

CHAPTER-VII

EXPLOITATION OF SOURCES OF REVENUE BY THE PANCHAYATI RAJ INSTITUTIONS

7.1 Introduction

The 73rd Constitutional Amendment Act has entrusted Panchayati Raj Institutions with wide ranging responsibilities. Discharging these responsibilities requires an adequate resource base. But even prior to this amendment, financial resources of the Panchayat bodies were not strong enough to implement the functions they were expected to perform. They are heavily dependent on the grants from State Governments. The taxation powers given to PRIs are wide but doubts have been raised whether they fully utilise these powers in an effective manner. Panchayats at all three levels are found to be reluctant to impose taxes due to various reasons. Before the 73rd Constitutional Amendment Act, Panchayats survived mostly on government grants and they performed agency functions only. This chapter makes an attempt to review the lacuna in the existing system of collection of revenues by PRIs in West Bengal and suggest measures to rectify the loopholes. Further, it focuses on some newer sources of revenue, which could possibly be utilised by the PRIs with political will. We also examine whether the Panchayati Raj Institutions at all the three levels have been able to fully exploit the sources assigned to them. Do they face any constraints towards fuller utilisation of present sources of revenue?

7.2 Administration of Property Tax

The Section 46(1) (a) of the West Bengal Panchayat Act of 1973 lays down the provisions for a “tax on lands and buildings” which constitutes the main source of Panchayats’ own income. This tax is levied at the rate of one per centum of the annual value of such lands and buildings when the annual value does not exceed rupees one thousand and at the rate of two per centum of the annual value of such lands and buildings when the annual value exceeds rupees one thousand. The annual value of a property is to be calculated at the rate of 6 per cent of gross valuation. All these taxes will be imposed on owners and occupiers of lands and buildings in the Panchayat area. But

there are also sharp exemptions from the taxation [under Section 46 (2)] for (i) lands and buildings, the annual value of which is not more than two hundred and fifty rupees, (ii) lands and buildings belonging to a local authority and used or intended to be used exclusively for a public purpose and not used or intended to be used for purposes of profit, (iii) lands and buildings used exclusively for religious, educational or charitable purposes.

Under Section 46 (3), the State Government may, by notification, exempt either wholly or in part any other class of properties or classes of properties specified in the notification from the taxes or rates leviable under this Section. In addition, there is always a political unwillingness on the part of the PRIs to impose taxes on lands and buildings¹.

7.3 Procedure for Assessment of Property Tax

In actual practice, the tax on lands and buildings in the State is not fully exploited by the GP as the discussion held with officials and leaders revealed. Each GP member prepares a list of assessment of the taxable lands and buildings in his/her Sansad and forwards it to the GP. Whatever list is submitted by the Sansad members is accepted in most cases by the GPs. In fact the elected representatives themselves determine the value of lands and buildings. After the list of assessment prepared by the GP and the tax amount thereon is adopted, the draft list is displayed for general information of the public. GPs consider the claims and objections, if any and finalise the list. After this the GPs forward the lists to the Extension Officer of Panchayats (EOP) for scrutiny. The EOP compares the tax revenue expected to be raised by each Panchayat as per the list, with budget estimate of the Panchayats. In case of discrepancy, he makes suggestions to Panchayat to rectify them. Such a suggestion may or may not be accepted by the GP. After these formalities the list is passed by the EOP Panchayats. An assessee can appeal to the District Panchayat Officer for any entries made in the assessment list if he/she is not satisfied with the valuation.

Further a specific time schedule has been prescribed for the different stages of assessment process which begins from the month of December of the previous year of the year of assessment. If the concerned GP fails to prepare the assessment list within the time frame, special permission of the District Magistrate is to be obtained for extending the date of preparation and approval of the assessment list. Further, if there is provision

for tax arrears, they can be realised only up to a period of 9 years and not beyond that. It is observed that neither there is regular revaluation of taxable properties nor there is any independent agency to take up the task.

Table-7.1: Total Assessment and Total Collection of Tax on Lands and Buildings in Atharakhai GP during 1998-99 to 2007-08

Year	Total Assessment (In Rs.)	Total Collection (In Rs.)	% of Collection (Approx.)	Tax Rate Per Household (In Rs.)
1998-99	496332	241961	48.75	31.95
1999-00	527225	275190	52.20	36.34
2000-01	486330	239000	49.14	31.56
2001-02	597884	359836	60.18	47.52
2002-03	627338	480723	76.63	63.48
2003-04	758005	546541	72.10	72.17
2004-05	931009	725220	77.90	95.76
2005-06	1085667	803027	73.97	106.04
2006-07	1274690	1058260	83.02	139.74
2007-08	1297850	1096425	84.48	144.78

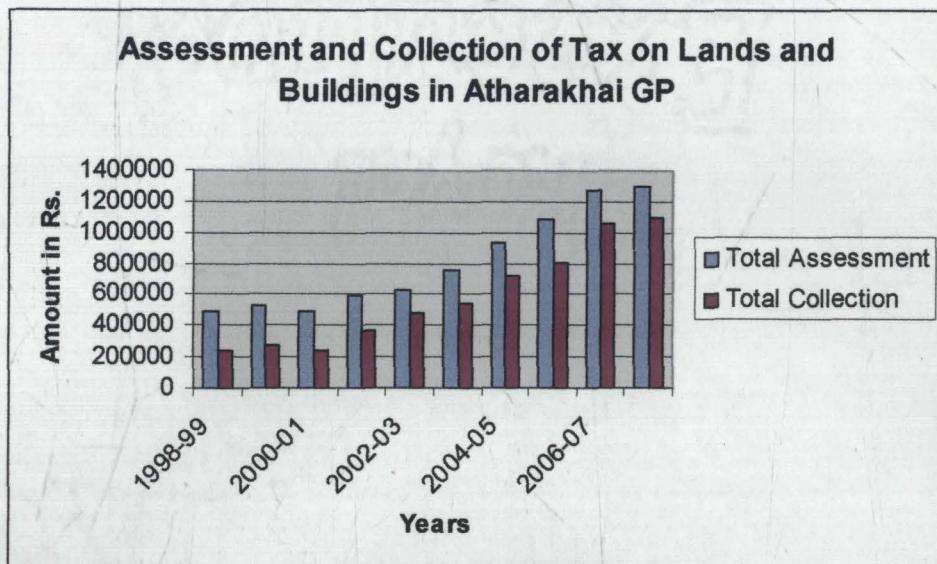
Source: Data collected from concerned Gram Panchayat.

The above Table-7.1 represents the total assessment and total collection of tax on lands and buildings in Atharakhai GP during 1998-99 to 2007-08. Our discussions revealed that there is usually gross under-assessment of capital values of the properties located in the Panchayat area. In 1998-99 total assessment of tax on lands and buildings was Rs. 4, 96,332/- and the total collection was Rs. 2, 14,961/- and in 2007-08 total assessment of tax on lands and buildings was Rs. 12, 97,850/- and the total collection was Rs. 10, 96,425/-. The table also shows the tax collection performance. In 1998-99 it was 48.75 per cent and in 2007-08 it was 84.48 per cent in case of Atharakhai Gram Panchayat. In the case of Atharakhai GP the total taxes collected was Rs. 2, 14,961/- in 1998-99 pointing out a moderate performance. In 1998-99 tax rate per household was Rs. 31.95 and in 2007-08 the amount rose to Rs. 144.78.

It is also evident from the table that the percentage of collection of 'tax on lands and buildings' gradually improved over the years 1998-99 to 2007-08. This is due to the improvement of knowledge about the higher tax payment capacity of the assessees and the increased purchasing power of the village people over the years. It is further observed from the table that the tax rate per household increased over the years 1998-99 to 2007-08. This is due to the increasing capital value of the property. Figure-7.1 shows the total

assessment and total collection of tax on lands and buildings in Atharakhai Gram Panchayat during 1998-99 to 2007-08.

Figure-7.1: Total Assessment and Total Collection of Tax on Lands and Buildings in Atharakhai GP during 1998-99 to 2007-08



It is seen from Figure-7.1 that the total assessment and total collection of tax on lands and buildings are increasing gradually high over the years 1998-99 to 2007-08. This is a good sign for a Gram Panchayat because both the assessment and collection are increasing simultaneously.

Table-7.2: Total Assessment and Total Collection of Tax on Lands and Buildings in Gossaipur GP during 1998-99 to 2007-08

Year	Total Assessment (In Rs.)	Total Collection (In Rs.)	% of Collection (Approx.)	Tax Rate Per Household (In Rs.)
1998-99	181250	81540	44.99	20.34
1999-00	201850	90755	44.96	22.64
2000-01	217362	106257	48.88	26.51
2001-02	279950	141383	50.50	35.28
2002-03	292000	125453	42.96	31.30
2003-04	314500	164611	52.34	41.07
2004-05	289050	144441	49.97	36.04
2005-06	388600	252548	64.99	63.01
2006-07	491324	321664	65.47	80.26
2007-08	502440	340348	67.74	84.92

Source: Data collected from concerned Gram Panchayat.

