

APPENDIX C

POWERS OF TAXATION OF MUNICIPALITIES IN DIFFERENT STATES

The important taxes levied by the municipalities in the various States, and their powers in respect of the levy of the tax, alteration of the rate, etc. are as under:—

ASSAM

Property tax, service taxes, tolls and tax on animals and vehicles are the important taxes levied by the municipalities in this State.

A municipal board may impose any tax which it is permitted to levy without the specific sanction of the Government; but when the board has taken a loan from or guaranteed by the State Government, it shall not, without the previous sanction of the State Government make any alteration in respect of any tax which may have the effect of reducing the income of the board.

BIHAR

The taxes levied by the municipalities are:—

- (1) the holding tax (property tax);
- (2) service taxes, including water and latrine tax;
- (3) taxes on vehicles and animals;
- (4) registration fee on carts;
- (5) registration fee on vehicles plying on hire;
- (6) tax on persons;
- (7) lighting tax; and
- (8) tax or fee on dogs.

The last three are minor taxes. The municipalities are empowered to fix the rates of taxes subject to the maxima laid down in the Act. They cannot however decrease the rate of any tax levied by them without the previous sanction of the Government.

BOMBAY

(1) A General House Tax; (2) service taxes like a sanitary cess, a drainage tax, a water rate and a lighting tax, assessed on the rateable value of properties; (3) Octroi; (4) a special education tax, in the case of borough municipalities; (5) a tax on animals and vehicles, including motor vehicles and (6) a terminal tax, provided it was being levied prior to 16th July 1917, are the principal taxes levied by the municipalities.

It is also provided that the municipalities can levy any other tax in the State List with the sanction of the State Government.

All changes in taxes have to be made with the approval of a government authority, the taxation proposals of the Municipal Boroughs being sanctioned by the Government themselves and those of the District Municipalities sanctioned by the Director of the Local Authorities concerned.

MADHYA PRADESH

(1) A general property tax; (2) service taxes; (3) octroi; (4) terminal tax; (5) tolls; (6) tax on vehicles and animals (exclusive of motor vehicles); (7) profession tax; (8) theatre tax; (9) pilgrim tax; and (10) Haisiyat tax, are the principal taxes levied by the municipalities. There is a very wide divergence in the utilisation of the different taxes in this State. The 112 municipalities levy the different taxes as under:—

General property tax	. . . . .	73 municipalities.
Service taxes	. . . . .	104 "
Octroi	. . . . .	49 "
Terminal tax	. . . . .	26 "
Toll	. . . . .	43 "
Tax on vehicles and animals	. . . . .	76 "
Profession tax	. . . . .	47 "
Theatre tax	. . . . .	1 "
Pilgrim tax	. . . . .	1 "
Haisiyat tax	. . . . .	14 "

The first imposition of any tax requires the sanction of the Government. No rates (minima or maxima) have been prescribed for most of the taxes and the municipalities may increase or decrease the rates without the specific sanction of the Government; however if the Committee is indebted to the Government, any proposal for a reduction in the rate of any tax requires the sanction of the Government.

MADRAS AND ANDHRA

(1) Property tax comprising of (a) a tax for general purposes, (b) a water and drainage tax, (c) a lighting tax, and (d) a scavenging tax; (2) profession tax; (3) tax on vehicles (excluding motor vehicles) and animals and carts; (4) a surcharge on stamp duty; (5) an education tax as a surcharge on property tax; and (6) a pilgrim tax (in the case of pilgrim centres) are the important taxes levied by the municipalities.

In the case of property tax, no maxima or minima are prescribed in the Act, except in the case of vacant lands in respect of which maximum rates are prescribed under the rules. The municipalities are, therefore, at liberty to fix and alter the rates without any specific sanction of the Government. Government however have the power to compel municipalities to levy the property tax at the rates fixed by the Government.

In respect of the profession tax and tax on vehicles and animals and carts, maximum rates are prescribed and the municipalities are at liberty to fix the rates, subject to the maxima prescribed. The surcharge on stamp duty is levied at a fixed rate (fixed by the Government).

