

## **Chapter - VII**

### **SUMMARY OF RECOMMENDATIONS**

**7.1** The SSFC recommends the discontinuation of the system of derivation based tax sharing and its replacement by global sharing of all State taxes on the basis of objectively defined formula.

(Chapter II para 2.9, Chapter VI paras 6.6, 6.8)

**7.2** Transfers of funds recommended by the Commission are meant to supplement and not substitute the existing sources of revenue of the local bodies and these bodies have to make determined and sustained efforts to raise their own tax and non-tax revenues from all sources.

(Chapter II para 2.11)

**7.3** The final requirement of the local bodies on the basis of this Report may be placed by the State Government before the Twelfth Finance Commission.

(Chapter II para 2.11)

**7.4** The Commission recommends a phase wise transfer of schemes to the local bodies along with staff and funds within a given time frame. The Commission suggests the adoption of a funding pattern that ensures an appropriate balance of tied and untied funds, the composition of the funding pattern being determined by the objectives of the programmes and schemes.

(Chapter II para 2.12)

**7.5** The Commission observes that uniformity of financial year between Rural Local Bodies (RLBs) and Central and State Governments is essential for smooth financial and operational management, apart from avoiding confusion in audit and accounting procedure. As such, PRIs should adopt the financial year from April 1 to March 31.

(Chapter III para 3.26)

**7.6** The Commission recommends the abolition of the maximum limit of taxation and recommends a floor rate of taxation for each tier of PRI with provision to revise the rates suitably at the expiry of say, every three years, as such a measure will ensure greater fiscal autonomy for the PRIs and also ensure increased resource mobilization. The Commission recommends the fixation of a floor rate instead of a ceiling rate of taxes that GPs can impose on each type of building and on trade licences.

(Chapter III para 3.28 (i) (ii) & (iii))

**7.7** Assam Panchayat Act may be amended to enable RLBs to impose surcharge on stamp duty on the sale, gift etc., of immovable property.

(Chapter III para 3.28 iv)

**7.8** The Assam Panchayat Act, 1994, empowers GPs to impose a tax on cultivable land lying fallow for two consecutive years at a rate not exceeding twenty-five paise per bigha per year, which has not been incorporated in the rules. The Commission recommends that this tax be included in the rules with the fixation of a suitable floor rate.

(Chapter III para 3.28-v)

**7.9** The Commission observes that the conditions of markets, fisheries, ponds, ferries run by the Panchayats have been found to be unsatisfactory. Improvements in these facilities will bring substantial additional revenues to the local bodies.

(Chapter III para 3.28-vi)

**7.10** The Commission recommends that fisheries be listed by RLBs and leased out for at least three years after fixing the minimum lease rent.

(Chapter III para 3.28-vii)

**7.11** Water users' association should be constituted by RLBs and service charges be realized from the beneficiaries to meet the operation and maintenance cost fully.

(Chapter III para 3.28-viii)

**7.12** The Commission reiterates the recommendation of the First State Finance Commission that the subject of issue of birth and death certificates should be transferred to local bodies.

(Chapter III para 3.28-ix)

**7.13** The GPs should make a proper assessment of annual yield from various sources allocated to them and fix the target of collection for the year and monitor the annual collections with the target fixed.

(Chapter III para 3.28-xi)

**7.14** Engagement of additional manpower, if necessary, may be made on a contractual basis only. The vacant posts of drivers may be reduced as and when the incumbents go on retirement.

(Chapter III para 3.29)

**7.15** The State Government may project the salary liabilities and arrear pay liabilities of panchayat employees before the Twelfth Finance Commission.

(Chapter III para 3.30)

**7.16** The SSFC recommends that a separate pay structure be framed for the panchayat employees and that the panchayats raise their own resources to meet the salary liabilities of their employees.

(Chapter III para 3.31)

**7.17** Funds from Sampoorna Grameen Rojgar Yojana and EFC grants should be utilized for operation and maintenance of core civic services. The

requirements beyond the period covered by the award of EFC may be projected before the Twelfth Finance Commission.

(Chapter III para 3.33)

**7.18** A Register of assets is to be maintained by the PRIs so as to arrive at a reasonable estimate of annual requirements for operation and maintenance of basic core services.

(Chapter III para 3.34)

**7.19** The SSFC suggests that the construction programme of buildings for GPs and APs may be phased over a period of time and expenditure requirements projected before the Twelfth Finance Commission for award of a special grant for this purpose.

(Chapter III para 3.35)

**7.20** The State Government should, in consultation with technical experts, evolve appropriate norms for the maintenance of assets belonging to PRIs.

(Chapter III para 3.36)

**7.21** Data bank for all PRIs may be created and individuals and NGOs engaged against lump-sum payment for collection, compilation and periodic updating of the data bank.

