

GOVERNMENT OF INDIA

MINISTRY OF HOME AFFAIRS



INTERIM REPORT

OF THE

COMMISSION OF INQUIRY INTO THE FINANCES

OF

THE MUNICIPAL CORPORATION OF DELHI

AND

THE NEW DELHI MUNICIPAL COMMITTEE

AUGUST, 1968

INTERIM REPORT

OF THE

COMMISSION OF INQUIRY

INTO THE FINANCES

OF

THE MUNICIPAL CORPORATION OF DELHI

AND

THE NEW DELHI MUNICIPAL COMMITTEE

GOVERNMENT OF INDIA

MINISTRY OF HOME AFFAIRS

AUGUST, 1968

D. O. No. Secy. (CI)/10/66

R.R. Morarka,
Chairman,

Government of India,
Ministry of Home Affairs,
Commission of Inquiry
into the Finances
of D.M.C. & N.D.M.C.,
Vikas Bhavan,
Indraprastha Estate,
New Delhi, the 30th August, 1968

My dear Home Minister,

With reference to the Ministry of Home Affairs Notification No. 1/3/65-Delhi dated 29th March, 1965, read with notification of even number dated 8th June, 1967, enclose the Interim Report of the Commission of Inquiry. This deals with the Financial Resources of the Municipal Corporation of Delhi. The other aspects mentioned in the terms of reference of the Commission would be covered in the Final Report. The recommendations made in the Interim Report are unanimous.

2. A study of the financial affairs of the Municipal Corporation has revealed that its unpaid liabilities have been accumulating year after year and have mounted to Rs. 857 lakhs as on 31st March, 1968. The need for interim report was underlined as several matters, particularly the pattern of assistance to the local body have been held up for decision by Government. The responsible witnesses who appeared before the Commission also emphasised the urgency of the matter. The Commission feel that given the proper direction and effort the Corporation is still capable of balancing its budget and liquidating its liabilities over a period of time. The Commission hope that if early action is taken on their recommendations both by the local body and by the Government of India, it will go a long way in putting the finances of the Corporation on an even keel.

With kindest regards,

Yours sincerely,

Sd/-

(R.R. Morarka)

Shri Y.B. Chavan,
Home Minister,
Government of India,
NEW DELHI.

CONTENTS

<i>Chapter</i>		<i>Pages</i>
I	INTRODUCTION	1—3
II	HISTORICAL BACKGROUND	4—7
III	GENERAL REVIEW OF FINANCES	8—14
IV	DOMESTIC SOURCES OF REVENUE	
	General	15—16
	Property taxes	16—26
	Other obligatory taxes	26—28
	Discretionary taxes	28
	Miscellaneous sources of revenue	28—29
V	ASSIGNED TAXES	30—35
VI	GRANTS-IN-AID	36—40
VII	EFFECT OF RECOMMENDATIONS	41—43
VIII	SUMMARY OF RECOMMENDATIONS	44—49

(ii)

<i>Annexures</i>	<i>Pages</i>
I REVENUE INCOME OF THE MUNICIPAL CORPORATION OF DELHI	50
I-A Details of domestic revenue income of the Municipal Corporation of Delhi	51—52
I-B Details of income of the Municipal Corporation of Delhi from external sources	53
II RATES OF PROPERTY TAXES LEVIED BY VARIOUS CORPORATIONS	54
III RATE OF COLLECTION OF PROPERTY TAXES BY VARIOUS CORPORATIONS	55
IV RATEABLE VALUE OF PROPERTIES IN AREAS UNDER THE JURISDICTION OF THE MUNICIPAL CORPORATION OF DELHI	56
V ASSIGNED TAXES RECEIVED BY LOCAL BODIES IN DELHI	57
VI STATEMENT SHOWING THE EFFECT OF PREVIOUS AND REVISED RATES OF ENTERTAINMENT TAX IN DELHI	58
VII RATES OF TAXES ON VARIOUS TYPES OF MOTOR VEHICLES IN DELHI.. .. .	59
VIII ADDITIONAL ANTICIPATED INCOME ON THE LEVY OF TERMINAL TAX AT THE MAXIMUM RATES PERMISSIBLE UNDER THE DELHI MUNICIPAL CORPORATION ACT, 1957	60—63
IX INCOME AND EXPENDITURE OF THE MUNICIPAL CORPORATION OF DELHI IN RURAL AREAS	64
X ANTICIPATED INCOME AND EXPENDITURE OF THE MUNICIPAL CORPORATION OF DELHI FROM 1969 TO 1972 WITHOUT IMPLEMENTATION OF THE RECOMMENDATIONS MADE IN THE INTERIM REPORT	65—66

CHAPTER—I

INTRODUCTION

1.01. The Commission of Inquiry into the Finances of the Municipal Corporation of Delhi and the New Delhi Municipal Committee was appointed by the Government of India *vide* notification No. F. 1/3/65-Delhi dated 29th March, 1965, under Section 3 of the Commissions of Inquiry Act, 1952 (60 of 1952) with the following terms of reference:—

- (a) whether each of the aforesaid local authorities has adequate financial resources at its disposal for the due discharge of its functions and the due performance of its duties ;
- (b) if the financial resources are inadequate, whether the inadequacy should be made up :—
 - (i) by increased grants-in-aid from the Central Government, or
 - (ii) by placing further resources at the disposal of the local authority concerned ;
- (c) whether the available financial resources are being utilised fully by the local authority concerned for its purposes, and if not what steps should be taken to secure fuller utilisation of such resources ;
- (d) whether there are possibilities for effecting economies and for augmenting revenues ; if so, what are those possibilities ;
- (e) whether the local authority concerned is adequately equipped to enforce budgetary and financial control and to exercise effective checks to avoid wastage of municipal funds and if not, what machinery should be provided therefor.

1.02. The Commission as initially constituted consisted of the following:—

- | | |
|---|------------------|
| 1. Shri B. Gopala Reddi, M.P. | Chairman |
| 2. Shri P.C. Mathew,
<i>Special Secretary,</i>
Ministry of Finance | Member |
| 3. Shri P.P.I. Vaidyanathan,
<i>Adviser,</i>
Programme Administration,
Planning Commission | Member |
| 4. Shri Gian Prakash,
<i>Joint Secretary,</i>
Ministry of Health | Member |
| 5. Shri K.L. Rathee,
<i>Secretary,</i>
Local Self Government,
Delhi Administration | Member-Secretary |

The Commission was initially handicapped because of the difficulties of staffing etc. and it was only after June, 1966 that it could settle down to its work in right earnest. Questionnaires were issued to the deliberative and executive wings of the local bodies and also to the general public. The response

was, however, very poor. Shri K.L. Rathee who was the first Secretary of the Commission ceased to function as such in June, 1965 on his transfer to the Dehi Development Authority. He was succeeded by Shri A.V. Venkatasubban who also left in March, 1967. Thereafter Shri Jagmohan worked as Secretary for a short spell of about 4 months. These changes caused dislocation in the working of the Commission and held up progress.

1.03. On his appointment as Governor of Uttar Pradesh Shri B. Gopala Reddi was succeeded by Shri R.R. Morarka w.e.f. 8-6-1967. There have also been a number of other changes in the composition of the Commission from time to time. At present the Commission is composed of:—

- | | |
|---|------------|
| 1. Shri R.R. Morarka | Chairman. |
| 2. Shri R.R. Bahl,
<i>Adviser,</i>
Programme Administration,
Planning Commission | Member. |
| 3. Shri D.J. Madan,
<i>Joint Secretary to the Government of India,</i>
Ministry of Finance | Member. |
| 4. Shri Gian Prakash,
<i>Joint Secretary to the Government of India,</i>
Ministry of Health | Member. |
| 5. Shri S.C. Pandey,
<i>Secretary (L.S. G.),</i>
Delhi Administration | Secretary. |

1.04. The first meeting of the Commission under the present Chairman was held on 18th July, 1967, when the data collected through questionnaires issued earlier was examined. The Commission found it necessary to start their work almost afresh and a programme was accordingly drawn up for various studies and collection of requisite data. The Commission have so far held twenty-seven meetings.

1.05. While the various aspects of the terms of reference have been covered in a general way, the Commission have studied in detail the data relating to the present financial resources of the Municipal Corporation of Delhi as also the pattern of income and expenditure of six other major Corporations in the country. These studies have been supplemented by (a) field survey of 300 properties located in selected areas of the Corporation for ascertaining the reliability of the assessed rateable values and (b) on-the-spot studies in regard to the procedures of assessment and collection of taxes being followed in the Corporations of Bombay, Madras and Calcutta. The analysis of basic data, survey and study reports threw up several ideas and assisted the Commission in crystallising their own thoughts which were discussed in detail with important officials and non-officials who have been or are at present associated closely with the working of Municipal administration in Delhi.