The Table-7.2 represents the total assessment and total collection of tax on lands and buildings in Gossaipur GP during 1998-99 to 2007-08. Our discussions revealed that there is usually gross under-assessment of capital values of the properties located in the Panchayat area. In 1998-99 total assessment of tax on lands and buildings was Rs. 1, 81,250/- and the total collection was Rs. 81,540/- and in 2007-08 total assessment of tax on lands and buildings was Rs. 5, 02,440/- and the total collection was Rs. 3, 40,348/-. The table also shows the tax collection performance. In 1998-99 it was 44.99 per cent and in 2007-08 it was 67.74 per cent in case of Gossaipur Gram Panchayat. The taxes collected was Rs. 81,540/- in 1998-99 pointing out a moderate performance. In 1998-99 tax rate per household was Rs. 20.34 and in 2007-08 the amount rose to Rs. 84.92.

It is also evident from the table that the percentage of collection of ‘tax on lands and buildings’ gradually improved over the years 1998-99 to 2007-08. This is due to the improvement of knowledge about the payment of taxes and the purchasing power of the village people increasing day by day. Another reason is more and more people are involved in the working process of the Panchayat activity. It is further observed from the table that the tax rate per household increased over the years 1998-99 to 2007-08. This is due to the increasing capital value of the property.

Figure-7.2: Total Assessment and Total Collection of Tax on Lands and Buildings in Gossaipur GP during 1998-99 to 2007-08

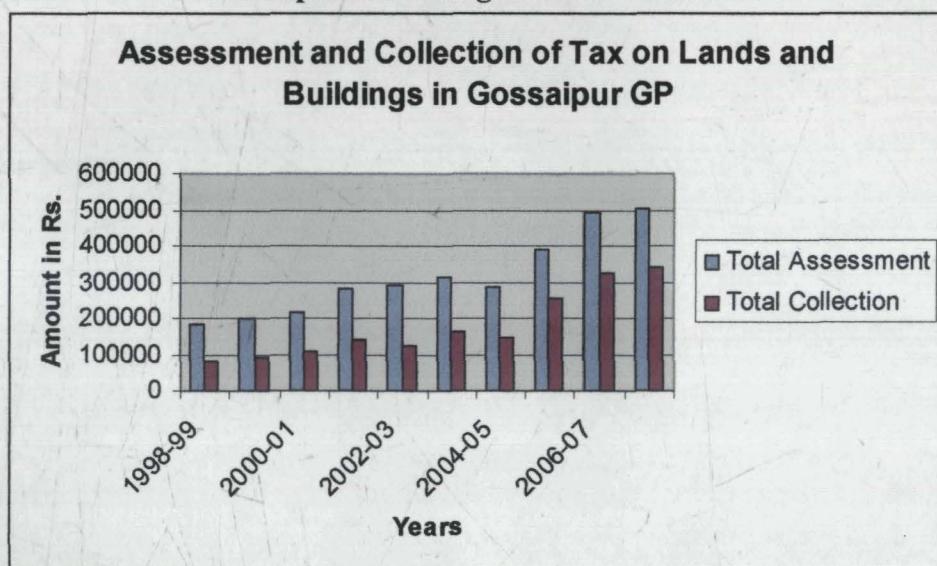


Figure-7.2 shows the total assessment and total collection of tax on lands and buildings in Gossaipur Gram Panchayat during 1998-99 to 2007-08. It is seen from the

Figure-7.2 that the total assessment and total collection of tax on land and buildings are increasing gradually high over the years 1998-99 to 2007-08. This is a good sign for a Gram Panchayat because both the assessment and collection are increasing simultaneously.

Table-7.3: Total Assessment and Total Collection of Tax on Lands and Buildings in Mahabari GP during 1998-99 to 2007-08

Year	Total Assessment (In Rs.)	Total Collection (In Rs.)	% of Collection (Approx.)	Tax Rate Per Household (In Rs.)
1998-99	157500	75215	47.76	13.70
1999-00	189750	96718	50.97	17.61
2000-01	218264	112500	51.54	20.48
2001-02	294650	156525	53.12	28.50
2002-03	358560	190684	53.18	34.72
2003-04	412385	244651	59.33	44.55
2004-05	495225	325218	65.67	59.22
2005-06	599230	384250	64.12	69.97
2006-07	729000	496374	68.09	90.38
2007-08	895625	636842	71.11	115.96

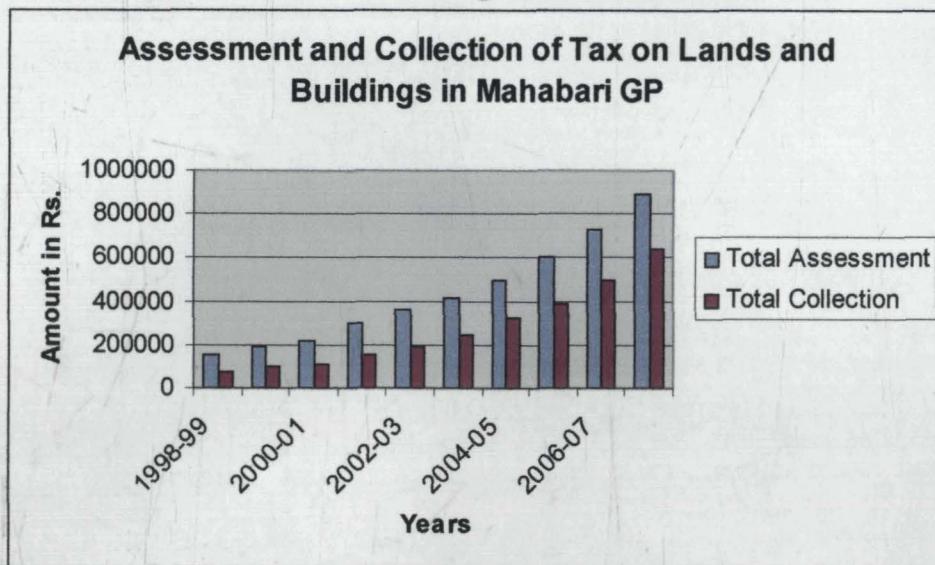
Source: Data collected from concerned Gram Panchayat.

The above Table-7.3 represents the total assessment and total collection of tax on lands and buildings in Mahabari GP during 1998-99 to 2007-08. Our discussions revealed that there is usually gross under-assessment of capital values of the properties located in the Panchayat area. In 1998-99 total assessment of tax on lands and buildings was Rs. 1, 57,500/- and the total collection was 75,215/- and in 2007-08 total assessment of tax on lands and buildings was Rs. 8, 95,625/- and the total collection was Rs. 6, 36,842/. The table also shows the tax collection performance. In 1998-99 it was 47.76 per cent and in 2007-08 it was 71.11 per cent in case of Mahabari Gram Panchayat. In the case of the same GP the taxes collected was Rs. 75,215/- in 1998-99 pointing out a moderate performance. In 1998-99 tax rate per household was Rs. 13.70 and in 2007-08 the amount rose to Rs. 115.96.

It is also evident from the table that the percentage of collection of ‘tax on lands and buildings’ gradually improved over the years 1998-99 to 2007-08. This is due to the improvement of knowledge and awareness of the people about payment of taxes and the purchasing power of the village people also is increasing day by day. Another reason is that more and more people are involved in the working process of the Panchayat activity.

It is further observed from the table that the tax rate per household increased over the years 1998-99 to 2007-08. This is due to the increasing of the capital value of the property. Figure-7.3 shows the total assessment and total collection of tax on lands and buildings in Mahabari Gram Panchayat during 1998-99 to 2007-08.

Figure-7.3: Total Assessment and Total Collection of Tax on Lands and Buildings in Mahabari GP during 1998-99 to 2007-08



It is seen from the Figure-7.3 that the total assessment and total collection of tax on lands and buildings are increasing gradually over the years 1998-99 to 2007-08. This is a good sign for a Gram Panchayat because both the assessment and collection are increasing simultaneously.

Table-7.4: Total Assessment and Total Collection of Tax on Lands and Buildings in Bairhatta GP during 1998-99 to 2007-08

Year	Total Assessment (In Rs.)	Total Collection (In Rs.)	% of Collection (Approx.)	Tax Rate Per Household (In Rs.)
1998-99	112500	46740	41.55	10.66
1999-00	135650	59355	43.76	13.54
2000-01	148260	64340	43.40	14.68
2001-02	185295	89545	48.33	20.43
2002-03	202800	105250	51.90	24.01
2003-04	242375	129548	53.45	29.55
2004-05	298500	152500	51.09	34.79
2005-06	338500	183715	54.27	41.91
2006-07	445925	252500	56.62	57.60
2007-08	462300	275725	59.64	62.89

Source: Data collected from concerned Gram Panchayat.