(Chapter III para 3.39)

**7.22** The Commission recommends that the District Planning Committees be constituted as per provisions of the Constitution and the Assam Panchayat Act, 1994 and that the DPCs should accordingly replace the existing SDPCs.

(Chapter III para 3.44)

**7.23** In respect of audit and accounting which is so vital for ensuring transparency and accountability at all levels of local bodies, the accounts format prescribed by the C & AG should be adopted replacing all the earlier formats.

(Chapter III para 3.47)

**7.24** The Commission reiterates the recommendation of the FSFC to write off the outstanding loan against the panchayats amounting to Rs.46,40,466.00.

(Chapter III para 3.48)

**7.25** The SSFC recommends that ULBs may consider engaging tax collectors on commission basis.

(Chapter IV para 4.56)

**7.26** The SSFC reiterates the recommendation of the First State Finance Commission for periodic review in assessment of property tax every five years.

(Chapter IV para 4.57)

**7.27** The enhanced rate of property tax which is applicable to new holdings under Guwahati Municipal Corporation should also be extended to existing holdings.

(Chapter IV para 4.57).

**7.28** Guwahati Municipal Corporation and other ULBs are to be allowed to collect property tax or service charges but only on a provisional basis from constructions on annual patta land, khas land and ceiling surplus land.

(Chapter IV para 4.58)

**7.29** The valuation of urban land in different urban areas should be done realistically on the basis of the prevailing market prices. Assessors may be engaged expeditiously to ensure timely completion of property tax reassessment.

(Chapter IV para 4.59)

**7.30** The Assam Municipal Act, 1956, should be amended on the lines of the provisions of the Guwahati Municipal Corporation Act, 1971, regarding powers of exemption. Section 148 of the GMC Act, 1971, allows GMC to consider exemption only in cases of buildings and land belonging to central government, religious and charitable institutions.

(Chapter-IV para 4.60)

**7.31** Necessary amendments in GMC Act, 1971 and Assam Municipal Act, 1956 are to be made to enable ULBs to adopt special rates for scavenging charges to be realized among others, from hotels, private hospitals, private markets, and residential private education institutions as these establishments are putting considerable pressure on civic facilities provided by urban bodies.

(Chapter-IV para 4.61)

**7.32** The urban bodies should be given the freedom to revise trade licence fees every three years and to determine the rates and bases of such fees.

(Chapter IV para 4.62)

**7.33** New trades including marriage halls, cyber cafes, real estate developers should come under the trade licence fee net of GMC and other ULBs.

(Chapter-IV para 4.63)

**7.34** Although ULBs have been empowered to levy surcharge on stamp duty, the SSFC notes that the ULBs have not exercised this power so far. The Commission recommends that the State Government should facilitate the collection of surcharge by ULBs by streamlining the procedure for such collection.

(Chapter IV para 4.64)

**7.35** Unauthorized markets and vendors are to be discouraged and markets are to be developed which will add to the revenues of the local bodies.

(Chapter-IV para 4.65)

**7.36** In respect of ongoing unfinished works, like Fancy Bazar market, works should be completed at the earliest, if necessary, with financial assistance from the Government as such a step would not only prevent cost escalation but would also arrest further loss of revenue.

(Chapter-IV para 4.66)

**7.37** Lease rent in respect of shops and markets should be revised at least once in every three years with a minimum revision of 15%.

(Chapter-IV para 4.67)

**7.38** User charges instead of property taxes may be imposed on Central and State Government properties as recommended by the Eleventh Finance Commission.

(Chapter-IV para 4.68)

**7.39** Simplification of the tax collection procedure will make the tax administration machinery more tax payer friendly. Towards that end, the SSFC has listed a number of measures like payment of tax through post office or bank and computerized tax billing and collection, which may be adopted without much difficulty.

(Chapter-IV para 4.69)

**7.40** In the field of expenditure management and control, it has become imperative to rationalize the staffing of ULBs as the presence of excess manpower and the burden of arrear dues of the employees of the revised scale are having a highly unfavourable impact on the revenue expenditure of ULBs.

(Chapter IV paras 4.70, 4.71 4.72)

**7.41** The imposition of appropriate restrictions on the power of ULBs to appoint staff and the preparation of a VRS for employees of ULBs are necessary and the fund for VRS may be sought from the Twelfth Finance Commission.

(Chapter-IV para 4.73)

**7.42** A separate pay structure for ULBs is to be framed which will be based on the capacity of these bodies to mobilize their own resources.

(Chapter-IV para 4.74)

**7.43** The Commission recommends that the service rules and rules relating to Provident Fund, Gratuity etc. for the employees of the ULBs are to be framed at the earliest.

(Chapter-IV para 4.75)

**7.44** Electricity dues of ULBs to ASEB may be taken over by the State Government and securitized by issuing bonds. Initial liabilities that the State Government has to bear in this regard may be projected before the Twelfth Finance Commission.