1.06. The terms of reference are interlinked in many ways and the ideal arrangement would have been to tackle them together. On the other hand, the Commission are aware that several matters particularly the pattern of assistance to the Municipal Corporation of Delhi have been held up for decision by the Government of India pending receipt of the report of the Commission. The

official and non-official witnesses, who appeared before the Commission, have unanimously emphasised the need of quick decisions in the matter of assistance to be made available to the Municipal Corporation in order to enable it to meet its day-to-day obligations. A general review of the financial affairs of the Corporation has revealed that its unpaid liabilities have been accumulating year after year and have amounted to Rs. 857 lakhs as on 31-3-1968. The Commission have, therefore, thought it expedient to make an interim report on the revenue resources of the Corporation. It is evident that the Corporation needs more funds to cover the big deficit and steps have to be taken to ensure greater effort on the part of the Corporation to mobilise its resources and also on the part of the Government to introduce suitable changes in the law and the existing pattern of assistance. The Commission have, therefore, felt that spelling out of suggestions to improve the financial position of the Corporation, without going into the details about other terms of reference, would enable the Government of India and the Municipal Corporation to take appropriate steps in this direction.

CHAPTER—II

HISTORICAL BACKGROUND

2.01. "Here we stand in Delhi City, symbol of old India and the new.....
..... Even the stones here whisper to our ears of the ages of long ago and the air we breathe is full of the dust and fragrance of the past, as also of the fresh and piercing winds of the present. We face the good and the bad of India in Delhi City which has been the grave of many empires and the nursery of a republic. What a tremendous story is hers! The tradition of millennia of our history surrounds us at every step, and the procession of innumerable generations passes before our eyes."

*Jawaharlal Nehru.***

2.02. Upto 1911, Delhi was a city of moderate size with a population of 2,37,944. Since then its population has been growing at an increasing rate due to several factors. The establishment of the capital of British India at Delhi, the two World-wars, the partition of the sub-continent which brought a flood of migrants from Pakistan and the establishment of the national Capital have been the most important events in the city's recent history.

The progressive urbanisation of the territory in the last three decades has also contributed in no small measure to this unusual rate of growth. No other metropolitan area in India has shown such a high rate of growth, as would be evident from the following table:—

Growth of Urban Population in Metropolitan Areas

Year	Delhi	Bombay	Calcutta	Madras
1911	2,37,944	10,18,388	10,16,445	5,55,620
1921	3,04,420 (27.94)	12,44,934 (22.25)	10,53,334 (3.63)	5,78,550 (4.13)
1931	4,47,442 (46.98)	12,68,306 (1.88)	12,21,210 (15.94)	7,13,394 (23.31)
1941	6,95,686 (55.48)	12,87,127 (32.94)	21,67,485 (77.49)	8,56,453 (20.05)
1951	14,37,134 (106.58)	29,66,902 (75.96)	26,98,494 (24.50)	14,16,056 (65.34)
1961	23,59,408 (64.17)	41,52,056 (39.95)	29,27,289 (8.48)	17,29,141 (22.11)
1931-61	(428%)	(227%)	(140%)	(145%)

(*Figures in brackets indicate percentage of growth.)

The urban population of Delhi continues to grow at a faster rate than that in any other large metropolis on the sub-continent. It is estimated to have already risen from 23 lakhs in 1961 to 33 lakhs in 1967— an increase of ten lakhs in

**Jawaharlal Nehru's speeches (September, 1957—April 1963), Volume IV, published by the Publication Division, Ministry of Information & Broadcasting, (page 171).

about six years which is nearly as much as the population of Kanpur, Hyderabad or Bangalore.

2.08. This unprecedented expansion of population and the consequent increase in the economic potential of the city has had its effect on the living conditions in the city. During the second World War, industry grew wherever it could find a place. This sporadic increase in commercial activities attracted more and more people from the neighbouring areas. New areas had to be developed to house the additional population. With independence came the partition of the sub-continent and mass movement of population across the borders. Delhi was not at all prepared for this sudden and unprecedented influx. However, Government did whatever it could to meet this national emergency. Agricultural lands were acquired wherever immediately available and construction of pucca houses was undertaken on a very large scale. A number of townships sprang up all over the city except in the North where land was subject to floods almost every year. Thus, Nizamuddin, Lajpat Nagar, Kalkaji and Malviya Nagar were built in the South and two Rajinder Nagars, the three Patel Nagars, Moti Nagar, Ramesh Nagar and Tilak Nagar were built in the West. In the North the Kingsway Camp was developed as a rehabilitation colony. Gandhi Nagar was built in Shahdara. In each of these colonies, provision was made for various community facilities but it was only at minimal standards which resulted in the development of large areas at sub-standard levels. Because of the linear sprawl along the radials, an efficient system of water supply and sewerage could not be provided to the new colonies. These new colonies had no provision for work centres except a few commercial sites. In the absence of any developed industrial land economic activity percolated into residential premises and within a few years almost all newly developed colonies got infested with teaching shops, retail centres, service industry, small scale industries and a variety of welding, general repairing and manufacturing units. These new scattered townships, no doubt, provided physical shelter to the mass of population, but did not solve the problem of civic amenities. They did not have a net work of arterial link roads; transportation facilities were meagre and the public utilities were marginal. All these deficiencies, which had to be provided in due course added to the liabilities inherited by the Municipal Corporation.

2.04. According to the available record, the foundation of municipal administration in Delhi was laid with the establishment of a Municipal Commission in 1862. This was a wholly nominated body comprising 11 members and had a revenue income of Rs. 9,827/- only in the first year of its inception. As years went by, this Commission was replaced by the Delhi Municipal Committee which remained the lone local body concerned with civic administration till 1911. As new areas were developed and occupied, several other local bodies came into existence. In 1951, the position was that the urban population of Delhi was residing in eleven administratively distinct municipal areas and their civic administration was carried on by an equal number of municipal/notified area committees (including the Cantonment Board). For the rural area, there was a District Board catering to the needs of over 300 villages. There were also three statutory bodies functioning under the control of the State Government i.e. the Delhi Joint Water and Sewage Board, the Delhi State Electricity Board, and the Delhi Road Transport Authority set up in 1926, 1951 and 1952 respectively.

2.05. The working of these local bodies was geared to conditions when the tempo of life was relatively slow. With the growth of population, increase in governmental and industrial activity, and undesirable mixture of land uses,

it became apparent that these small bodies would not be equal to the challenging task of providing all the civic facilities and services of water supply, sewerage and electricity and of ensuring an orderly development of highways and transport facilities connecting different parts of the metropolis. It also became apparent that for the provision and efficient maintenance of civic amenities and services on the very much larger scale now needed, and in the interest of comprehensive and economic planning in civic spheres, a unitary authority having control over the entire area would certainly be able to do much more than what each of these small local bodies had been able to accomplish with limited resources and inadequate technical personnel.

2.06. In the early fifties, Government started thinking in terms of establishing a Municipal Corporation in Delhi on the lines of the Bombay Municipal Corporation. On the appointment of the States Reorganisation Commission, however, the matter was deferred till the Commission had reported. While recommending that 'municipal autonomy in the form of a Corporation was the right and, in fact, the only solution of the problems of Delhi', the Commission observed that in the event of this recommendation being accepted, it was for the Government to determine whether the municipal set-up in Delhi should follow a two tier model on the lines of the London County Council or whether there should be one or two Corporations of the pattern already under the consideration of Government.

2.07. In September, 1956, the Minister of Home Affairs stated in the Lok Sabha that a Corporation on the lines of the Bombay Municipal Corporation would be established in Delhi. The Delhi Municipal Corporation Act, 1957, was eventually put on the statute book and the Municipal Corporation of Delhi came into existence on 7th April, 1958.

2.08. Except for an area measuring barely 24 square miles i.e., 8 square miles under the Cantonment Board and 16 square miles under the New Delhi Municipal Committee, the entire Union territory of Delhi was brought under the jurisdiction of the Corporation. This also included the entire rural area covering nearly 400 square miles and embracing over 300 villages and resulted in the dissolution of the District Board. Nine other municipal/notified area committees were also dissolved and their functions taken over by the Corporation. The essential civic services of water supply, sewage disposal, electricity and transport, which were being rendered by statutory autonomous bodies, namely, the Delhi Joint Water and Sewage Board, the Delhi State Electricity Board and the Delhi Transport Authority, were also placed under the administrative control of the Municipal Corporation of Delhi.