The above Table-7.4 represents the total assessment and total collection of tax on lands and buildings in Bairhatta GP during 1998-99 to 2007-08. Our discussions revealed that there is usually gross under-assessment of capital values of the properties located in the Panchayat area. In 1998-99 total assessment of tax on lands and buildings was Rs. 1,12,500/- and the total collection Rs. 46,740/. In 2007-08 total assessment of tax on lands and buildings was Rs. 4,62,300/- and the total collection Rs. 2,75,725/. The table also shows the tax collection performance. In 1998-99 it was 41.55 per cent and in 2007-08 it was 59.64 per cent in case of Bairhatta Gram Panchayat. The tax collected was Rs. 46,740/- in 1998-99 pointing out a moderate performance. In 1998-99 tax rate per household was Rs. 10.66 and in 2007-08 the amount rose to Rs. 62.89.

It is also evident from the table that the percentage of collection of 'tax on lands and buildings' gradually improved over the years 1998-99 to 2007-08. This is due to the improvement of knowledge and awareness of the village people about payment of taxes and their increasing purchasing power. Another reason is that more and more people are involved in the working process of the Panchayat activity. It is further observed from the table that the tax rate per household increased over the years 1998-99 to 2007-08. This is due to the increase of the capital value of the property.

Figure-7.4: Total Assessment and Total Collection of Tax on Lands and Buildings in Bairhatta GP during 1998-99 to 2007-08

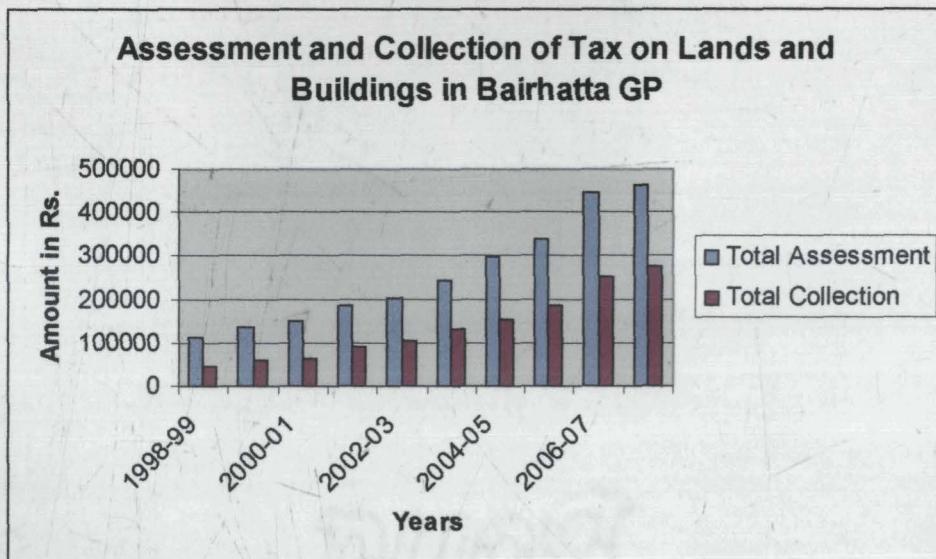
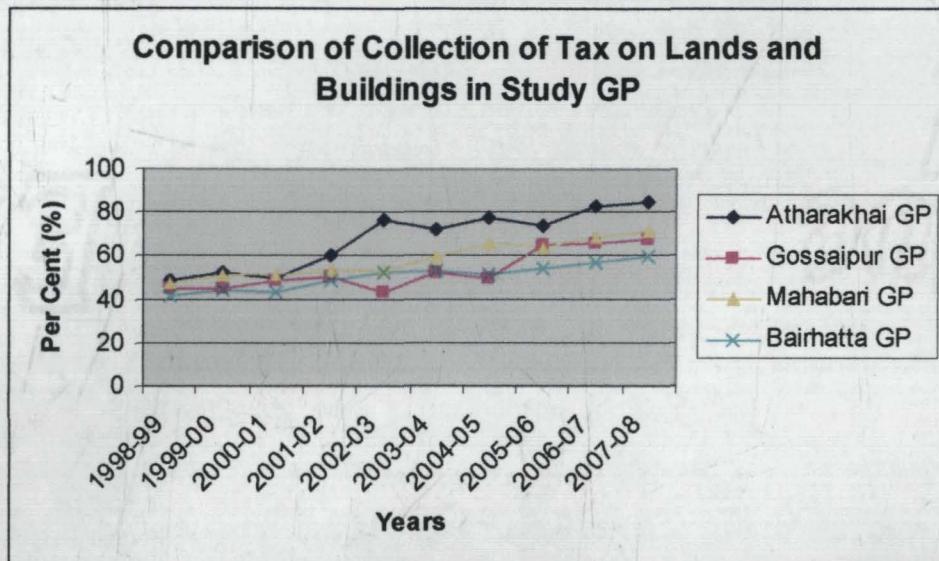


Figure-7.4 shows the total assessment and total collection of tax on lands and buildings in Bairhatta Gram Panchayat during 1998-99 to 2007-08. It is seen from the

Figure-7.4 that the total assessment and total collection of tax on lands and buildings are increasing gradually over the years 1998-99 to 2007-08. This is a good sign for a Gram Panchayat because both the assessment and collection are increasing simultaneously. Figure-7.5 shows the comparison of collection of tax on lands and buildings in the study Gram Panchayats during 1998-99 to 2007-08.

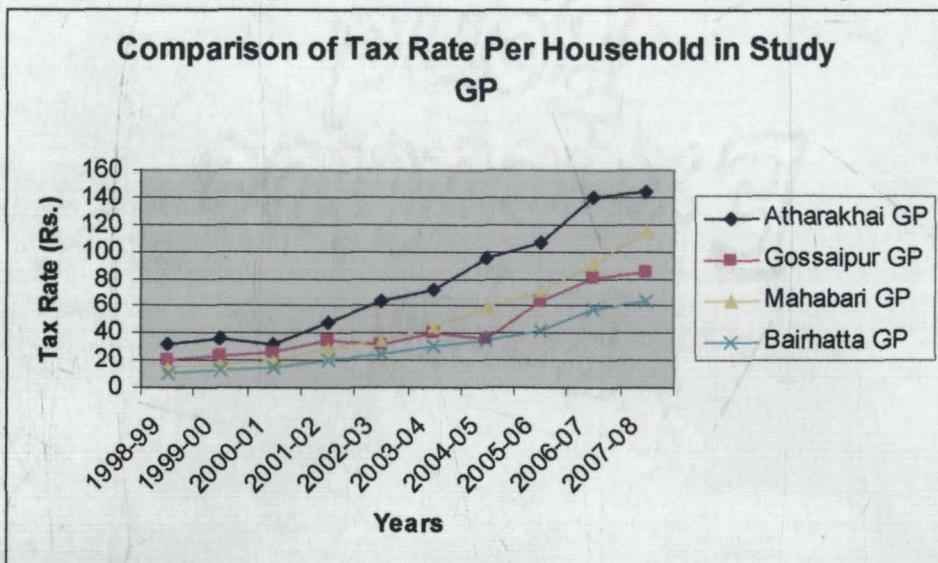
Figure-7.5: Comparison of Collection of Tax on Land and Buildings in Study GP



It is seen from the above Figure-7.5, which shows the percentage of collection of tax on lands and buildings in the study Gram Panchayats, Atharakhai GP is in first position, followed by Mahabari GP, then Gossaipur GP and finally Bairhatta GP. The figures obtained about the four Panchayats differ. The variations may be due to the size of GP and the number of households and homestead property units coming within the respective jurisdiction of GP. The Figure-7.5 shows the tax collection performance of the four study Gram Panchayats. It is 84.48 per cent in 2007-08 in case of Atharakhai GP, 67.74 per cent in 2007-08 in case of Gossaipur GP, 71.11 per cent in 2007-08 in case of Mahabari GP and 59.64 per cent in 2007-08 in case of Bairhatta GP.

Figure-7.6 shows the comparison of tax rate per household in study Gram Panchayats during 1998-99 to 2007-08. In 2007-08, collection of tax rate per household was Rs. 144.78 in case of Atharakhai GP, Rs. 84.92 in case of Gossaipur GP, Rs. 115.96 in case of Mahabari GP and Rs. 62.89 in case of Bairhatta GP.

Figure-7.6: Comparison of Tax Rate per Household in Study GP



It is also evident from the figure that Atharakhai GP is in the first position, Mahabari GP in the second position, Gossaipur GP in the third position, and Bairhatta in the fourth position in case of tax rate per household.

7.4 Performance of Tax Collection

The figures of the assessment of Panchayats under study and their collection of tax revenue about the four GPs differ. The variations may be due to the size of GP, number of households and homestead property units coming within the respective jurisdiction of Gram Panchayat. It is reported that taxable values of lands and buildings are not displayed on the walls and notice boards of GPs in most cases. Tax assessment lists in considerable number of cases are not revised for considerable number of years indicating political and personal considerations influencing the assessment process. The practice followed by the elected members of GP, determining the capital value of lands and buildings is not desirable. It is observed that the elected members dealing with the valuation of properties in own constituencies can not be expected to ensure objectivity in assessments. Moreover, determination of capital value requires expertise on the part of assessors which can not be expected from the elected members of the Panchayats. As such discrepancy and under-assessment of property ensures revenue loss to the GPs. This revenue loss is further increased by poor performance of tax collections.