(Chapter-IV para 4.76)

**7.45** The SSFC recommends that the local bodies may encourage community participation in maintaining and improving the level of civic amenities as this will ensure cost effectiveness and raise the level of civic consciousness.

(Chapter IV para 4.77)

**7.46** The Commission is of the view that all schemes relating to the development of Guwahati should be approved by the GMC and that the presence of a dual authority in this regard is not to be encouraged.

(Chapter-IV para 4.78)

**7.47** The Commission underlines the need for setting up the Metropolitan Planning Board at the earliest as per provision of the Constitution.

(Chapter-IV para 4.78)

**7.48** The accounts format prescribed by C & AG should be adopted by all ULBs, and the SSFC underlines the importance of imparting training to the audit and account personnel of the local bodies.

(Chapter-IV para 4.79, 4.80, 4.81)

**7.49** A Register of assets is to be maintained by ULBs and total expenditure requirements on operation and maintenance may be placed before the Twelfth Finance Commission.

(Chapter-IV para 4.82, 4.83)

**7.50** The SSFC also reiterates the proposal put forward by SFCs of various other states to set up a permanent cell of the SFC for continuous updating, processing and monitoring of relevant data.

(Chapter-IV para 4.86)

**7.51** It recommended that 3.5% of the aggregate collection of State taxes and duties should be devolved annually to local bodies, both rural and urban.

(Chapter VI para 6.13)

**7.52** Rural: urban allocation of divisible pool will be on the basis of 1991 census population excluding the hill areas.

(Chapter VI para 6.17)

**7.53** The horizontal distribution of the divisible pool for RLBs as between different districts will be on the basis of the weighted average of three criteria, viz. population, geographical area and per capita Net District Domestic Product (NDDP).

(Chapter VI para 6.18)

**7.54** After horizontal distribution, the vertical distribution will be as between the three tiers of PRIs viz. ZP, APs and GPs in ratio 10:30:60.

(Chapter VI para 6.19)

**7.55** In the final stage of devolution, shares will be allocated to APs and GPs in each district on the basis of population as per 1991 census.

(Chapter VI para 6.20)

**7.56** In case of ULBs, the urban divisible pool will be allocated horizontally among Guwahati Municipal Corporation, municipal boards and town committees on the basis of a weighted composite index of population, area, index of infrastructure and per capita tax collection.

(Chapter VI para 6.21)

**7.57** The State Finance Department may sanction and release the funds due to the local bodies and consider the feasibility of opening local body wise personal ledger accounts for this purpose.

(Chapter VI para 6.23)

**7.58** The Commission recommends that the grants-in-aid to panchayats for payment of salaries should be reduced by 5% for the next two successive years. PRIs are to raise own revenues to meet salary expenditure.

(Chapter VI para 6.26)

**7.59** The Commission recommends a grant-in-aid of Rs.10.00 crores annually to ULBs out of which GMC will receive Rs.5.00 crores and the remaining Rs. 5.00 crores should be allocated to the ULBs annually on the basis of 1991 population.

(Chapter VI para 6.27)

**7.60** Out of the grants recommended by the Eleventh Finance Commission (EFC), an amount of Rs.107.64 lakhs is to be distributed equally at the rate of Rs.4000.00 for each AP and GP during the award period of EFC for the maintenance of accounts by the PRIs.

(Chapter VI para 6.30)

**7.61** For the creation of the database by PRIs, the Commission recommends that the EFC grant of Rs.216.50 lakhs annually should be distributed equally amongst all PRIs including the two Autonomous District Councils, the individual entitlement being Rs.7977.00 per annum. The State Government may consider separately the release of the earmarked funds to District Councils.

(Chapter VI para 6.31)

**7.62** EFC grants for RLBs for the maintenance of civic services are to be distributed among GPs, APs and ZPs annually on the basis of the formula for vertical and horizontal distribution as laid down by the SSFC and explained in paras 6.18 to 6.20, read with **Annexure-VI- 3 to 5**.

(Chapter VI para 6.22)

**7.63** Out of the EFC grant to ULB amounting to Rs.2154.20 lakhs for the period 2000-05, an amount of Rs.4000.00 per year should be provided to these ULBs which do not have any regular accounts staff on their pay roll. For the

creation of database, EFC grant of Rs.6.30 lakhs per year is to be distributed equally at a flat rate among the ULBs.

(Chapter VI para 6.36)

**7.64** The rest of the EFC grants i.e. the non-earmarked portion meant for the maintenance of civic services should be distributed among ULBs annually on the basis of the formula for horizontal distribution as spelt out by the Commission, in para 6.21 of Chapter –VI, read with **Annexure-VI-6**.

(Chapter VI para 6.37)

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