2.09. Some of the duties and obligations enjoined on the Delhi Municipal Corporation differ in their scope and magnitude from the functions discharged by other major Municipal Corporations in the country. These peculiar features have had a bearing on its administrative and financial relations with the Government. The Commission gave due weight to them in the course of their deliberations. Some of the salient features accompanying the duties and obligations of the Municipal Corporation of Delhi are enumerated below:—

- (a) The jurisdiction of the Corporation is co-existent with the boundaries of the Union territory of Delhi whose growth and development is the constitutional responsibility of the Government of India. Its status as the national Capital and also as a focal point of international activity, make the provision and maintenance of municipal services and public

utilities a matter of direct concern to the Government of India. The quick expansion of the Central Government structure, the establishment of many new offices and specialised institutions and the construction of new residential colonies for Government servants, have added not a little to the strain on municipal services ;

- (b) Of all the Corporations in the country, the Delhi Municipal Corporation has by far the largest area with diverse problems. It is almost as extensive as that of the Calcutta Metropolitan District which has 36 urban local authorities including the Corporations of Calcutta and Howrah. Even the area of the premier Corporation of Greater Bombay is only 169 sq. miles as compared to Delhi's 512 square miles out of which only about 99 sq. miles is urban with a population of 23.59 lakhs (1961) while a population of about 3.4 lakhs is scattered over 300 rural *abadis* and townships all around. A major part of this area is not considered urbanisable in the foreseeable future.
- (c) From its very inception, the Delhi Municipal Corporation not only inherited the problems of knitting together the scattered and disjointed urban residential colonies in the matter of municipal services and communications, but also took over the functions of the District Board, as also some of the functions which are normally discharged elsewhere by the State Governments. The fact that the Corporation spends about Rs. 150 lakhs per annum in the rural area against a revenue of only about Rs. 5 lakhs is indicative of the extent of its liabilities in this regard.
- (d) The Master Plan of Delhi has cast certain responsibilities on this Delhi Municipal Corporation. On the one hand it is responsible for the enforcement of the Plan in the Union territory excepting development areas declared as such which are controlled by the Delhi Development Authority ; on the other, it is required to undertake works of development, particularly construction of arterial roads and overbridges, laying of trunk mains for water supply and sewerage etc. throughout the Union territory. It is also responsible for the provision and extension of these services to areas under the Control of New Delhi Municipal Committee and the Cantonment Board as also to the colonies developed by the Delhi Development Authority, Central Government and private agencies, thus creating problems of finance co-ordination.

CHAPTER—III

GENERAL REVIEW OF FINANCES

3.01. In the Financial Memorandum attached to the Delhi Municipal Corporation Bill, 1957, it was stated that "It is proposed to appoint a Special Officer to examine the financial resources of the Corporation so as to determine the grants to be paid by the Central Government". Accordingly, an Officer on Special Duty was appointed by the Government of India in 1958. He was also asked to consider and suggest possibilities of augmenting the Corporation's revenue and effecting economy in its expenditure. Besides recommending financial assistance to the Corporation in the form of grants for a period of two years i.e., for 1961-62 and 1962-63, which will be discussed in detail in a subsequent chapter, the Officer on Special Duty made specific suggestions for augmentation of the Corporation's sources of revenue. On the basis of his report the Government of India intimated to the Corporation in September, 1960 their decision in respect of the grants-in-aid to be paid for a period of two years. The Government also advised the Corporation that it was necessary for it to take early steps to bridge the gap between its expenditure and income (including grants-in-aid) by fuller exploitation of its sources of revenue by adoption, among others, of the following measures:—

- (i) Increase in the present rate of general property tax of 10% by 1% during each of the years 1960-61 and 1961-62.
- (ii) increase of water rates so as to cover the deficit in the water supply account ;
- (iii) increase of scavenging tax from 1% to 2% during 1961-62 and to 3% during 1962-63 ;
- (iv) levy of tax on professions etc. with a minimum of Rs. 30/- and a maximum of Rs. 250/- per annum ;
- (v) levy of education cess at 20% of the general property tax ; and
- (vi) a revision of the terminal tax Schedule.

3.02. In spite of these recommendations and the fact that an incentive was also offered in the form of a grant at the rate of Rs. 3/- for every Rs. 7/- raised by the Corporation by way of additional taxation, the Corporation did little to increase its revenue and to utilise the resources assigned to it in full, although the Commissioner recommended every year increase in the rates of existing taxes and levy of new taxes. It was only in 1963-64 that an increase of 1% in the rate of general property tax was approved by the Corporation. The proposals made by the Commissioner in subsequent years, as mentioned below, were also turned down by the Corporation every time ;

- (a) While presenting the budget estimates for 1964-65, the Commissioner proposed the following measures:—
 - (i) increase in the rate of general property tax in urban areas by 1% or 2% ;
 - (ii) levy of profession tax with a minimum rate of Rs. 30/- and a maximum rate of Rs. 250/- per annum.

None of these proposals was accepted.

- (b) While presenting the budget estimates for 1965-66, the following proposals were made:—
- (i) increase in the rate of general tax from 11% to 15% and imposition of differential rate of taxation on commercial properties ;
 - (ii) a new tax on professions, trades, callings and employments ;
 - (iii) levy of betterment tax ; and
 - (iv) increase in the water tax and scavanging tax.

None of these proposals was accepted by the Municipal Corporation.

- (c) While presenting the budget proposals for 1966-67, the Commissioner recommended *inter alia*,
- (i) revision of the rates of tehbazari fees, takhats, projections etc. ;
 - (ii) increase in the rate of general tax from 11% to 13% and imposition of differential rates of tax on commercial properties ;
 - (iii) increase in the rate of duty on transfer of property from 4% to 5% ;
 - (iv) introduction of tax on professions, trades, callings and employments ; and
 - (v) revision of rates of water tax and scavanging tax.

Except the proposal in respect of increase in the duty on transfer of property, none of these proposals was accepted by the Municipal Corporation.

- (d) While presenting the budget proposals for 1967-68, the Commissioner again made the following proposals:—
- (i) increase in the rate of general tax from 11% to 14% and differential rates of tax on commercial properties ;
 - (ii) imposition of education cess at 2% of the rateable value ;
 - (iii) introduction of tax on professions, trades, callings and employments ;
 - (iv) increase in the rates of tax on vehicles and animals to the maximum limit permissible under the Delhi Municipal Corporation Act, 1957 ;
 - (v) increase in rates of tehbazari fees, takhats, chabutras, etc. ; and
 - (vi) increase in the rates of water charges, water tax and scavanging tax.

None of these proposals was accepted.

3.03. It would, thus, be seen that upto the year 1966-67, there was an increase of 1% on the rate of general tax on properties in 1963-64 and another increase of 1% in the rate of duty on transfer of property in 1966-67. These marginal increases were of little help in bridging the gap between revenue and expenditure. Year after year, the gap between income and expenditure went on widening, but the Corporation was always fighting shy of utilising its resources to their optimum extent presumably because it did not want to incur the odium

and court unpopularity usually associated with increase in taxes. In the few initial years, the budget showed some surplus but it was more apparent than real, as would be borne but by the following analysis:—

1958-59:

There was a net surplus of Rs. 42.92 lakhs which was wholly due to the fact that the Government of India paid an ad-hoc grant of Rs. 50.00 lakhs which could not be spent. But for the non-utilisation of this grant, there would have been a net deficit of Rs. 7.08 lakhs in the revenue account.

1959-60:

In this year also, there was a net surplus of a small amount of Rs. 9.96 lakhs due to the fact that a balancing grant of Rs. 20.60 lakhs was given by the Government. If this grant had not been given, there would have been a net deficit of Rs. 10.64 lakhs.

1960-61 :

There was a net deficit of Rs. 50.25 lakhs despite the fact that an ad-hoc balancing grant of Rs. 20 lakhs was received from the Government. But for this, the net deficit would have been of the order of Rs. 70.25 lakhs.

1961-62:

There was a net surplus of Rs. 80.92 lakhs because the Corporation got an "on account" payment of approximately Rs. 85 lakhs from the Government of India towards the arrears of property tax/service charges in respect of Central Government properties in the Corporation area. In addition, the Corporation also got Rs. 59.40 lakhs on account of the unpaid portions of ad-hoc grants of Rs. 50 lakhs per annum in respect of the years 1959-60 and 1960-61. But for these two specific payments, aggregating Rs. 144.40 lakhs, received from the Govt. there would have been a net deficit of Rs. 63.48 lakhs in the revenue accounts.

3.04. From 1962-63 onwards the Corporation started running into deficit in spite of postponing some of its liabilities, as would be evident from the following table:—

Year	Income	Expenditure	Deficit
	Rs. (crores)	Rs. (crores)	Rs. (crores)
1962-63	8.07	8.71	(—) 0.64
1963-64	8.91	9.24	(—) 0.33
1964-65	10.45	10.82	(—) 0.37
1965-66	11.74	12.00	(—) 0.26
1966-67	14.12	14.31	(—) 0.19
1967-68	15.40	15.50	(—) 0.10
			(—) 1.89

On account of a surplus of Rs. 99 lakhs on 1-4-1962, the net deficit as on 31-3-1968 was Rs. 90 lakhs.