7.5 Resource Mobilisation by the Panchayats

The key to effective functioning of the Panchayats lies in their ability to mobilise resources of their own. Requiring Panchayats to mobilise their own resources strengthens the link between revenue and expenditure decisions, which is extremely important to promote both efficiency and accountability in the provision of services by them. However, power assigned to the Panchayats to mobilise their own resources is highly inadequate. Steps have been taken over the years so that the Panchayats fully utilise the existing potential to raise revenue as much as possible. To encourage the Panchayats in resource mobilisation, they are offered incentive grant from the 12th Finance Commission on the basis of their performance in revenue collection. The policy is to devolve more out of 20 per cent of the 12th Finance Commission fund, kept earmarked for the same, to those Panchayats which are able to mobilise more revenue. The State Government has also initiated a process for introducing incentive award for Gram Panchayats, Panchayat Samitis and Zilla Parishad on the basis of their self-assessed revenue mobilisation initiative and financial management since the year 2006-2007. All those measures have resulted in faster growth of own source of revenue of the PRIs of the State although per capita collection of revenue is still quite low².

Property tax is the staple of a Gram Panchayat's revenue, contributing around 37 per cent of their total own source revenue³. Property tax is determined on the basis of annual value of land and building and it means an amount equal to 6 per cent of the market value of such land or building or both at the time of assessment of tax. Market value in relation to any land or building or both is determined on the basis of the records or valuation list maintained by the Block Land and Land Reforms Officer (BL & LRO), Sub-Registrar or District Registrar. The Gram Panchayat also collects self-declaration from individual assessees about area and valuation of land or building or both and maintains a Register for keeping record of land and building together with market value so determined. Fresh determination of market value will be done after every five years of constitution of newly elected body in a GP. Gram Unnayan Samiti, wherever, constituted, shall render assistance to GP in this task.

As for non-tax revenue in a GP, there are two major sources – firstly, fees, rates and tolls and secondly, income from remunerative assets. The Panchayat Samitis and

Zilla Parishads can raise only non-tax revenues including income from remunerative assets. PRIs could not take an all out effort in own resource mobilisation during the year 2007-2008, as both manpower and attention was pre-occupied in Panchayat election works. Total collection of revenues by all the tiers increased from Rs. 100.27 crore to Rs. 112.84 crore during the year 2007-2008, implying an annual growth of 13 per cent⁴. Year wise collection of own source revenue (OSR) by the Panchayats in the State during the last five years is shown in the table below:

Table-7.5: Own Source Revenue of the Three Tier Panchayats during the Last Five Years (in Rs. Crore) in West Bengal

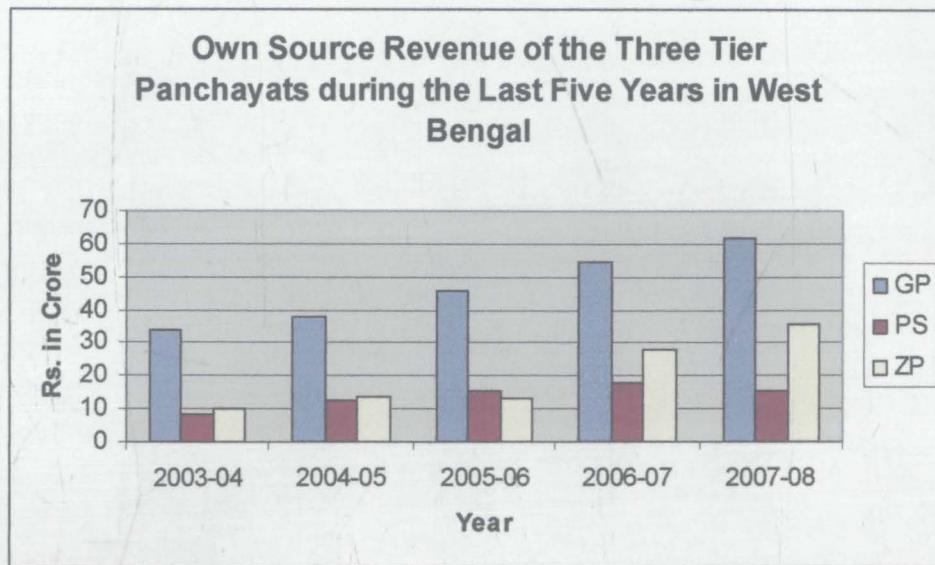
Year	Gram Panchayat			Panchayat Samiti	Zilla Parishad	All Tiers
	Tax	Non-Tax	Total			
2003-04	15.61	17.98	33.59	08.25	10.07	51.91
2004-05	16.90	21.07	37.97	12.68	13.78	64.43
2005-06	20.20	25.42	45.62	15.44	13.03	74.09
2006-07	22.79	31.85	54.65	17.61	28.01	100.27
2007-08	22.60	39.01	61.61	15.50	35.73	112.84

Source: Government of West Bengal (2007-2008), Annual Administrative Report, Panchayat and Rural Development Department, p. 103.

The above Table-7.5 emphasises attention towards own source revenue mobilisation by PRIs in the State. The own source revenue of all tiers of Panchayat Raj bodies of the State was a little more than Rs. 51 crore only in 2003-2004 and it increased by more than two times in the next four years. Figure-7.7 shows the own source revenue of the three tier Panchayats during 2003-04 to 2007-08 in West Bengal.

It is seen from the Figure-7.7 that own source revenue of the Gram Panchayat increases gradually high during the period 2003-04 to 2007-08. But in the case of Panchayat Samiti own source of revenue remain stagnant over the five years. In the case of Zilla Parishad own source of revenue increases slowly over the years 2003-04 to 2007-08. In comparison among all tiers of the PRIs, Gram Panchayat is in a better position than the other two tiers to generate own source revenue.

Figure-7.7: Own Source Revenue of the Three Tier Panchayats during 2003-04 to 2007-08 (in Rs. Crore) in West Bengal



Growth of own source revenue at Gram Panchayat level could be attributed to growth of Non-Tax revenue as tax revenue has remained stagnated during the year across districts except in Darjeeling. Gram Panchayats in Uttar Dinajpur, Darjeeling, Murshidabad and Bankura have registered substantial improvement in Non-Tax revenue mobilisation where as, Non-Tax revenue mobilisation by Gram Panchayats in South 24 Parganas has declined. Growth of own source revenue of Panchayat Samitis in different districts is not quite encouraging except for Bankura, Dakshin Dinajpur and North 24 Parganas. PRIs in Jalpaiguri, Purulia, Howrah and Malda have recorded a considerable decline in own source revenue mobilised together by all the tiers. Collection of own source revenue in different districts by the Gram Panchayats is shown in the following tables.

Table-7.6 shows the revenue collection of Gram Panchayats during 2007-08 in West Bengal. During 2007-08, Burdwan district occupied the highest position (Rs. 808.11 lakh) in collection of total revenue by Gram Panchayats followed by Paschim Medinipur (Rs. 672.77 lakh), Hooghly (Rs. 634.02 lakh), and North 24 Parganas (Rs. 597.82 lakh). Purulia district is in the last position (Rs. 26.27 lakh). But in per capita collection Darjeeling district (Rs. 18.93) is in the first position followed by Hooghly district (Rs. 17.28), Burdwan district (Rs. 16.51) and Bankura district (Rs. 15.41). Purulia

district (Rs. 1.11) is in the lowest position. There has been wide variation in per capita collection of revenue across the districts as well as within a particular district.

Table-7.6: Revenue Collection of Gram Panchayats during 2007-08 in West Bengal

District	Rural Population (in Lakh)	Gram Panchayat			
		Tax Collection (Rs. Lakh)	Non-Tax Collection (Rs. Lakh)	Total Collection (Rs. Lakh)	Per Capita Collection (in Rs.)
Darjeeling	11.25	131.81	81.25	213.06	18.93
Hooghly	36.70	225.30	408.72	634.02	17.28
Burdwan	48.96	254.58	553.53	808.11	16.51
Bankura	29.75	67.83	390.49	458.32	15.41
Paschim Medinipur	46.86	215.48	457.29	672.77	14.36
North 24 Parganas	42.90	245.17	352.65	597.82	13.93
Howrah	28.03	173.68	195.06	368.74	13.16
Birbhum	27.65	125.15	160.63	285.78	10.33
Purba Medinipur	40.98	128.43	289.66	418.09	10.20
Nadia	38.55	214.32	174.08	388.40	10.07
Jalpaiguri	30.17	119.53	138.40	257.94	8.55
Dakshin Dinajpur	13.14	33.63	63.95	97.58	7.43
Cooch Behar	23.04	41.76	112.18	153.94	6.68
Malda	30.66	49.41	117.04	166.45	5.43
Murshidabad	53.99	109.88	161.17	271.05	5.02
South 24 Parganas	59.70	95.21	169.29	264.50	4.43
Uttar Dinajpur	21.76	24.18	54.26	78.43	3.60
Purulia	23.83	04.85	21.52	26.37	1.11
Total	607.92	2260.21	3901.17	6161.38	10.13

Source: Government of West Bengal (2007-2008), Annual Administrative Report, Panchayat and Rural Development Department, pp. 105-106.

