

# Model By-law for Enhancing Revenue Sources of Gram Panchayats in India

## Introduction

This by-law is designed to provide a comprehensive framework for Gram Panchayats across India to enhance their revenue sources, both tax and non-tax. This model can be adapted by individual Gram Panchayats to suit local contexts. The guidelines outlined herein are intended to empower Gram Panchayat to effectively implement revenue-generating measures and ensure financial autonomy.

## Section 1: General Provisions

### 1. Title and Commencement

- i. This by-law may be called the "Revenue Enhancement By-law for Gram Panchayats."
- ii. It shall come into force on the date of its notification by the respective Gram Panchayat.
- iii. This by-law is in line with the 73<sup>rd</sup> Constitutional Amendment Act: Provisions Article 243G on Functional Decentralization, Article 243 H on Financial Decentralization, which authorizes PRIs (through a State law) to collect taxes, duties, tolls and fees; or assign to a Panchayat taxes & duties collected by the State.
- iv. This is in line with the Section .. of .. ... ..State Panchayat Act /Rules authorizing the Gram Panchayat to levy, collect and appropriate such taxes, duties, tolls and fees etc. in accordance with the procedure prescribed by .....Panchayat Act and the Rules framed thereunder.

### 2. Objectives

This model by-law aims at:

- i. Providing a structured approach for the identification, assessment, and collection of revenues.
- ii. Ensuring the financial self-sufficiency of Gram Panchayats.
- iii. Promoting transparency and accountability in revenue collection.

### 3. Scope

This by-law applies to all revenue-generating activities within the jurisdiction of the Gram Panchayat, including taxes, duties, tolls, fees, and non-tax revenues.

## Section 2: Tax Revenue Sources

### 4. Property Tax

- i. Property tax shall be levied on all buildings and appurtenant land used for residential commercial and industrial purposes based on the fair/guidance value as fixed by the State government using SVAMITVA data / maps or as may be prescribed by the State Panchayati Raj Act/ Rules/ G.Os.
- ii. SVAMITVA (Survey of Villages and Mapping with Improved Technology in Village Areas) data and maps will be used for the purpose of tax assessment.
- iii. Alternatively, property tax can be determined on the basis of Capital Value or Annual Rental or on Plinth Area basis as prescribed by the State Panchayati Raj Act.
- iv. Where the fair/guidance value is fixed for house tax assessment, it is within the minimum and maximum rates (band) as fixed by the State Government. That means Property tax rates shall be fixed by the Panchayat within the limits prescribed by the state government.

### 5. Profession Tax

- i. Profession tax shall be levied annually on individuals and firms engaged in professions, trades, and employments who reside within the limits of the Gram Panchayat.
- ii. The Panchayat shall classify assesses based on their income and determine the tax rate accordingly, not exceeding the limits prescribed by the state.

### 6. Entertainment Tax

- i. Entertainment tax shall be levied on the price of admission to entertainment events such as cinemas, theatrical performances, and amusement parks.
- ii. The rates shall be determined based on the type and location of the entertainment facility.

### 7. Vehicle Tax

- i. A tax on non-motorized vehicles such as rickshaws and bullock carts shall be levied as per rates prescribed in the relevant PR Act /Rules.
- ii. The rate of tax shall be within the range specified by the state government.

## 8. Vacant Land Tax

- i. Tax on vacant lands not used for agricultural purposes shall be levied (if the State Act / Rules mention about it) based on the the fair/guidance value as fixed by the State government,
- ii. This tax shall be collected annually.

## 9. Agricultural Land Tax for Specific Purposes

- i. There is no tax levied on Agricultural land unless specified by State Act / Rules 'as assigned to Panchayats'.
- ii. However, conversion of agricultural land to non-agricultural purposes such as residential / commercial purposes is taxable as prescribed the State, if assigned to Panchayats by the State Act / Rule.
- iii. The tax value will be calculated as percentage of its taxable capital value / certain percent of the basic value of the land, as may be prescribed by the State Act/Rules

## 10. Betterment Tax on Land

- i. Betterment tax shall be levied on landowners benefitting from improvements made by the Panchayat, such as road construction and street lighting.
- ii. The rate shall be proportional to the benefits received by the landowners.