3.05 The above figures do not give a correct idea of the real deficit since payments due to the Water Supply and Sewage Disposal Undertaking were postponed year after year for want of funds. At the end of 1967-68, the total payments due to the Undertaking amount of Rs. 5.46 crores and the correct picture of the deficit would, therefore, be as indicated below:—

Year	Deficit vide para 3.04 Rs. (crores)	Liability payable to W. S. & S. D.U. Rs. (crores)	Total Deficit Rs. (crores)
1962-63	(—) 0.64	0.36	(—) 1.00
1963-64	(—) 0.33	1.01	(—) 1.34
1964-65	(—) 0.37	0.47	(—) 0.84
1965-66	(—) 0.26	1.28	(—) 1.54
1966-67	(—) 0.19	0.97	(—) 1.16
1967-68	(—) 0.10	1.37	(—) 1.47
Total:	(—) 1.89	5.46	(—) 7.35
Surplus on 1-4-1962	(+) 0.99	—	(+) 0.99
Net Deficit	(—) 0.90	5.46	(—) 6.36

3.06. Several other payments were also held up by the Corporation for want of funds and according to the information gathered from the Corporation, the position of deficit as on 1-4-1968 was as under:—

	Rs. (crores)
(i) deficit on 1-4-1968 (para 3.04)	0.90
(ii) Payments due to the Water Supply & Sewage Disposal Undertaking (para 3.05)	5.46
(iii) Loan Instalments	1.16
(iv) Ways and means loan	0.50
(v) Contractors & Suppliers Bills	0.40
(vi) Arrears of dearness allowance	0.15
Total:	8.57

3.07. An analysis of the account has indicated that several factors have been responsible for the recurrence of deficits year after year and the difficult financial position which has now come to assume the magnitude of a first rate crisis. Some of these are:—

- (i) unrealistic budgetting ;
- (ii) unauthorised and unorthodox expenditure on various items ; and
- (iii) failure to invoke the safeguards provided in the Delhi Municipal Corporation Act, 1957.

Unrealistic Budgetting :

3.08. It is an important canon of financial discipline that the estimates of revenue incorporated in the finally approved budget should be based on a reasonable and realistic assessment of the income expected to be realised from various sources. In actual fact, this has not been done during the past several years and, year after year, the budgets have been balanced by deliberately inflating estimates of income from various sources and then basing the expenditure requirements on the inflated figures of income. This has enabled the Corporation to adopt artificially balanced budgets at the estimates stage. As a result of this strategy commitments were made and expenditure incurred on the basis of budget provisions while the income continued to fall short of expectations which had no relationship with the actuals in the past thus leading to a growing gap between revenue and expenditure. The following table will give an idea of the unrealistic changes made by the Corporation in the estimates of income proposed by the Commissioner in budget proposals vis-a-vis the actuals:—

Income year	Estimates proposed by the Commissioner	Estimates adopted by the Corporation	Actuals
	<i>Rs. (crores)</i>	<i>Rs. (crores)</i>	<i>Rs. (crores)</i>
1962-63	7.79	9.67	8.07
1963-64	8.98	10.58	8.91
1964-65	10.12	11.61	10.45
1965-66	11.39	14.58	11.74
1966-67	13.79	17.08	14.10

3.09. Not only did the Corporation estimate its income very high but also took credit for Government assistance at levels which ultimately proved to be unjustified. Provision was also made for the transfer of surplus from other wings of the Corporation, such as the Delhi Electric Supply Undertaking, though it was fairly clear that such a surplus would not materialise. For example, in 1966-67 an estimated income of Rs. 90.00 lakhs was shown in the budget estimates on the assumption that the accounts of D.E.S.U. will show a surplus and further that approval of the Central Government would be available to the transfer of this surplus and that of surplus in some of the earlier years as required under Section 107 of the Delhi Municipal Corporation Act, 1957. The accounts of D.E.S.U. did not show any surplus either in 1965-66 or 1966-67. It appears that the Undertaking had made this clear but the Standing Committee/Corporation insisted that 'D.E.S.U. should manage its affairs in such a manner as to show a surplus'. The conclusion is, therefore, inescapable that there was a great measure of defective budgeting on the part of the Corporation. This seems to have been resorted to meet requirements some of which were not connected with the obligatory functions of the Corporation. There was also the accompanying fact of low collection of revenue and its leakage together with lack of financial control on expenditure which would be discussed separately.

Unauthorised and Unorthodox Expenditures :

3.10. Instances are not wanting in which expenditure was sanctioned for which no provision was made in the budget. The appropriate course in cases involving expenditure of large magnitude would have been to arrange resources

to meet the liability. This was, however, not done. An instance of this type is the payment of dearness allowance at enhanced rates to the Corporation employees consequent upon an increase in the rates of dearness allowance applicable to Central Government employees. Enhanced dearness allowance was sanctioned from time to time inspite of the fact that the Corporation was told by Government from the very beginning that it was not incumbent upon it to adopt for its employees the same scales of pay and allowances as for Central Government servants.

3.11. In the matter of extravagant and unorthodox expenditure, nothing would be more revealing than the instance of what is called the "constituency fund". The expenditure on 'works in constituencies' which was almost nil in 1958-59 went up to Rs. 118.00 lakhs during 1966-67. The amount is distributed pro-rata between the councillors irrespective of the fact whether the constituency is a fully or partially developed suburban or rural area. The extravagance of this expenditure was brought to the notice of the Corporation by the Commissioner a number of times but no heed was paid.

Non-observance of Statutory Safeguards :

3.12. Section 102 of the Delhi Municipal Corporation Act, 1957, provides that except in the case of expenditure on obligations of a special type mentioned in the proviso to that section, no payment shall be made out of the municipal funds unless the expenditure is covered by a current budget grant. The fact, however, is that payments have been made year after year from and out of the general account of municipal funds in excess of the grant sanctioned by the Corporation. Sub-Section (1) of section 111 of the Act also provides that if at any time during the year it appears to the Corporation that the income during that year will not suffice to cover the budgeted expenditure, it shall be incumbent on the Corporation to sanction forthwith any measure which it may consider necessary for adjusting the year's income to the anticipated expenditure. Sub-section (2) of that section also empowers the Corporation to either diminish the sanctioned expenditure to the extent feasible or to have recourse to supplementary taxation. These provisions in the Act were designed to provide a built-in-safeguard to ensure financial stability of the Corporation. It is unfortunate that these provisions were never invoked except during the year 1965-66 when the Commissioner did bring out the true position in his letters dated 28th May, 1965 and 23rd June, 1965 addressed to the Standing Committee. That Committee could discuss the matter only on 1st September, 1965 and merely referred it back to the Commissioner 'for report in the light of discussions within fifteen days'. No report was submitted by the Commissioner and the matter never went to the Corporation again. Failure to invoke the provisions of section 111 is one of the most important factors which have caused the present imbalance in the financial position of the Corporation. Responsibility for this has also to be share by the Government. While deficits occurred year after year, no action was taken by the Government in terms of issuing any direction for proper observance of the procedure laid down in the Act for meeting the deficit. Instead, a climate of abject dependence on governmental subvention was allowed to grow from the very beginning and this made the Corporation lose, to some extent, its sense of responsibility and blame the Central Government for its inadequate revenue earnings.

3.13. The result of this financial mismanagement has been that the Corporation faces perennially the situation of unpaid liabilities incurred on the basis of 'budgeted' provisions. Bills of contractors and suppliers remain unpaid and payment of salary has also to be staggered. Loan instalments have not been paid regularly and the burden of repayment of loans has been steadily increasing

every year. The Delhi Municipal Corporation today is one of the few civic bodies in the country which cannot meet even the salary of its employees from its own income. The Commission feel that the Corporation has had enough time to raise adequate resources of its own for meeting its obligations. We need hardly mention that a local body should first fully exploit its own sources of revenue before laying a claim to financial assistance from Government. The time has perhaps come when the Corporation should be told so and advised, in the first instance, to impose taxes at adequate and reasonable rates. If the Corporation still fails to act, the Government should seriously consider the possibility of taking additional powers so as to be able to themselves impose new taxes or revise the rates of existing taxes for and on behalf of the Corporation.

CHAPTER IV
DOMESTIC SOURCES OF REVENUE
GENERAL

4.01. The income of the Corporation is derived from the following sources:—

- (a) *Domestic sources of revenue i. e.*
 - (i) revenue received from municipal taxes and rates levied by the Corporation under the Delhi Municipal Corporation Act, 1957;
 - (ii) Fees, fines and other miscellaneous receipts ; and
- (b) *External sources i. e.,*
 - (i) share of central taxes assigned to the Corporation ;
 - (ii) grants-in-aid from Government.