Table-7.7 shows the revenue collection by Panchayat Samitis and Zilla Parishads of different districts in West Bengal during 2007-08. In the case of Panchayat Samiti, Burdwan district is in the highest position (Rs. 5.42) in per capita collection followed by Cooch Behar (Rs. 4.41), Bankura (Rs. 4.00), and Birbhum (Rs. 3.97). South 24 Parganas is in the last position (Rs. 0.84). But in the case of Zilla Parishad, in per capita collection, South 24 Parganas (Rs. 16.77) occupies the first position followed by Bankura district (Rs. 14.65), Birbhum district (Rs. 8.57) and Paschim Medinipur district (Rs. 7.15). Purulia district (Rs. 0.94) is in the lowest position. There has been a wide variation in per capita collection of revenue across the districts as well as within a particular district.

Table-7.7: Revenue Collection of Panchayat Samiti and Zilla Parishad during 2007-08 in West Bengal

District	Rural Population (in Lakh)	Panchayat Samiti		Zilla Parishad	
		Non-Tax Collection (Rs. Lakh)	Per Capita Collection (in Rs.)	Non-Tax Collection (Rs. Lakh)	Per Capita Collection (in Rs.)
Bankura	29.75	118.92	4.00	435.82	14.65
Birbhum	27.65	109.83	3.97	237.11	8.57
Burdwan	48.96	265.40	5.42	305.06	6.23
Cooch Behar	23.04	101.70	4.41	28.54	1.24
Dakshin Dinajpur	13.14	45.18	3.44	54.13	4.12
Darjeeling (SMP)	5.34	4.97	0.93	15.54	2.91
Hooghly	36.70	107.29	2.92	52.30	1.43
Howrah	28.03	49.78	1.78	33.61	1.20
Jalpaiguri	30.17	67.48	2.24	149.45	4.95
Malda	30.66	45.03	1.47	175.99	5.74
Murshidabad	53.99	115.96	2.15	88.64	1.64
Nadia	38.55	57.55	1.49	88.02	2.28
North 24 Parganas	42.90	104.67	2.44	293.97	6.85
Paschim Medinipur	46.86	103.58	2.21	335.04	7.15
Purba Medinipur	40.98	129.94	3.17	234.17	5.71
Purulia	23.83	43.45	1.82	22.44	0.94
South 24 Parganas	59.70	49.90	0.84	1000.88	16.77
Uttar Dinajpur	21.76	29.68	1.36	22.37	1.03
Total	602.01	1550.32	2.58	3573.10	5.94

Source: Government of West Bengal (2007-2008), Annual Administrative Report, Panchayat and Rural Development Department, p. 106.

Table-7.8 shows the per capita own source revenue of different districts during 2003-04 to 2007-08 in West Bengal. It is seen from the table that Burdwan district (Rs. 19.34) is in the highest position in 2003-04 to collect per capita own source revenue in all tiers. In 2004-05 (Rs. 23.25), 2005-06 (Rs. 26.84) and 2006-07 (Rs. 32.42) Burdwan district remain in the same position. But in 2007-08 Bankura district (Rs. 34.06) is in the first position. There has been wide variation in per capita collection of revenue across the districts as well as within a particular district.

There is a general lack of seriousness on the part of these bodies to raise their own resources. As already discussed, Gram Panchayats are totally dependent on the State for financing their requirements and there is no built-in compulsion to mobilise their own resources for their organisational survival, in spite of the taxation powers bestowed upon them.

Table-7.8: Per Capita Own Source Revenue of Different Districts during the Last Five Years (Amount in Rupees) in West Bengal

District	Per Capita(All Tiers)				
	2003-04	2004-05	2005-06	2006-07	2007-08
Bankura	8.73	11.05	14.12	22.40	34.06
Burdwan	19.34	23.25	26.84	32.42	28.16
Paschim Medinipur	6.38	11.43	14.35	24.64	23.72
North 24 Parganas	6.59	9.78	12.06	16.91	23.23
Birbhum	10.62	13.25	14.08	18.46	22.88
Darjeeling	6.06	10.17	14.46	18.26	22.78*
South 24 Parganas	5.03	8.27	8.16	11.64	22.03
Hooghly	16.96	21.83	22.18	25.85	21.63
Purba Medinipur	9.65	7.27	10.60	14.62	19.09
Howrah	12.02	13.57	17.90	28.22	16.13
Jalpaiguri	9.12	8.77	11.93	23.49	15.74
Dakshin Dinajpur	6.17	12.49	13.75	11.44	14.99
Nadia	6.49	8.20	9.43	12.77	13.85
Malda	5.64	13.52	9.71	17.06	12.64
Cooch Behar	6.09	8.44	11.13	12.45	12.34
Murshidabad	4.67	6.52	8.11	7.63	8.81
Uttar Dinajpur	4.37	5.26	5.20	8.36	6.00
Purulia	1.54	6.07	1.91	4.65	3.87
Total	8.40	11.11	12.61	17.61	18.65

Source: Government of West Bengal (2007-2008), Annual Administrative Report, Panchayat and Rural Development Department, p. 107.

N.B. * = GP it is the figure for all the 134 GPs, for PS it is the figure of 4 PS in Siliguri

Mahakuma Parishad (SMP) area and at ZP level it is the figure of SMP. Total per capita figures have been calculated accordingly by adding the three tier per capita figures but not dividing total OSR by total population of the district.

The wide range of responsibilities with which they have been entrusted, under the 73rd Constitutional Amendment Act, demands a continued search for additional resources through taxes and better exploitation of fiscal powers including user charges granted to Panchayats, under legislative provisions and through tapping the untapped resources.

The financial arrangement for the Panchayats assumes that these bodies generate at least one fourth of the revenue from their own sources and another one fourth from the shared revenue. In order to reach this objective there is a need to concentrate at least on two aspects: (a) increase the yield from land and building and property taxes, (b) develop new sources of revenue from regulated markets and irrigation and agricultural income taxes.

7.6 Revenue Collection Machinery

One of the reasons of poor tax collection is the lack of adequate machinery for collecting tax. In West Bengal there is a provision to appoint “collecting sarkars” or “bill collectors” under the rule 33 of the Gram Panchayat. The salient features of this rule are:

- Gram Panchayat is the appointing authority.
- Appointment should be on commission basis and the rate of commission is determined by the Gram Panchayat in a meeting.
- The period of appointment is two years.
- Only two “collecting sarkars” can be appointed for one Gram Panchayat.
- A security deposit as per GP resolution is to be taken from “collecting sarkars” with a minimum amount as fixed by the State Government.
- The “collecting sarkar” cannot keep more than Rs. 50/- cash in hand. Further the tax collector will collect the taxes, from the assessees in printed tax receipts duly stamped by the Gram Panchayats by using both side carbon papers. He will also maintain the prescribed ledger and other recoveries. Gram Panchayats may issue notices to the defaulters and issue distress warrant to the wilful defaulters.
- GP is the authority for taking disciplinary action against “collecting sarkars”. For this a GP has to first frame charges against the tax collector and call for explanation before any order of punishment is passed. The collecting sarkars can appeal to District Panchayat officer against an order or punishment passed by the Panchayats, and the decision of the latter on the appeal is final.

Accordingly, the “collecting sarkars” are appointed in all Panchayats. They are selected from among the local people and a candidate proficient in Bengali is qualified for the post. It is observed that for many of the “collecting sarkars”, tax collection for Panchayats is a part time job and usually they are employed elsewhere. Therefore, they can not be expected to take up the tax collection job on a full time basis as the total remuneration they get in a year is a meagre sum, due to low level of collections. Hence for “collecting sarkars” this is a subsidiary occupation. This is one of the factors which contribute to poor tax collection.

7.7 Remuneration of Tax Collector

The State Government has fixed the amount of remuneration for the tax collectors, which is applicable all over the State. Generally the tax collectors are not paid any amount as salary, but at present the State Government has sanctioned Rs. 80/- as fixed allowance per month for them. Only one “collecting sarkar” is appointed in a Gram Panchayat if the collection amount collected during the previous year does not exceed Rs. 10,000/-. If the collection figure exceeds Rs. 10,000/- one more “collecting sarkar” can be appointed. Besides monthly allowance, a tax collector receives as commission 10 per cent for collection of Rs. 6,000/-, 15 per cent for the collection over Rs. 6,000/- to Rs. 8,000/- and above Rs. 8,000/- the commission rate is 20 per cent.

