Institute Campus),
Road No. 25, Jubilee Hills, Hyderabad - 500 033,
Telangana State (India)
Ph: +91 40 2354 1907 / 09
Fax: +91 40 23541953



GACHIBOWLI CAMPUS
Survey No. 91,
Near Outer Ring Road Chowrasta,
Gachibowli, Hyderabad 500 032,
Telangana State (India)
Ph: +91 40 2312 0009