4.02. The details of income derived from these sources and their percentage to total revenue receipts of the Corporation are given in Annexure I. In the year 1966-67 about 33.24% of the revenue was derived from municipal taxes, 10.94% from fees, fines and miscellaneous receipts, 35.53% from assigned taxes and the remaining 20.29% from the grants made by Government. It means that only approximately 44% of the revenue of the Corporation is raised from domestic sources and the remaining 56% is derived from share of assigned taxes and Government grants. The amounts paid by the Government of India to the Corporation on different accounts are received in instalments but practically nothing is received during the first two/three months of the financial year. In fact some of the Government grants and subsidies are paid to the Corporation not as advance to meet the expenditure but as reimbursement of expenditure already incurred. Greater part of the income from domestic resources also flows towards the end of the financial year. As against this, the Corporation has to incur expenditure more or less regularly from month to month throughout the year. For these reasons the Corporation has been finding it difficult to maintain an equilibrium between the day-to-day receipts in the municipal fund and day-to-day payments out of that fund; often it is unable to make timely payment of salaries, contractors bills etc. This in itself is sufficient justification for the Corporation to build up and exploit to the fullest extent its own resources so that the volume of dependence on outside help is reduced to the minimum.

4.03. The taxes and rates levied by the Corporation under the Delhi Municipal Corporation Act, 1957 fall in two categories i.e. obligatory taxes and optional taxes as per sub-section (1) and (2) of Section 113 of that Act respectively. Sub-section (1) requires that the Corporation shall levy the following six taxes:—

- (a) property taxes ;
- (b) a tax on vehicles and animals ;
- (c) a theatre tax ;
- (d) a tax on advertisements other than advertisements published in the newspapers ;

- (e) a duty on the transfer of property ; and
- (f) a tax on buildings payable along with the application for sanction of the building plan.

The above taxes were duly imposed by the Corporation in 1958-59.

4.04. As regards the optional taxes sub-section (2) of section 113 empowers the Corporation to levy the following taxes:—

- (i) an education cess ;
- (ii) a tax on professions, trades, callings and employments ;
- (iii) a betterment tax on the increase in urban land values caused by the execution of any development or improvement work ;
- (iv) a tax on boats ;
- (v) tolls ;
- (vi) a local rate on land revenues ; and
- (vii) a tax on the consumption or sale of electricity.

The first five optional taxes mentioned above have not so far been levied. The local rate on land revenue was originally levied by the District Board at the rate of 25% of the land revenue. It was continued by the Corporation but the yield from this tax was only Rs. 57,000 per annum (average) and the procedure for its collection was cumbersome. This local rate was, therefore, discontinued by the Corporation with effect from 1st April, 1963. The tax on the consumption or sale of electricity was introduced with effect from 1st April, 1959, and continues to be in force.

4.05. Though none of the most important Corporations have as many tax sources at their disposal as the Delhi Municipal Corporation the percentage of income from taxes in the case of the Delhi Corporation has been very low, as would be evident from the following table:—

Name of the Corporation	<i>(Rs. in Lakhs)</i>			
	Receipts from Domestic Sources			
	1958-59		1966-67	
Delhi	133.70	(26.88)	504.40	(34.93)
Bombay	755.50	(53.87)	1784.67	(45.83)
Calcutta	460.93	(62.41)	729.52	(56.55)
Madras	214.98	(70.48)	472.68	(62.08)
Ahmedabad	157.83	(49.92)	328.33	(44.29)

(Figures in brackets show percentage of total revenue receipts).

PROPERTY TAXES

4.06. Among the obligatory taxes, property taxes constitute the largest share of income. In Delhi, the property taxes are levied and recovered in four

parts viz. general tax, water tax, scavenging tax and fire tax, all assessed on the basis of the rateable value of lands and buildings. Section 114 of the Delhi Municipal Corporation Act, 1957, provides for the levy of a general tax of not less than 10% and not more than 20% of the rateable value of lands and buildings within the urban area and a water tax, a scavenging tax and a fire tax at such percentages of the rateable value as the Corporation may deem reasonable for providing these services. The rates of these taxes in force upto 31st March, 1968, as shown below, have been the same as were first levied in 1959 except that the general tax was raised from 10% of the rateable value to 11% with effect from 1st April, 1963:—

(a) General tax	—	11%
(b) Water tax	—	3%
(c) Scavenging tax	—	1%
(d) Fire tax	—	1/2%

4.07. The provision of the law was amended on 3rd February, 1968 whereby the maximum leviable rate of the general tax was increased to 30% of the annual rateable value and the Corporation was also empowered to levy this tax on a graduated scale. The Corporation decided on 13th February, 1968 to adopt the following scales of general tax in respect of private properties for the year 1968-69:—

Annual rateable value of land and building	Rate of General Tax
Upto Rs. 1,800/-	10%
Over Rs. 1,800/- to and including Rs. 8,000/-	11%
Over Rs. 8,000/- to and including Rs. 12,000/-	12-1/2%
Over Rs. 12,000/- to and including Rs. 20,000/-	15%
Over Rs. 20,000/- to and including Rs. 40,000/-	17-1/2%
Over Rs. 40,000/- to and including Rs. 1,00,000/-	19%
Over Rs. 1,00,000/-	20%

N.B.:—In urban areas all lands and buildings of which the rateable value does not exceed Rs. 100/- are exempted from general tax provided such properties are self occupied and not more than one such property is owned by an individual. In the rural area all properties of which the rental value does not exceed Rs. 100/- per annum are exempted from general tax.

4.08. The proviso to Section 114 (1) of the Act provides that Corporation may, when fixing the rate at which the general tax shall be levied during any year determine that the rate leviable in respect of lands and buildings or portions of lands and buildings in which any particular class of trade or business is carried on, shall be higher than the rate determined in respect of other lands and buildings or portions of other lands and buildings by an amount not exceeding one half of the rate so fixed. While adopting a graduated scale of general tax, the Corporation also decided to adopt for the year 1968-69 the following differential rates for

certain specified commercial properties such as cinema houses, residential hotels, flour mills, cold storages, ice factories, etc.

Annual Rateable value of Land & Buildings.	Rate of General tax
Over Rs. 1,800 to and including Rs. 8,000/-	16%
Over Rs. 8,000 to and including Rs. 12,000/-	18%
Over Rs. 12,000 to and including Rs. 20,000/-	21%
Over Rs. 20,000 to and including Rs. 40,000/-	23%
Over Rs. 40,000/- to and including Rs. 1,00,000/-	25%
Over Rs. 1,00,000/-	26%

4.09. Impressive as these increases may appear, the graduated system has actually introduced a hidden element of concession apart from leaving vast majority of the properties unaffected. According to the available record the number of properties in the Corporation area is as follows:—

Annual Rateable Value	No. of Properties
Upto Rs. 100/-	35,000
Rs. 101/- to Rs. 2,500/-	1,82,000
Rs. 2,500/- to Rs. 6,000/-	13,000
Rs. 6,000/- to Rs. 12,000/-	4,600
Rs. 12,000/- to Rs. 20,000/-	1,200
Rs. 20,000/- to Rs. 40,000/-	550
Rs. 40,000/- to Rs. 1,00,000/-	200
Over Rs. 1,00,000/-	57
Total:	2,36,607

Out of a total of 2,36,607 taxable properties, as many as 2,30,000 have a rateable value of Rs. 6,000/- per annum and below. Roughly speaking, almost about 1,50,000/- properties with rateable value of Rs. 1,800/- and less will now be required to pay a reduced rate of 10% as against the earlier rate of 11% while in the case of at least another over 45,000 properties, the introduction of the graduated scale has had no effect and the rate of general tax remains at 11% as in the past. Only about 5,000 properties have actually been affected by the increased scale of taxes out of which at least 3,000 will have their rate of tax increased barely by 1-1/2%. The steep graduation of rates is applicable only to properties with an annual rateable value of above Rs. 12,000/- the total number of which is less than 2,000.

4.10. The Commission also examined the comparative rates of property taxes in other Corporations. The rates of property taxes as levied by the Corporations in Bombay, Calcutta, Madras, Poona and Ahmedabad are indicated in the following table:—

	Bombay	Calcutta	Madras	Poona	Ahmedabad
General Tax	24-3/4%*	15% to 33%	5% to 14½% (progressive scale)	12% to 30% progressive scale	12% to 30% (special properties 30%)
Water Tax	4-1/2%	graded scale	1-1/2%	3%	2-1/2%
Scavenging Tax	3-1/2%	(consolidated)	7%	3%	3%
Fire Tax	1/4%	—	—	—	—
Lighting Tax	—	—	2%	—	—
Education Cess	2% to 2-1/2% (graded scale)	—	5%	—	2-1/2% to 4-1/2% (Non-residential properties 4-1/2%)

*In respect of some suburban properties the rates are as low as 14%.

£Water Tax is not levied on all the properties in Delhi. Properties with meter connections have to pay water charges only.