ORISSA

(1) Property tax comprising (a) a holding, (b) latrine, (c) water, (d) lighting, and (e) drainage tax; (2) taxes on carriages, carts and animals; (3) taxes on professions, etc.; (4) a poll tax on vehicles and animals carrying passengers and goods to festivals and fairs held within municipal areas are the principal taxes levied by the municipalities. In addition, they are also permitted to levy an

education tax or any other tax or cess for the health, safety and convenience of the residents, with the sanction of the Government.

In respect of the property and other taxes, maximum rates are now prescribed, and the municipalities may levy the taxes, subject to the maxima prescribed.

PUNJAB

(1) A tax on houses and lands; (2) service taxes (water, lighting, drainage, conservancy, etc.); (3) Octroi and terminal tax; (4) profession tax are the important taxes levied by the municipalities. The maxima are prescribed by the Government and the municipalities can levy these taxes at any rate subject to the limits prescribed. However, if any municipal council consists of less than three-fourths elected members or its cash balances have at any time within the three months preceding the date of passing the resolution imposing the tax, fallen below Rs. 20,000 or one-tenth of the income accrued in the previous financial year, whichever amount is less, it shall not impose a tax without the previous sanction of the Government.

It is also provided that a municipality may levy any other tax in the State List, with the previous sanction of the Government.

There is a considerable variation in the levy of the taxes in this State also. In the 94 municipalities (61 Municipal Committees and 33 Town Committees), the various taxes are levied as under:—

“A” MUNICIPAL COMMITTEES—61

Names of Taxes	No. of Municipal Committees levying them
1. Taxes on buildings and lands	40
2. Octroi	61
3. Profession tax	4
4. Tax on menial domestic servants	1
5. Tax on animals including fees for registration of dogs	8
6. Tax on vehicles	22
7. Water tax	6
8. Water rate	12

“B” TOWN COMMITTEES—33

Names of Taxes	No. of Town Committees levying them
1. Property town rate	13
2. Personal town rate	25
3. Profession tax	3
4. Tax on vehicles	1
5. Tax on dogs	3
6. Terminal Tax	2
7. Octroi	11

UTTAR PRADESH

The principal taxes levied by the municipality are:—(1) property tax comprising of (a) a tax on buildings and land and (b) water tax; (2) tax on professions, trades and callings; and (3) tax on circumstances and property; (4) octroi; (5) terminal tax on goods; (6) terminal toll (tax on goods carried by road); (7) pilgrim tax (terminal tax on passengers); and (8) toll on roads and ferries.

There is a considerable variation in the levy of different taxes. In the 120 municipalities, the various taxes are levied as under:—

Octroi	47 municipalities.
Terminal tax on goods	20 „
Terminal tax on passengers (pilgrim tax)	8 „
Terminal Toll	19 „
Toll on roads and ferries	37 „
Tax on buildings and lands	37 „
Water tax	21 „
Tax on professions, trades and callings	44 „
Tax on circumstances and property	13 „

The municipalities have only the power to indicate or select the tax to be imposed. Every proposal for the levy of a tax, or alteration of the rate requires the sanction of a higher body (of the Government in the case of city municipalities and Divisional Commissioner in the case of others). The Government have also recently acquired the power to require a municipality to impose a tax, or modify the rate of any existing tax and to impose or modify it themselves if the municipality fails to comply with their orders. The simultaneous imposition of the tax on professions, etc., and the tax on inhabitants assessed according to their circumstances and property; the octroi duty and terminal tax by any municipality are prohibited.

WEST BENGAL

(1) Property tax under the name of holding rate; (2) service taxes (water, lighting, drainage, conservancy, etc.); (3) taxes on vehicles and animals; (4) profession tax and tolls are the important taxes which the municipalities can levy.

Maximum limits are prescribed in respect of all the taxes except tolls on ferries and bridges, and within the limits prescribed, the municipalities can fix and alter the rates. Sanction of the Government is required only in the case of the levy or the alteration of the rate of tolls.

