

PART IV
MUNICIPAL REVENUE

XX. Sources of Internal Revenue

22. *Having regard to the provisions of article 243X of the 74th Constitution Amendment Act, 1992 which states that the Legislature of a State may by law -*

- (a) *authorize a Municipality to levy, collect and appropriate such taxes, duties, tolls and fees 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; and*
- (c) *provide for making such grants-in-aid to the Municipalities from the Consolidated Fund of the State,*

the question is as to what are the provisions which any State Government may make in the law for these purposes.

- (1) It is to be noted that under Article 246 of the Constitution entitled *Subject matter of Laws made by Parliament and by Legislatures of States*, clause (3) provides that “The Legislature of any State has exclusive powers to make laws for such State or any part thereof with respect to any of the matters enumerated in List II in the Seventh Schedule referred to as the State List and concurrent powers with respect to any of the matters enumerated in List III of this Schedule”.

Under the *State List*, the following Table shows the entries which pertain to levy of various taxes for which the State Legislatures are competent to frame laws and which are relevant to the urban local bodies :

<u>Entry</u>	<u>Taxes Relevant to Name of the Tax</u>	<u>Urban Local Bodies</u>
49	Taxes on lands and buildings	✓
52	Taxes on entry of goods into a local area for consumption, use or sale therein	✓
53	Taxes on the consumption or sale of electricity	✓
55	Taxes on advertisements other than advertisements published in the newspapers and advertisements broadcast by radio or television	✓

<u>Entry</u>	<u>Name of the Tax</u>	<u>Taxes Relevant to Urban Local Bodies</u>
56	Taxes on goods and passengers carried by road or inland waterways	✓
58	Taxes on animals and boats	✓
59	Tolls	✓
60	Taxes on professions, trades, callings and employments	✓
62	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling	✓
66	Fees in respect of any of the matters in this List, but not including fees taken in any court	✓

The State enactments for the levy of various taxes, tolls and fees under the above mentioned entries may be applicable either on a Statewide basis or in municipal areas only.

- (2) Local governments depend upon “four local sources and two external sources for their receipts”. These are :
- (a) locally raised taxes
 - (b) user charges
 - (c) other non-tax revenues from performance, primarily, of statutory and regulatory functions
 - (d) incomes from commercial ventures and municipal properties
 - (e) borrowings
 - (f) transfers from higher levels of government including shared taxes, capital grants and grants-in-aid.

The proper mix of the receipts from the internal and the external sources and break-up thereof can be determined only in Municipality-specific contexts keeping in view the constitutional and legislative provisions, the politico-socio-economic environments, the institutional set up, the allocation of financial responsibilities and the local attitudes as also traditions in the matters of resource mobilization.

- (3) *Annex 5* present a review of the current status of “Municipal Taxation in India”, levy of user charges, issue of municipal licences, replacement of some taxes by municipal licences and fees for performance of various statutory and regulatory functions.

Provisions Made in the Municipal Law

- 27.** *While clause 128 of the Municipal Law identifies the major sources of internal revenue, clause 129 lists the taxes which may be levied by the Municipalities, clause 130 covers the power to levy user charges, and clause 131 empowers the Municipalities to levy fees and fines.*

Besides the conventional taxes specified in municipal laws, clause 132 includes enabling provisions for the levy of : surcharge on transfer of lands and buildings, tax on deficits in parking spaces in any non-residential building, water tax, surcharge on entertainment tax, surcharge on electricity consumption within the municipal area and a tax on congregations, tax on pilgrims and tolls.

Provisions for levy of user charges have been made for : water-supply, drainage and sewerage, solid waste management, parking of vehicles and stacking of materials on public streets and public places.

- 28.** *Clause 132 provides for the levy of a surcharge on a tax or a fee on a premises which is used for a non-residential purpose at such rate, being not less than twenty five per cent and not more than seventy five per cent of such tax or fees.*

- 29.** *Clause 133 empowers the Municipality to levy “development charge” on any residential building, with a height of more than fourteen meters, or any non-residential building, having regard to its location along a particular category of a street, its use characteristics and the sanctioned built-up area.*