The Corporations of Madras, Calcutta, Poona, Ahmedabad and Kanpur have a graduated system for levying general tax as shown in Annexure II, while Bombay has a graduated scale only for education cess. The slabs and variations in the rates in other Corporations, however, have a markedly different incidence on the rates of property taxes. This will be amply illustrated by the following table giving the total rate of property taxes having an annual value of Rs. 1,800/- and Rs. 8,000/- respectively:—

	Annual Rateable Value Rs. 1,800/-			Annual Rateable Value Rs. 8,000/-		
	General Tax	Other Taxes	Total Property Taxes	General Tax	Other Taxes	Total Property Taxes
Delhi	10	4-1/2	14-1/2	11	4-1/2	15-1/2
Bombay	24	8-3/4 + 2-1/2*	32-3/4 + 2½	24	8-3/4 + 2½*	32-3/4 + 2-1/2*
Calcutta	—	—	18-1/2	—	—	22-1/2
Madras	9-1/2	10-1/2 + 5*	20+5*	14-1/2	10-1/2 + 5*	25+5*
Poona	16	6	22	22	6	28
Ahmedabad	22	5-1/2 + 2-1/2*	27-1/2 + 2-½*	30	5-1/2 + 2½*	35-1/2 + 2-1/2*

*EDUCATION CESS

4.11. It will be seen from the above table that the rates levied by the Delhi Municipal Corporation are by far the lowest and do not at all compare with the rates in force in other principal cities. The Commission feel that the level of property taxes in Delhi must be suitably raised so as to become comparable with those existing in the other principal Corporations.

4.12. Delhi is the national capital and it is necessary that civic amenities in the city are not only improved but also expanded to meet the requirements of ever-increasing population. Funds for the purpose have, therefore, to be found by the optimum exploitation of domestic resources. It is argued that the Corporation must first improve its services and amenities before it can expect the people to bear the burden of additional taxation. The Corporation cannot obviously improve the civic services and amenities unless additional funds become available. This has set in a vicious circle which has to be broken. Past experience has shown that left to itself the Corporation has been reluctant to increase the minimum rate. The Commission have given careful consideration to this matter and are of the view that in order to make the Corporation levy tax at a higher rate the minimum rate laid down in the Delhi Municipal Corporation Act, 1957, should be increased to 15%. Further, the slab system recently adopted may continue to remain in force but it should be rationalised so that properties with an annual rateable value of Rs. 40,000/- and above are grouped together in one slab paying property taxes at the rate of 24%. The rates in respect of properties for the other slabs should be suitably re-adjusted between the minimum of 15% and the maximum of 24%. The Commission would further recommend that a flat additional rate of 5% may be levied in the case of 'Commercial' properties under different slabs.

4.13. The rates of water tax and scavenging tax fixed at 3% and 1% respectively of the annual rateable value have remained unchanged over the years. The revenue from water supply is derived both from water tax and water charges. The tax is collected only from premises which are not metered or are paying fixed water charges. In 1965-66 the annual demand from water tax was Rs. 14.64 lakhs and that from scavenging tax Rs. 15.80 lakhs only. The annual collection from taxes is of the order of Rs. 26 lakhs while income from water charges would amount to about a crore of rupees per annum.

Preliminary examination of the income and expenditure on account of water supply and sewerage shows that there is a recurring gap of about Rs. 150 lakhs to the latest budget estimates presented to the Corporation for the year 1968-69. The General Wing owed a sum of Rs. 4.09 crores to the Water Supply and Sewerage account on 31-3-1967. It is understood that this liability has increased to Rs. 5.46 crores as on 31-3-1968. The Commission is still examining the work-commendations in regard to its financial aspects in the final report. It is, however, of the Delhi Municipal Corporation Act, 1957, which lay down that water tax and scavenging tax shall be levied at such percentage of the rateable value of lands and buildings as the Corporation may deem reasonable for providing these services. It was, therefore, incumbent on the Corporation to ensure that the receipts from these services would normally be adequate to cover more or less their entire cost. The Delhi Municipal Corporation Act, 1957, does not prescribe any minimum in respect of these two taxes, and, pending detailed recommendations regarding the manner in which these two public utilities could be made self-sufficient, the Commission would recommend that the following minimum rates may be laid down in the law:—

Water Tax	4%
Scavenging Tax	2-1/2%

4.14. In regard to the Fire tax the provision in the law is analogous to those relating to water and scavenging taxes. This tax is at present levied at the rate of 1-2% of the rateable value of properties and accounts for an annual income of Rs. 11.49 lakhs (1966-67). The actual annual expenditure on the provision and maintenance of this service in 1966-67 was Rs. 20.08 lakhs of which Rs. 6.40 lakhs was reimbursed by the Government of India as part of the grant-in-aid for transferred institutions/services. In view of this position, the Commission do not recommend any upward revision of this tax for the present.

4.15. On the basis of rateable value of properties for the year 1966-67 it is estimated that an additional income of at least Rs. one crore would accrue to the Corporation (general account) by the incorporation of the suggested changes in the existing structure of property taxes. Details are as follows:—

	<i>(Rs. in crores)</i>
(i) General tax on private properties ;	1.00
(ii) *Water tax ;	0.05
(iii) *Scavenging tax	0.20
Total:	1.25

(*credited to the W.S. & S.D. account)

4.16. An important feature of the administration of property taxes in India is that the responsibility for assessment of the rateable value or annual letting value rests with the urban local bodies. The Delhi Municipal Corporation Act, 1957, empowers the Municipal Commissioner to prepare a new assessment list every year, or adopt the rateable value and assessment contained in the list for any year with such alterations as may be deemed necessary. Under Section 126 of the Act, the Commission may also amend the assessment list any time by increasing or reducing the adequate reasons, the amount of rateable value. The system is open to abuse and frequent changes of rateable value result in heavy arrears and losses to the Corporation.

4.17. In order to ascertain the reliability of the assessed rateable value and for gauging the extent of leakage in the municipal revenues through under-assessment, the Commission conducted field survey of 300 properties located in selected areas of the Corporation, namely, Darya Ganj, Rajinder Nagar and Rajouri Garden. The percentage of under assessment in these areas was found to be ranging between 30% and 40%. The main reason for under-assessment in these areas was the non-revision of the assessment lists in time though the Delhi Municipal Corporation Act, 1957, provides for yearly assessment. The renovations, alterations and changes in tenancy in these areas were not incorporated in the municipal record. Consequently, the Corporation is being deprived of substantial revenues. It was also gathered during the course of these surveys that the untrained and inexperienced personnel and their frequent transfers due to extraneous interference were mainly responsible for under assessment and non-revision of the rateable values.

4.18. The problem of assessment of properties has been examined by several committees in the past and the need for an independent machinery has been emphasised by almost all the Committees and other bodies which have examined this question. The following observation* made during evidence before the Taxation Inquiry Committee in 1925 holds good even today:—

“No reform in Local Administration is more necessary than to secure fearless, impartial and uniform assessment. There seems to be no

*Page 39 of the Report of Committee of Minister on “Augmentation of financial resources of urban local bodies” (1963),

prospect of this being done except by means of a Government agency performing this duty in independence of Municipal Commissioners and it may be stated, with absolute definiteness, that valuation should be done by the persons who are independent of the suffrage of the persons whom they assess."

The Local Finance Inquiry Committee (1951), the Taxation Inquiry Committee (1953-54), the Committee of Ministers on the Augmentation of Financial Resources of Urban Local Bodies (1963) and the Rural Urban Relationship Committee (1966), all have recommended the setting up of an independent valuation machinery. Recently, the Seminar on the problems of municipal administration, held at Madras in December, 1967, also recommended that the "valuation and assessment machinery should be centralised so as to be an independent and specialised agency". The proposal also found favour with many of the witnesses, both official and non-official, who appeared before us.

4.19. The Commission fully endorse the views of all these earlier bodies and recommend that for increasing the yield from property taxes, which should be the mainstay of local revenues, the valuation should be done by an expert and impartial agency functioning under the control of Delhi Administration. Centralised assessment would provide a simple and effective means of obtaining uniform and satisfactory standards of assessment by professional staff through the application of standard methods and procedures. The elected councillors would be spared of the undesirable pressures from their electors in this regard. Even in the United Kingdom the valuation of property for purposes of assessment is now done by the Rating and Valuation Department of the Board of Inland Revenue, which is a Central Agency.

4.20. The Commission recommend that an officer of a rank not lower than that of a Deputy Municipal Commissioner working in the Delhi Administration and assisted by such technical staff as may be deemed necessary should be made responsible for the assessment of properties. He may also hear objections and send the final list to the Corporation for purposes of levying property taxes. The Municipal Corporation of Delhi and the assessee will have the right to appeal to the local Assessment Tribunal which should be set up for the purpose.

4.21. The Tribunal may be headed by a District Judge and assisted by two other members, one of whom should be a technical expert. The decision of the Tribunal should be final. Pending disposal of the appeal, however, no person should have the right to with-hold payment of the tax.