## 11. Tax on Commercial Crops

- i. Tax on commercial crops such as sugarcane, plantation crops etc, shall be levied as devolved by the State government, based on the crop's market value.
- ii. The Panchayat shall assess the tax annually before the harvest season.

## 12. Land Cess and Land Conversion Cess

- i. Cess shall be levied on land revenue payable to the state government.
- ii. Land conversion cess shall be levied for converting agricultural land to non-agricultural purposes, with rates prescribed by the state.

## 13. Surcharge on Stamp Duty

- i. A surcharge on stamp duty for the transfer of property within the Panchayat's jurisdiction shall be levied. This may range such as:
  - Sale of Immovable Property
  - Exchange of Immovable Property
  - Gift of immovable property
  - Mortgage with possession of immovable property

- Lease in perpetuity of immovable property
- Release of Benami right in favour of persons
- Settlement of immovable property (other than within family)

### **Section 3: Non-Tax Revenue Sources**

#### 14. Utility Charges (such as water and sanitation service User Charges)

- i. Panchayat Standing Committee on OSR and Village Water and Sanitation Committee (VWSC) will prepare an Annual Operation and Maintenance Budget for WASH. The budget should show the likely expenditure to be incurred on providing water and sanitation services to the Panchayats, and revenue to be collected by way of user charges indicating surplus / deficit.
- ii. The budget thus prepared will serve as the reference point for fixing user charges, as far as water and sanitation services are concerned.
- iii. User charges for services such as water supply, sanitation, waste management etc. shall be levied preferably based on the amount of service consumed or on flat rate basis.
- iv. The Gram Panchayats have powers to collect such user charges, unless prohibited by the State Act / Rules / Circulars.
- v. Combining several such services (e.g. water supply, sanitation and waste management services, and street lighting etc.) Panchayats may collect a lump sum charge as Annual Utility Charges, along with Property Tax / House Tax.
- vi. Where amount of service consumed is not possible to measure (because of absence of water metering, for instance) annual Utility Charges collected from households may be equal to or a certain percentage of house tax / property tax collected, as decided by the Standing Committee on OSR.
- vii. The Utility Charges collected may be differential for different types of users such as households, shops and establishments, restaurants, marriage halls, private schools, private clinics, temples / churches etc.
- viii. The Panchayat may exempt certain users such as Government run schools, clinics, anganwadis etc.

#### 15. Service Charges

- i. Fees for issue of Birth, Marriage, Death Certificates and other certificates, building permits, and approvals shall be levied 'user charges'. These are levied as a Panchayat office serves like a Citizen Service Centre (meeseva centre) to deliver such services.

#### 16. Rent from Panchayat Properties

- i. Rent shall be collected from properties owned by the Panchayat, including land and buildings leased to individuals or businesses. Rent will be collected as per

the amount agreed / signed in the Rental Agreement. The Standing Committee on OSR of Panchayat has the powers to decide on the rent chargeable.

#### 17. Market Receipts and Royalties

- i. Market fees shall be collected from vendors who assemble in village markets such as weekly vegetable markets, floor markets, jackfruits market, banana market etc. or occasional markets such as grains and pulses market etc. The rates will be as decided by the Standing Committee of the Panchayat.
- ii. Market fees and royalties from natural resources including minor minerals shall be collected, as assigned / prescribed by the State Act / Rules.
- iii. Grazing fees may also be collected, if Panchayat decided so.

#### 18. Fees on facilities that benefit multiple villages

- i. Fees on facilities created especially by private service providers that run through the village such as Fibre Optical Cable, Mobile Towers and Pipelines
- ii. Fees can be collected on them. The amount may be fixed by EC of Gram Panchayat

#### 19. Public-Private Partnerships (PPP)

- i. The Panchayat may enter into PPP agreements in accordance with the framework prescribed by the State government, to generate revenue from infrastructure and service projects.
- ii. This may include e-seva centre / Citizen Service Centre or an Agricultural Implements Hiring Centre run by private entities, Home stay, Customer Service Centre of a bank / insurance company etc.

#### 20. Corporate Social Responsibility (CSR) Contributions

- i. Donations and contributions from corporate entities under CSR initiatives shall be encouraged for local development projects.

#### 21. Loans and Borrowing

- i. The Panchayat may borrow funds from financial institutions for capital projects

### **Section 4: Implementation and Monitoring**

#### 22. Enumeration and Assessment

- i. All potential revenue sources shall be enumerated and assessed by designated officials of Panchayat or outsourced to trained Self-Help Groups (SHGs).