HYDERABAD

(1) Property tax; (2) profession tax; (3) vehicles and animal tax; (4) Barbardari toll; (5) pilgrim tax; (6) general water tax; (7) market toll; (8) tax on public entertainments; (9) tax on transfer of immovable property; and (10) tax on advertisements are the important taxes which the municipalities may levy. In addition, it is provided that any other tax also may be imposed with the approval of the Government in consultation with the Finance Department. The levy of any tax or a modification of its rate generally requires the sanction of the Government.

MYSORE

(1) Tax on buildings and lands; (2) a special general and sanitary cess; (3) a water rate; (4) tax on vehicles and animals (excluding motor vehicles), (5) tolls on vehicles; (6) octroi; (7) profession tax; (8) surcharge on stamp duty on transfers of immovable property are the important taxes levied by the municipalities. The levy of every tax and any modification of its rates requires the sanction of the Government. This is the result of the provision that all details regarding the tax including the rate of levy shall be in the form of rules approved by the Government.

PEPSU

The taxes leviable by the municipalities in Punjab are leviable in PEPSU also. However, in fact only the octroi is levied by all the municipalities, including small town committees. A beginning is being made with the levy of property tax in one or two towns, e.g., Bhatinda and Patiala. The procedure etc. in respect of the levy of taxes is akin to the procedure etc. in Punjab.

RAJASTHAN

Prior to merger, there was no settled system of local taxation. "In some cases the local bodies were merely government departments and their expenditure was met entirely from the revenues of the States. In some cases even though the local bodies could raise independent revenues, yet the heads assigned to them were based only on executive orders. In most of the cases, the local bodies were not able to meet their expenditure from the assigned revenues and they had to depend on liberal grants given by the Covenanting States".

In the new Act, viz., the Rajasthan Town Municipalities Act, 1951, all the taxes which the municipalities in Part A States could levy have been permitted to be levied by the municipalities in Rajasthan. The municipalities are however none too anxious to start levying the taxes. The present position is that out of 139 municipalities, house tax is levied by only one municipality (at five per cent. of the rental value). Octroi is levied in 85 municipalities. Vehicle and animal tax, (other than motor vehicles) is levied by almost all the municipalities. Likewise, entertainment tax is levied by almost all the municipalities and yields them substantial revenue. However, Government feels that this is a source better utilised by the State Government, as in the case of certain other States.

SAURASHTRA

In the pre-integration period, the sources of municipal revenues differed greatly from State to State. Since a number of municipalities were in the nature of State departments, the question of independent sources of revenue did not arise for them at all. In other municipalities the gap between expenditure and income was made up by State grants. The main sources of revenue were proceeds from sales of land, octroi duty, local custom duties, and bham (monopoly on collection of hides and skins of dead animals). With the enforcement of the new

Act more sources of revenue, viz., octroi, sanitary cess fees and rents of various markets, fees of slaughter houses, hotel licence fees, latrine fees, a rate on building or land, lodge and bakery licence fees from public conveyances including cycles were transferred. But the newly elected municipalities had to start *de novo* in the matter of finances and very naturally it was difficult for these bodies to raise and exploit all the financial resources at their disposal on their very inception. The State Government therefore had to take over the onus of introducing initial and important municipal taxation. The Saurashtra Terminal Tax and Octroi Duty Ordinance was promulgated in 1949, which ensured uniformity in the levy and exemptions and also secured much needed revenues for the newly elected municipalities.

TRAVANCORE-COCHIN

(1) Property tax comprising a general rate, a water and drainage tax, a lighting tax and a scavenging tax; (2) taxes on vehicles and animals; (3) tax on carts; (4) profession tax; (5) entertainment tax; (6) advertisement tax, and (7) tolls on vehicles and animals entering the municipality are the important taxes which the municipalities levy.

While the levy of the first four taxes does not require any specific sanction of the Government but is subject to rules incorporated in the Act, the first levy of the rest (*viz.*, taxes at serial Nos. 5, 6, and 7) and any subsequent modifications in their rate requires the sanction of the Government.