4.22. Section 127 of the Delhi Municipal Corporation Act, 1957, provides that "it shall be in the discretion of the Commissioner to prepare for the whole or part of Delhi a new assessment list every year. Past experience has shown that while in some areas assessment has been revised, no methodical and systematic revision of assessment has been undertaken in a large number of areas. The Commission consider this position to be hardly satisfactory and recommend that the provisions of the law should be suitably modified so as to provide for a periodical review of the assessment list in the entire Corporation area. For this purpose we suggest that the Corporation area may be divided into five zones and the assessment of each zone should be taken up and completed in one year so that

during each period of five years the entire area would be covered. Besides, the revision of assessment in respect of those properties which may have attained higher rental value due to additions and alterations or due to changes in tenancy should be a continuous process.

4.23. The absence of a regular and well defined system of assessment has had an adverse effect also on the recovery of taxes. Local pressures for revision of assessment and the suspension of recovery delay action, resulting in heavy arrears. A study of the demand, collection and arrears of general tax under the Delhi Municipal Corporation reveals that the percentage of tax collection has been very low and has ranged between 27% and 51% as would be evident from the following table:—

(Rs. in Lakhs)

Sl. No.	Years	Arrears	Current demand	Total demand	Total collection*	Arrears	Total collections as % of Total demand
1	2	3	4	5	6	7	8
1.	1958-59	61.46	117.15	178.61	71.70	106.91	42.49
2.	1959-60	106.91	118.46	225.37	98.01	127.36	43.48
3.	1960-61	127.36	245.13	372.49	103.06	269.43	27.67
4.	1961-62	269.43	128.15	397.58	202.38	195.20	50.91
5.	1962-63	195.20	158.81	354.01	126.24	227.77	35.69
6.	1963-64	227.77	224.73	452.50	162.99	289.51	36.02
7.	1964-65	289.51	301.29	590.80	257.19	333.61	43.53
8.	1965-66	333.61	279.36	612.97	316.53	296.44	51.63
9.	1966-67	296.44	272.62	569.06	282.21	286.85	49.51

*(The figures in this column include collections for both current demand and arrears. Separate account showing the recovery of arrears has not been maintained by the Corporation).

4.24. A comparison of the percentage of collections of property taxes in other Corporations during the years 1958-59 to 1966-67 is shown in Annexure III. It will be seen that the percentage of tax collection in Delhi is very much lower than in other Municipal Corporations as shown below:—

	Range	
	From	To
(i) Delhi	27.67%	51.63%
(ii) Bombay	64.83%	70.66%
(iii) Madras	74.30%	89.00%
(iv) Poona	64.06%	79.78%
(v) Kanpur	61.79%	65.64%
(vi) Ahmedabad	68.01%	78.86%
(vii) Calcutta	79.23%	84.99%

4.25. To ensure effective collection, we consider it a matter of urgent necessity that the machinery for the preparation of bills is streamlined so that the present delay in the issue of bills is eliminated. We welcome the recent introduction of the system of automatic data processing in some zones and recommend that it should be extended to the remaining zones expeditiously. It is essential in the interest of collection that all bills are prepared and presented by 30th June every year. We also suggest that the existing elaborate and dilatory procedure of presentation of bills and demand notices separately should be changed and the relevant provisions of law should be suitably amended so that the bills and demand notices are combined.

4.26. The system of rebate/penalty is working very satisfactorily in Calcutta Municipal Corporation. To induce prompt payment, the Commission recommended the introduction of a similar system in Delhi as below:—

From the date of issue of bills	Rebate/Penalty
(i) For payments made within 30 days	5% rebate.
(ii) For payments made between 31 days and 60 days	No rebate or penalty
(iii) For payments made after 60 days.	Penalty at the rate of 1% p.m. or part thereof.

4.27. According to the figures given in the Budget Estimates for 1968-69 the arrears of all property taxes from private properties amounted to Rs. 364.45 lakhs as on 1-4-1967. These not only exceed the annual current demand of about Rs. 3 crores but also constitute 42.5% of the total unpaid liabilities of the Corporation. Sustained and determined effort to liquidate these arrears, and the timely realisation of current demand in future, would have a positive impact on the Corporation's resources. The Corporation would, therefore, be well advised to have special cells for locating and pursuing the defaulting parties.

4.28. Apart from low rates, improper assessment and inadequate collection, the yield from Property Taxes is also adversely affected by the following:—

- (i) Control of rents under the Delhi Rent Control Act, 1958;
- (ii) Government properties not being assessed to municipal taxes like private properties under article 285 (1) of the Constitution of India.

4.29. The standard rent fixed under the Delhi Rent Control Act, 1958, is deemed to be the reasonable rent for purposes of assessment of properties for municipal taxation. This stabilisation has made the yield from property tax static. Property Tax normally should be a flexible and growing source of revenue for an urban local body. Under the above law, and according to the various court rulings, the assessing authority has to be satisfied with the standard rent so fixed irrespective of the rent actually settled between landlord and tenant. While, on the one hand, expenditure on provision and maintenance of various services, such as health, sanitation, etc., has increased considerably, income from property tax in the case of a large number of properties, specially in old localities has been pegged to the old level.

4.30. While rent is a payment for housing, property tax is a payment for municipal services. There is, therefore, no compelling reason why property taxes should be frozen along with rents. The Calcutta Corporation Investigation Commission had stated that "the operation of Rent Control laws has no bearing

on the assessment of 'reasonable' rent. The Taxation Inquiry Commission (in 1953-54) also observed that "on the ground that the virtual freezing of Rent Control Acts has adversely affected the income of local bodies from this most important source of revenue, it has been suggested that they should be permitted to fix annual values of buildings, the rents of which are controlled, not on the basis of controlled rent, but, if need be, at higher amount on the ground that it constitutes reasonable rent". The Committee on the Augmentation of the Financial Resources of the Urban Local Bodies (in 1963) also strongly felt that unless property tax is freed from the restrictive influence of the Rent Control Act it cannot really yield the desired result.

4.31. Freeing the properties from the effect of the Rent Control Act for purposes of levying property taxes would enable the Corporation to charge the landlord in proportion to the correct annual rental value of his property and would do away with the artificial discrimination which exists at present and by which the owners of new properties are required to subsidise the cost of services provided to the occupants of properties protected under the Rent Control Act.

4.32. The principal objection for fixing an annual rental value higher than the standard rent is that it would be hard on the landlords to pay taxes on the basis of annual rental value which is in excess of the annual standard rent that they can lawfully get. The cost of maintenance of houses has gone up and the landlords would not be able to meet the extra burden of taxes from the fixed rentals. The Local Finance Inquiry Committee in 1951 had also made similar observation that "while it may be technically correct that the operation of Rent Control Laws had no bearing on the assessment of reasonable rent, it is at the same time a hardship that landlords should have to pay a larger property tax without being able to recover that increase from their tenants".

4.33. The Taxation Inquiry Committee in 1953-54, and the Committee on Augmentation of Financial Resources of Urban Local Bodies (1963) favoured the shifting of the increase in property taxes on rent controlled properties on to the occupiers.

The Commission have carefully considered this aspect also. With a view to avoiding hardship to the property owners, they feel that the Delhi Rent Control Act, 1958, may be so amended as to permit the passing on to the tenant the increase in property taxes consequent on the higher assessment made by the Corporation. The tenant cannot reasonably grudge paying this difference as actually he is enjoying the benefit of the frozen rent.

4.34. The Commission recommend that the Delhi Municipal Corporation Act, 1957, and the Delhi Rent Control Act, 1958, should be suitably amended so as to provide for imposing a surcharge of 50% of the general property tax as in force from time to time and for allowing the land lords to shift the entire burden of this surcharge on to the tenants in respect of properties, whether residential or otherwise, constructed before the second day of June, 1951. The existing rateable value of the properties covered by the restrictive provisions of the Delhi Rent Control Act, 1958, is estimated to be of the order of Rs. 9.62 crores (see Annexure-IV). The Commission expect an additional return of Rs. 74 lakhs by the levy of 50% surcharge on such properties.

4.35. Union Government properties constructed on or after 26th January, 1950, are exempt from the payment of property tax under Article 285 of the Constitution. In lieu of these taxes, however, service charges are now being paid

by Government on the basis laid down in the Ministry of Home Affairs O.M. No. 20/11/63-Delhi dated 30th April, 1964. According to this Memorandum, the service charges are assessed on the following basis:

- (a) The rateable value of all Government properties shall be 9% of the 'Capital Value' which is to include the cost of the site, its preparation and any other capital expenditure incurred after acquisition or construction, or where this is not known, the present value of the building including the value of site ; and
- (b) the rate of service charges shall be 75% of the rate of property taxes levied.