- ii. Standard assessment forms shall be used to collect detailed information on taxpayers and properties. SVAMITA data base / maps will be used wherever possible.

### 23. Taxpayer Database and Identification

- i. A comprehensive and computerized taxpayer database shall be maintained.
- ii. Each taxpayer shall be assigned a unique Tax Identification Number (TIN). Or Aadhar number of the Head of the Household will be used as TIN number.

### 24. Demand and Collection

- i. Demand notices shall be issued to taxpayers at the beginning of each financial year.
- ii. Collection centers shall be established for the convenient payment of taxes and fees.
- iii. On-line payment system developed by the State government for this purpose will be used where available.
- iv. Tax Collectors will be appointed (with targets) for collection of various taxes, and user charges

### 25. Monitoring and Enforcement

- i. Regular audits and inspections shall be conducted to ensure compliance and reduce revenue leakages.
- ii. Concessions and rewards for prompt and early payments can also be considered, as decided by the Executive Committee of the Panchayat.
- iii. Penalties for non-payment or delayed payment of taxes shall be strictly enforced.
- iv. Penalties levied for violating the by-laws provisions shall also contribute to non-tax revenue

### 26. Appeals and Grievances

- i. A transparent system for addressing taxpayer grievances and appeals shall be established.
- ii. Taxpayers shall have the right to appeal to the concerned Block Development Officer (BDO, Panchayats) against assessments and demand notices.

## **Section 5: Transparency and Accountability**

### 27. Public Disclosure

- i. The Panchayat shall publish annual reports to the Gram Sabha detailing revenue collections and expenditures.
- ii. Demand, Collection, and Balance (DCB) registers shall be made available for public inspection.

#### 28. Training and Capacity Building

- i. Regular training programs for Panchayat Elected Representatives, Officials and Staff on revenue mobilization and management shall be conducted.

#### 29. Community Participation

- i. Community meetings and consultations shall be held in Gram Sabha at least once in a year to discuss revenue-related matters and encourage public participation.

#### 30. Performance Incentives

- i. Officials demonstrating significant improvements in revenue generation shall be incentivized through awards and grants.
- ii. SHGs and other CBOs who involved in generation of taxes and non-taxes (or any form of OSR) will also be honoured with awards / incentives.

### **Section 6: Role of Elected Representatives and Panchayat level officials**

#### 31. Role of Sarpanch / Pradhan

- i. Implement all revenue enhancement decisions
- ii. Ensure that tax collection staff in place
- iii. Present taxation policy before S.C / Gram Sabah
- iv. Ensure that collection targets are being achieved
- v. Receive the appeals and solve disputes
- vi. Inspect books of accounts of revenue collections
- vii. Provide all information on OSR to Gram Sabha

#### 32. Role of Panchayat Secretary

- i. Asses the demand and get it approved
- ii. Supply receipts books to bill collectors

- iii. Take steps to realize the revenue promptly
- iv. Maintain proper account of collection
  - v. Maintain DCB register & watch realization
- vi. Apply to competent authority for writing off
- vii. Give guidance to the Standing Committee in taxation matters

### 33. Role of Standing Committee (SC)

- i. Ensure that demand is fixed and approved
- ii. Ensure that all billed revenues are collected
- iii. Obtain periodic returns of revenue collected and review the progress of collection
- iv. Participate in sensitization of taxpayers
  - v. Arrange for displaying on notice board the monthly DCB of all taxes
- vi. Identify non-conventional and innovative tax sources
- vii. Ensure revenue linked to quality of public services
- viii. Assessment and analysis for existing and new sources
- ix. Discover locational advantage for optimising OSR
- x. Ensure transparency and accountability in collection and utilisation of OSR

### 34. Role of Bill Collectors

- i. Receive revenues and issue proper receipts
- ii. Maintain daily collection registers
- iii. Ensure that collection targets are being achieved
- iv. Remit the cash collection to treasury immediately
- v. Coordinate with GP in preparation of tax registers
- vi. Report tax defaulters and arrears due

### 35. Review and Amendments

- i. This by-law shall be reviewed periodically and amended as necessary to address emerging challenges and opportunities in revenue generation.