The administrative staffs at the Panchayat level consists of a secretary, a job assistant and two Panchayat karmees but none of them is supposed to collect Panchayat taxes. As the average size of a Panchayat in terms of population and geographical area in the State is quite big and a variety of taxes and fees are to be collected, a full time tax collector is needed. This arrangement demands abolition of the existing ‘commission agent type system’ of appointment of tax collectors. Further, fixing the number of sarkars to be appointed on the basis of collection figures of the previous year is not a proper arrangement. There is wide gap between the expected Panchayat taxes and the amount collected. The element of commission motivates the tax collector to collect as much tax as possible. But poor collection may deprive the Panchayats of additional revenue and can be less beneficial to tax collectors. Therefore, it is suggested that the tax collectors have to ensure a collection of atleast 80 per cent of the tax dues in a year in order to qualify themselves for receiving commission. As tax collection is a difficult job, this condition can be viewed as a disincentive to the “collecting sarkars” but taking into consideration the interest of the Panchayat in the long run, it is necessary to consider the appointment of a full time tax collector for each Panchayat in the State.

7.8 Own Tax and Own Non-Tax Revenue Mobilisation by the Panchayats

It appears from the above account of the various tax and non-tax revenue sources of the PRIs that they have a wide scope of raising resources by their own effort. But studies by different committees and individuals reveal that these bases of own revenue are weak. For the very nature of rural economy these sources are not much elastic.

Moreover, for a variety of reasons Panchayats at all the three levels are reluctant to improve taxes. As a result they are heavily dependent on the grants from the State Government. Now, let us have a close look at certain figures relating to Panchayat finance in West Bengal.

Table-7.9: Break-up of Revenue (Rs. in Lakh) of Gram Panchayats in West Bengal (1990-91 to 1997-98)

Year	Own tax revenue	Own non-tax revenue	Total own revenue	Other revenue	Total revenue	Own tax revenue as % of own revenue	Own non-tax revenue as % of own revenue
1990-91	546.73 (10.86)	312.34 (6.21)	859.07 (17.07)	4173.66 (82.93)	5032.73	63.64	36.36
1994-95	549.79 (1.81)	304.02 (1.00)	853.81 (2.81)	29565.97 (97.19)	30419.78	64.39	35.61
1997-98	784.61 (3.08)	511.90 (2.01)	1296.51 (5.08)	24210.95 (94.92)	25507.46	60.52	39.48

Source: Report of the Eleventh Finance Commission (2000-05), p. 235.

Table-7.9 shows the break-up of Panchayat revenue in West Bengal into own tax revenue, own non-tax revenue, total own revenue and other revenue. It can be seen that in total own revenue, own tax-revenue constitutes over 60%, whereas own non-tax revenue constitutes less than 40% of total own revenue. However, share of own non-tax revenue in total own revenues has increased over the period 1990-91 to 1997-98 from 36% to 39%. Own tax revenue as proportion of total revenue forms a very small portion of total revenue and it has decreased from 10.86% in 1990-91 to 3.08 % in 1997-98. Own non-tax revenue forms a more insignificant proportion of total revenue (2.01% in 1997-98). Own revenue accounted for only as low as about 5% of total revenue of the Panchayats in 1997-98. This shows the utter dependence of the Panchayats on the finance devolved to it from upper tiers.

Table-7.10 shows the performance of the districts of West Bengal in tax collection in 1997-98 and 2001-2002. It is revealed from the table that there is a wide variation among the districts as far as collection of taxes as percentages of total assessment is concerned. The range of collection varied between 11%-51% in 1997-98 while the State average collection was 29%. On the other hand, this range was 4% – 51% in 2001-2002 when the State average collection was 25%. Therefore, the State average

collection declined by about 4 percentage points between these two years. Again between these two years performance of some districts has improved while that of some other districts has deteriorated.

Table-7.10: District-wise Trends of Assessment and Collection of Tax and Non-Tax Revenues of Gram Panchayats and Panchayat Samitis in West Bengal

Name of the Districts	1997-98*(G.P)			2001-2002** (G.P and P.S)		
	Total assessment (In Lakh)	Total Collection (In Lakh)	% of collection (Approx)	Total Assessment (In Lakh)	Total collection (In Lakh)	% of collection (Approx)
Cooch Behar	72.27	11.08	15.33	201.15	12.60	6.26
Jalpaiguri	65.69	29.07	44.25	205.05	53.36	26.02
Darjeeling	39.08	16.69	42.71			
Hill Area				36.03	15.79	43.82
Siliguri M.P.				47.70	24.55	51.47
Uttar Dinajpur	68.64	11.31	16.48	122.33	16.26	13.29
Dakshin Dinajpur	23.42	11.98	51.15	71.27	16.98	23.82
Malda	59.22	19.23	32.47	N.A	N.A	N.A
Murshidabad	141.77	30.13	21.25	268.42	43.38	16.16
Nadia	135.24	39.36	29.10	276.20	61.76	22.36
24-Parganas (N)	168.64	62.38	36.99	386.88	93.43	24.15
24-Parganas (S)	176.32	51.34	29.12	497.13	74.12	14.91
Howrah	85.58	31.52	36.83	214.86	67.25	31.30
Hooghly	254.57	64.29	25.25	263.20	109.70	41.68
Midnapur	1040.62	297.70	28.61			
Purba Midnapur				199.10	59.16	29.71
Paschim Midnapur				371.04	113.01	30.46
Bankura	46.43	15.85	34.14	75.87	10.71	14.12
Purulia	15.72	1.69	10.75	43.14	1.59	3.69
Burdwan	259.10	82.56	31.86	432.82	157.87	36.47
Birbhum	109.94	37.05	33.70	186.64	43.14	23.11
Total (West Bengal)	2762.24	813.25	29.44	3898.83	974.66	25.00

*As on 10.10.1999

** As on 31.12.2002

Sources: 1. Government of West Bengal (2003), p.47.
2. Government of West Bengal (2000), p.220.

Another point that is discernible from this table is that Purulia and Cooch Behar have poorly performed in both the years. The data exhibited in this table, therefore, imply that there is a huge scope of collection of tax revenues by the Panchayats in all the districts of West Bengal.

**Table-7.11: Comparison of Own Revenues of Village Panchayats in India
(1990-91 to 1997-98)**

Name of the States	Own/Total Revenue % 1990-91	Nominal Annual Growth Own Revenue %		Own/Total revenue % 1997-98
		1991-95	1995-98	
Kerala	32.41	15.44	21.23	13.31
Haryana	30.67	9.80	7.42	--
Andhra Pradesh	22.71	10.19	14.83	38.70
Gujarat	22.47	5.05	8.39	33.82
Punjab	22.37	21.46	5.27	45.57
Maharashtra	18.48	15.97	22.54	20.63
West Bengal	17.07	-0.15	14.94	5.08
Karnataka	14.16	9.20	6.94	12.90
Tamil Nadu	11.21	15.64	11.76	9.22
Rajasthan	7.79	-6.01	0.99	1.68
Orrissa	6.93	7.96	-4.46	4.80
Madhya Pradesh	5.29	18.92	5.07	3.98
Uttar Pradesh	0.83	9.88	-7.59	0.52
Himachal Pradesh	0.51	9.57	3.25	3.25
Assam	--	2.00	2.00	--
Bihar	0.00	0.00	0.00	0.00
India	16.26	--	--	10.43

Source: Rajaraman, 2001, p.14.

Table-7.11 represents an inter-state comparison with respect to own revenue as percentage of total revenue for the years 1990-91 and 1997-98 and nominal annual growth of revenue for the period, 1991-95 and 1995-98. It can be seen that the position of West Bengal was 7th in both 1990-91 and 1997-98 with respect to own revenue as a proportion of total revenue. Moreover, it also shows that own revenue as a percentage of total revenue declined in post 73rd amendment year (1997-98) compared to pre-amendment year (1990-91). Again, it is seen that in respect of nominal annual growth of

own revenue West Bengal recorded a negative growth (-0.15%) during 1991-95. However, during 1995-98 it recorded a positive (14.95%) and reasonably good rate of growth.

Table-7.12: Per Capita Revenue Collections of Panchayats (G.P. and All Tiers) in 1990-91 and 1997-98

Name of the States	Per Capita (Rs.)				Annual Growth total Revenue 1991-98(%)All Tiers	
	1990-91		1997-98			
	G.P	All Tiers	G.P	All Tiers		
Kerala	14.62	14.62	43.27	43.27	17.89	
Haryana	23.68	23.68	37.42	37.46	8.79	
Andhra Pradesh	10.74	12.89	21.92	25.92	11.91	
Gujarat	7.52	10.14	10.45	13.35	5.66	
Punjab	12.71	15.09	29.75	34.76	13.98	
Maharashtra	6.55	7.07	19.75	21.00	18.49	
West Bengal	1.74	2.88	2.35	3.56	4.67	
Karnataka	5.58	5.58	8.96	8.96	8.22	
Tamil Nadu	2.81	4.27	7.27	9.61	11.67	
Rajasthan	4.93	7.15	3.34	7.64	3.43	
Orrissa	2.15	2.15	2.33	2.33	2.45	
Madhya Pradesh	2.30	2.35	4.71	5.55	15.14	
Uttar Pradesh	0.30	2.04	0.30	3.61	10.80	
Himachal Pradesh	0.04	0.04	1.29	1.29	65.39	
Assam	1.03	1.51	1.06	1.56	2.01	
Bihar	0.00	0.00	0.00	0.00	0.00	
India	4.23	5.24	8.37	10.17	11.76	

Source: Rajaraman (2003), p. 31.

Table-7.12 shows a comparative all India picture of revenue collection of Panchayats in 1990-91 and 1997-98. It can be seen that per capita collection of revenue in GP as well as in all tiers is one of the lowest in West Bengal in both the years. Annual growth of total revenue during 1991-98 in all tiers is also much lower in West Bengal compared to other States of India. This clearly indicates that there is both necessity and scope of collecting more revenues by all tiers of Panchayats in West Bengal.

7.9 Problems in Tax Administration

Analysis of data (Table-7.10) regarding tax collection by GP as well as all tiers in the districts of West Bengal has made it clear that total collection of tax revenue falls much short of the total assessment. Tax collection in West Bengal also falls short of the all-India average and West Bengal's position is below at least that of six major states of India. Declining trend of tax revenue as a proportion of total revenue over the period 1990-91 to 1997-98 (Table-7.9) is also a matter of concern. Probably, the implication is that there is a general lack of seriousness on the part of Panchayat bodies to raise their own resources. The data also reveal that GPs are largely dependent on the State Government for their financial requirements. It also transpires that there is no built-in compulsion to mobilize their own resources for their organizational survival in spite of the taxation power conferred upon them.

Perhaps the most important tax to be utilized by the GPs is tax on lands and buildings. But it is held that in spite of the wide scope of imposing taxes and fees GPs, excepting a few, are rather reluctant to assess the taxes according to market value of the properties. The most important reasons for under taxation have been identified as follows:

1. The elected members dislike to earn the displeasure of their voters by taking up the most unpleasant task of collecting taxes,
2. they are reluctant to build up the image as a tax collector as their day to day interaction with the people gets adversely affected,
3. the knowledge of elected representatives about the tax potential and the assessment procedure of property tax is not sound,
4. the elected representatives say that the people are already taxed heavily by the indirect taxes imposed by the Central and State Governments. Therefore, taxing people further will result in double taxation and an additional burden for them,
5. lack of correct attitude on the part of the elected representatives to improve the position of tax collection,

6. poor economic development creating a poor tax base is in many cases attributed to natural calamities like flood and drought which reduces the income earning capacity of the people,
7. it is observed that there is no proper mobilisation of non-tax revenue, involvement of people and their contributions to fetch more resources for Gram Panchayat. People want 'asset development' which generates some income,
8. poor tax rate,
9. under assessment of properties and
10. collusion and corruption between households and the "collecting Sarkars".

It is also said that there is the problem of unwillingness of tax collectors to go against the wishes of local influential people while collecting taxes.

7.10 New Areas of Resources Mobilization

Since the 73rd Constitutional Amendment has entrusted wide ranging responsibilities upon the PRIs, it necessitates a continuous search for additional resources through better utilization of tax and non-tax revenue sources including better exploitation of user charges granted to Panchayats under legislative provisions and by tapping new untapped resources.

In order to mobilize more resources there is the need to strengthen efforts on two fronts: (a) increase the yield from taxes on land and building, and (b) develop new sources of revenue from regulated markets and irrigation and agricultural income taxes. Moreover, the loopholes in the present system of imposition and realization of taxes, which are mostly attitudinal and psychological, are to be removed.

Though GPs have wide ranging taxation powers, doubts have been expressed to the fact whether they alone are capable of fully utilizing these powers. Therefore, it has been suggested that involvement of all the tiers of Panchayats would be necessary to increase the yield from property taxes. For assessment of tax on land and building the "annual rental value" should be replaced by capital value base. The change over to the capital base for valuation of rural property will ease the annual assessment.

Since in West Bengal marketable agricultural surplus is there for several crops, there are prospects for generating substantial revenue for Panchayats from regulated agricultural marketing. Under the 73rd Constitutional Amendment, rural markets and fairs are supposed to be devolved to Panchayats under item 22 of 11th Schedule. This means that existing Regulated Marketing Committees may have to function as agents of Panchayats. Revenue mobilization from agricultural markets would be possible if the market fees and charges are replaced by an appropriate cess for use by the Panchayats.

In West Bengal another source of taxation is leasing out water shade and irrigation sources. A water rate on irrigation as per the Act should be imposed by Panchayats and collected by them. Moreover, non-tax sources like utilizing 'khas land' and tanks for fishing, horticulture and social forestry have the potential to contribute to Panchayat resources. These sources should be tapped efficiency.

Lastly, over the last two decades agricultural production and productivity has improved a lot in West Bengal. But agriculture is not effectively taxed in West Bengal as in most other states of India. In such a situation, according to Prof. Rajaraman there is a definite opportunity for revenue additionality from agriculture with the further advantage that it can be effectively tapped at Panchayat level. At present in West Bengal, agricultural income tax is only imposed on plantation crop, which is tea. She argues that "transfer of the right to levy taxes on agriculture to Panchayats will lead to revenue additionality in the Indian fiscal system taken as a whole, and with jurisdictional retention of the revenues so raised for infrastructure improvements in accordance with local priorities and preferences, will encourage compliance and promote growth"⁵.

Due to various defects of traditional agricultural income based tax, Prof. Rajaraman suggests a crop-specific levy on account of factor-specificity in agriculture. She has also attempted to solve the different interrelated problems in imposing such a levy. Through an estimate she has shown that (Table-7.13) the revenue additionality from the proposed scheme ranged from 11-15 percent of own revenue collections by Panchayats (that does include land revenue which is collected by State Government) in Maharashtra and Tamil Nadu to over 200 percent for West Bengal and Uttar Pradesh⁶. It is held that jurisdictional retention should provide Panchayats with the incentive to

implement the levy, and at the same time act as a check on misuse of the revenues so collected. Empirical evidence in West Bengal reveals that a cross-section of villagers and leaders are willing to pay agricultural income tax provided the responsibilities of collection are entrusted to PRIs⁷. This supports the idea of Rajaraman, which in our view is quite worthy of experimentation in West Bengal.

Table-7.13: Inter-State Comparison between Crop Specific Levy and Own Revenue in India (1997-98)

Name of the States	Crop-Specific levy		Own Revenue (1997-98)		Additional Revenue (% Own revenue)
	Aggregate (Rs. Crore)	Per district (Rs.crore)	Aggregate (Rs.crore)	Per district (Rs.crore)	
Andhra Pradesh	41.93	1.82	137.80	5.99	30
Gujarat	35.42	1.86	40.36	2.12	88
Haryana	41.13	2.16	53.01	2.79	78
Madhya Pradesh	22.60	0.37	32.04	0.53	71
Maharashtra	12.39	0.41	112.17	3.74	11
Orissa	10.88	0.36	6.99	0.23	156
Punjab	50.20	2.95	53.87	3.17	93
Rajasthan	33.93	1.06	31.25	0.98	108
Tamil Nadu	4.98	0.17	34.03	1.13	15
Uttar Pradesh	108.66	1.31	46.65	0.56	233
West Bengal	39.44	2.32	19.56	1.15	201

Source: Rajaraman (2003), p.153.

7.11 Revenue Raising Prospect

- Agricultural Income Tax:** Over the years agricultural production has improved in the State of West Bengal. This situation has contributed to agricultural prosperity in terms of increase in yields of paddy and potato. A cross section of villagers and leaders revealed that people are willing to pay ‘agricultural income tax’ provided the responsibility of collection is entrusted to PRIs. At present only agricultural income tax is imposed in plantation areas. This favourable situation should be utilised to increase the resources by introducing a tax on village produce as is prevalent in Andhra Pradesh and Rajasthan.
- Watershed and Irrigation Sources:** Another source of taxation is leasing out watershed and irrigation sources. A water rate on irrigation as per the Act should

be imposed by Panchayat and collected by them. Besides non-tax sources like utilising 'khas lands' and tanks for fishing , horticulture and social forestry, have the potential to contribute to Panchayat resources. These sources should be tapped efficiently.

3. Amendment of by-laws is required: One of the constraints to raise the resources is lack of by-laws. Income relating to tolls and fees can not be levied by Gram Panchayats. They have no power to impose tolls unless by-laws are framed to that effect. The State Government has to fix minimum and maximum rates for the purpose. This was delayed by the State Government and so the potential income from this source could not be raised. This indicates that necessary laws and rules should be framed to facilitate the process of resource mobilisation; otherwise the revenue potential of local bodies can get adversely affected.

4. Regulated Market Fee: There is agricultural surplus in West Bengal and there are prospects for generating substantial revenue from regulated agricultural marketing for Panchayats. At present these markets are organised under parastatal and statutory provisions and Panchayats do not receive any revenue out of it. Only in Punjab markets contribute a portion to rural development as Panchayats impose market fee and charges on transactions. Similar market fees and charges should be earmarked for Panchayats in West Bengal. Under the 73rd Constitutional Amendment, rural markets and fairs are supposed to be developed in Panchayats under item 22 of XI Schedule. This implies that existing regulated market committee may have to function as agents of Panchayats. Revenue mobilisation from agricultural markets would be possible if the market fees and charges are replaced by an appropriate cess for use by the Panchayats. Besides statutory market committees, private markets may also be allowed to function as regulated markets of the Panchayats on agency basis. Such a measure will encourage some degree of competition between the official market committees and the private markets in the Panchayat area. This will require necessary legislative changes to devolve the State control over the market committees to the Panchayats and allow them to permit private markets for agricultural produce in the rural areas. This type of marketing facilities should be uniform throughout the rural areas of West

Bengal. The market cess revenues have to be equally divided between Panchayats for their revenue augmentation. The regulatory aspects over the private markets may be placed under the control of Panchayat Samitis. The Samiti should also undertake the responsibility of fixation of rate and fees for various agricultural produce. The Gram Panchayats should be entrusted with the responsibility of actual collection of the market fees located within their jurisdiction.

5. Strengthening Lands and Buildings Tax Administration: As mentioned earlier GPs have wide ranging taxation powers. It is unrealistic to assume that this can be achieved only through GPs. In fact, involvement of all the three tiers of Panchayats would be necessary to increase the yield from property taxes. Also there is scope to generate resources from regulated markets. In fact in West Bengal the existing GP property tax is a replica of old union board tax on property. Hence this tax could not evolve as a genuine tax on homestead property of lands and buildings based on sound principles of assessment supported by appropriate revenue machinery for its collection. The ‘annual rental value’ should be replaced by the capital value base. This will ease the annual assessments. Therefore it is possible to change over to the capital base for valuation of rural property. The assessment process involves expertise and adequate machinery. The power to collect taxes on land and buildings should be vested in Panchayat Samiti since GPs do not have the organisational capability to undertake this task. In fact responsibility of valuation and assessment of tax should be with Zilla Parishad as at this level, required expertise can be mobilised without much hassle. In the process the GPs may undertake the tax collection responsibility as agents of Panchayat Samiti which will takeover the collection responsibilities for the bigger assessees and enforce strictly the default measures. And the issuance of the distress warrants will have to be done at the ZP level. Further ZP may act as an authority for taxing non-land and building property, viz., covering institutional, industrial and other commercial properties within the rural districts with Panchayat Samiti acting as its agent for collection of such taxes. In problematic cases ZP has to take the responsibility of enforcing default measures. The assessment cost for services rendered by ZP for lands and buildings taxes and

collection cost of charges of GP will have to be borne by Panchayat Samiti. Further ZP will have to pay the PS for its collection of non-land and building taxes. Through this type of inter-tier collaboration taxes on lands and buildings may yield substantial revenue sources. Nevertheless some degree of privatisation of land and building tax administration may be tried for assessment and collection purposes.

7.12 Sources of Revenue Identified

The Gram Panchayats derive their revenues broadly from two sources: (a) Tax Sources and (b) Non-Tax Sources. The non-tax sources include: (i) grants from the government and (ii) receipts from other sources. Tax sources comprise taxes and fees compulsory and optional.

In the drive for mobilisation of resources, the Gram Panchayats have to bank more on tax sources than government grants and receipts from other sources. The nature and extent of government grants and the meagre amount of revenue flowing from other sources leave the Gram Panchayats with one of the alternatives of making some demands on tax sources which when realised may be utilised for developmental expenditure etc.

7.12.1 Non-Tax Sources (Government Grants)

Grants from the State government are, no doubt, a major source of revenue among the non-tax sources. But the lion's share of the grants is earmarked for payment of salaries and allowances of the secretary, chowkidars and dafadars. Only a very negligible amount of the total grant is meant for allotment to the different Gram Panchayats for developmental works. The amount is the same for all the Gram Panchayats irrespective of the number of Gram Panchayats under the Anchals.

7.12.2 Non-Tax Sources (Receipts from Other Sources)

Receipts from other sources are negligible. The Gram Panchayats do not have remunerative assets. Besides earning from ponds, occasional auction of wooden culverts and unclaimed cattle, the Gram Panchayats have very limited scope of commanding resources.

7.12.3 New Sources of Revenue

In spite of all the exhortations on the need to exploit the existing sources of tax to the maximum possible extent the prospect of exploring new sources of revenue needs to be examined at length.

7.12.3.1 Assigned Revenues:

In addition to the powers of taxation enjoyed by the Gram Panchayats there should be provision for sharing of certain taxes levied and collected by the State government. The committee on the Panchayati Raj Institutions observes: "The assigned revenues constitute an important element of Panchayati Raj finance and is an indication of the possibility of financial devolution from the State downward". The receipts from land revenue, motor vehicle tax and local cess may be distributed among the Panchayats.

The Gram Panchayats under study are not at present offered any share of land revenue. The assignment of a share of the land revenue may improve the financial position of the Panchayats under study. The Gram Panchayats should also receive a share of the motor vehicles tax levied and collected by the State government.

In sample GP, the State government levies educational cess. The collection is done by the Tehashildar appointed by the Land Revenue Department. A portion of the collection is to be transferred to the fund of the Gram Panchayats. But no such share is being assigned to them at present.

In the Atharakhai GP one of the biggest hats of North Bengal takes place every Tuesday and Saturday of the week. Collections are posited with the Dooars Market Fund. No share of the proceeds is given to the GP. The hat should be brought under the management of the Gram Panchayats and the entire proceeds as collection of revenue from the hat should go to it.

The share of the educational cess and the collections from the hat may be utilised for improvement of roads, creation of stalls, sheds etc. and extension of marketing facilities. Thus, local resources may be used for the development of the locality itself.

7.12.3.2 Levy of New Taxes and Fees

Besides these assigned revenues, there is also scope for imposition of new taxes like surcharge on stamp duty, entertainment tax, cycle tax and cess on construction of new buildings.

The West Bengal Panchayat Act, 1973 has provided for the first two types of tax, Section 46(5) of the Act lays down that, subject to such rules as may be made in this behalf. A Gram Panchayat shall levy:

1. On all transfer of immovable property situated within the local limits of the Gram, a duty in the shape of an additional stamp duty at the rate of 2 per centum.
2. A duty in the shape of an additional stamp duty at the rate of 10 per centum of all payments for admission to any entertainment.

7.13 Summary

Except those Panchayats which are availing rents from shops and bhabans (apartments), the 'own income' of GPs is negligible in comparison to their total income. Own taxes of the Panchayats include tax on lands and buildings, trade licence fee, vehicle licence fee, street light fee, building plan fee, market fee, khoyer auction etc. These taxes are not the buoyant ones. Because of lack of political will on the part of the Gram Panchayat, and also because of lack of administrative support, tax and user charges collection at Panchayat level is very poor.

Tax evasion is a constraint for revenue mobilization. Existing tax structures at GP levels do not encourage GPs to collect taxes/user charges seriously. Also neither the concerned Panchayat member nor the Gram Sabha is involved in the whole process of tax collection or compliance.

There are some Panchayats in the sample which have taken innovative measure to augment their own income by optimal utilization of their physical and natural resources like ponds, market, and by constructing shops on Panchayat lands.

Public contribution for a people prioritized project has been found to be very significant in many of the Panchayats in the sample.

Panchayats, in general, are not mobilizing additional resources. The concept of additional resource mobilization has not received due favour with present Panchayat leadership. It is mainly because of the fact that GPs do not have a clear cut idea of the resources they possess. Also Gram Sabha is not involved in the whole process of additional revenue mobilization effort, if any.

The provision to appoint a 'collecting sarkar' or a 'bill collector' on commission basis by the Gram Panchayats for the purpose of tax collection is not without flaws. It is

observed that for many of the tax collectors, tax collection is a part-time job; they are usually employed in some other occupation; hence for them it is a subsidiary occupation. They can not be expected to take up the tax collection job on full time basis as the total remuneration they get is very small. This is one of the factors for poor tax collection. There is accumulation of arrears in the Panchayats under the present study. The average tax collection rate is around 40 to 80 per cent of the total demand. There is wide gap between amount of taxes expected to be collected by Panchayats and the actual amount collected.

Notes and References

1. The West Bengal Panchayat Act, 1973 (West Bengal Act XLI of 1973), Law Department (Legislative), Government of West Bengal, Calcutta, 1973, pp. 50-51 (As modified up to the 1st November, 1997).
2. Annual Administrative Report (2007-2008), Panchayat and Rural Development Department, Government of West Bengal, pp. 102-103.
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5. Rajaraman, Indira (2001): "Growth-Accelerating Fiscal Devolution to the Third Tier", Fiscal Conference Organization, National Institute of Public Finance and Policy, New Delhi, p. 15.
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