4.36. There has been a persistent demand by the local bodies in Delhi as well as other Municipal Corporations in the country that the Union Government properties should be subject to the same rate of taxation as private properties and that the basis of assessment of the rateable value should also be the same. It has been argued before the Commission that according to the existing basis of assessment of rateable value, the cost of land in the case of most of the properties was very low because it was acquired several decades ago on nominal price. The Commission have had an occasion to acquaint themselves with the system of assessment of rateable value in respect of State Government properties in Bombay. Under the system, Government properties are classified into two categories i.e., residential and non-residential. In regard to residential properties, annual rateable value is the same as the actual income derived from rents realised from occupiers of these buildings. As for other properties the annual rateable value is calculated on the basis of 6% of the actual cost of construction and 4% of the actual cost of land. It was mentioned by the Commissioner of the Municipal Corporation of Bombay, in his evidence before the Commission, that the Corporation was not satisfied with this basis for valuation and was approaching the Government for its revision. After considering all aspects of the matter, and keeping in view the different practices followed in various States as also the fact that the question of revising the present policy in regard to the payment of service charges is already under consideration of the Government, the Commission are not inclined to recommend any change in respect of the basis of valuation. Since, however, government properties are concentrated in Delhi, the Commission feel that a certain degree of liberalisation would be justified. They, therefore, recommend that the service charges on Union Government properties in Delhi may be calculated on the basis of 100% of the rates of property taxes as levied under the Delhi Municipal Corporation Act, 1957, in place of 75% prescribed in the Ministry of Home Affairs' letter dated 30th April, 1964, referred to in the preceding paragraph. The approximate rateable value of Central Government properties for the year 1967-68 is estimated at Rs. 3.66 crores and the total demand at the rate of 75% of the property taxes is estimated at Rs. 44 lakhs. Raising of the service charges to the level of rates of property taxes would, therefore, bring an additional revenue of approximately Rs. 15 lakhs per annum to the Municipal Corporation of Delhi.

OTHER OBLIGATORY TAXES

4.37. The other obligatory taxes are:—

- (i) Tax on vehicles and animals ;
- (ii) Theatre tax ;
- (iii) Tax on advertisements other than advertisements published in the newspapers ;
- (iv) Duty on the transfer of property ; and
- (v) Tax payable alongwith applications for the sanction of building plans.

4.38. All the above taxes have been levied by the Corporation from the time of its inception. At the present rates, the income from these taxes is of the order of Rs. 112.90 lakhs which comes to about 3% of the total revenue receipts of the Corporation. The details based on actuals for 1966-67 are as follows:—

Tax	Income during 1966-67
	<i>Rs. (Lakhs)</i>
(i) Tax on vehicles and animals	8.67
(ii) Theatre tax	4.56
(iii) Tax on advertisements	9.89
(iv) Duty on transfer of property	80.70
(v) Tax on sanction of building plans	9.07
Total:	112.89

4.39. An analysis of the levy of these taxes reveals that these resources have also not been fully exploited. The maximum rates permissible under the Delhi Municipal Corporation Act, 1957, have been reached in respect of theatre tax, tax on applications for the sanction of building plans and the duty on the transfer of property, but in the case of remaining obligatory taxes, namely, (a) tax on advertisements and (b) tax on vehicles and animals, the existing rates are substantially below the optimum levels permissible under the Act. There has been no upward revision of the tax on advertisements since the inception of the Corporation. The maximum rates indicated in the Third and Fifth Schedules to the Delhi Municipal Corporation Act, 1957, were adopted more than a decade ago and they cannot today be deemed unreasonable. The limits laid down in the respective laws concerning the Corporation of Bombay and Calcutta are comparable to those prescribed for Delhi. The Corporation of Bombay and Calcutta are today levying these taxes at the maximum permissible rates and the Commission feel that there is no reason why the Municipal Corporation of Delhi should not also do the same.

4.40. The Commission would like to make particular mention of the rate of tax on bicycles which has been reduced from Re. 1/- to 25 paise only per bicycle per annum against the maximum prescribed limit of Re. 3/-. There are approximately 5-1/2 lakhs bicycles in Delhi and the levy of tax at the maximum permissible rate, which can by no means be considered to be excessive, would yield an income of Rs. 15 lacs per year. The cost of collection of this tax alone is estimated to be well over Re. 0.25 per bicycle and the Commission are constrained to observe that there is no justification whatsoever for such a low rate to continue, which virtually brings no income to the Municipal Corporation. This tax should be levied at reasonable rates and if for one reason or the other it is not possible for the concerned authorities to do so, the Commission would rather recommend its deletion from the third schedule to the Delhi Municipal Corporation Act, 1957.

4.41. The Commission also recommend that the rate of tax on advertisements should be increased forthwith upto the maximum limit permissible under the Delhi Municipal Corporation Act, 1957 (Fifth schedule). Similarly, the rate of tax on vehicles and animals should also be progressively increased upto the maximum permissible level (Third Schedule of the Delhi Municipal Corporation

Act, 1957) during the course of the next three years. It is estimated that upward revision of rates of these obligatory taxes would result in an additional revenue of more than Rs. 25.00 lakhs per annum to the Corporation.

DISCRETIONARY TAXES

4.42. Under Section 113 (2) of the Delhi Municipal Corporation Act, 1957, the Corporation has the discretion of levying seven different taxes. As stated earlier, five out of these seven taxes have not been introduced so far. The local rate on land revenue was levied initially but was abandoned in 1963. Out of the discretionary taxes, therefore, only one tax, namely, tax on consumption, sale and supply of electricity is in force. It was levied from 1st July, 1959 and has been yielding steadily increasing revenue despite fairly heavy arrears..

4.43. With regard to the electricity tax, we would like to mention a peculiar feature which has come to our notice. Under section 284 of the Delhi Municipal Corporation Act, 1957, the Corporation has levied this tax also on the bulk supplies made by it to the New Delhi Municipal Committee and the Military Engineer Services. The Committee has, in turn, been realising this tax from consumers in its area as an additional charge. From 1st April, 1968, the Delhi Administration authorised the committee to effect an increase in electricity rates to the extent of this tax. Thus although the consumers in the N.D.M.C. area have paid the additional charge equal to the amount of tax demanded by the Corporation from N.D.M.C. in respect of bulk supplies, the Committee has not paid this tax to the Corporation except for an ad-hoc amount of Rs. 25 lakhs.

4.44. According to the Commissioner, Municipal Corporation of Delhi, arrears to the extent of Rs. 139 lakhs were outstanding against the N.D.M.C. as on 31-3-1968 on account of this tax on bulk supplies but on behalf of the Committee, the very competence of the Corporation to levy this tax on the supply to N.D.M.C. was questioned before us. The Commission were also informed that efforts to resolve the dispute had been in progress under the aegis of the Ministry of Home Affairs since 1961, but without any result. The Commission do not wish to comment on the merits of the claims or view put forth by either local body but would like to place on record their feeling of disappointment on the protracted controversy going on between the two sister local bodies despite the intervention of the Government of India.

The fact that the N.D.M.C. has collected the amount of tax from its consumers but has not transferred the receipts to the Corporation adds an element of piquancy to the situation. The Commission would like to stress the desirability of an early settlement of this seemingly interminable and undignified dispute.

4.45. As regards the discretionary taxes, the special officer appointed by the Government of India recommended the levy of education cess and tax on professions, trades, callings and employments. An argument advanced against the levy of education cess is that this will also be assessed on the rateable value of properties and would increase the burden on the owners of properties. Progressive municipalities and corporations in the country are already levying both the taxes and the Commission recommend that the Corporation may consider the desirability of making a beginning at least on a modest scale in the matter of levy of these taxes.

MISCELLANEOUS SOURCES OF REVENUE

4.46. As mentioned in para 4.02 above, the Corporation derives nearly 11% of its revenue from miscellaneous sources such as rents, fees, fines and other

items. Of these, the "fees" constitute the largest single source of revenue. The Commission have noted with satisfaction that during the last two years the scale of fees, which remained static till 1966-67, has been revised upwards. There is a widespread feeling, that revenue from these miscellaneous items, particularly Tahbazari, Takhats, Chabutras etc. can be increased considerably by rationalisation of the system of assessment, timely recovery of dues, prevention of evasion and tightening of controls generally. The Commission recommend that effective steps should be taken by the Corporation to streamline and strengthen its administrative machinery to enable exploitation of these sources to the fullest extent.

CHAPTER—V

ASSIGNED TAXES

5.01. The yield from the Central Government Taxes assigned to the Corporation constitutes a substantial portion of its revenues. The assigned taxes in Delhi are (i) Terminal Tax, (ii) Motor Vehicles Tax, and (iii) Entertainment and Betting Tax. In accordance with the provisions of Sections 178 and 184 of the Delhi Municipal Corporation Act, the proceeds of these taxes initially form part of the Consolidated Fund of India. In respect of Terminal Tax, the Commissioner Municipal Corporation of Delhi functions as the collecting agency of the Union while the other two taxes are collected by the Delhi Administration. The receipts from these three taxes are distributed among the Municipal Corporation of Delhi, New Delhi Municipal Committee and the Cantonment Board after deduction of collection charges.

5.02. The Terminal Tax has been levied under Section 178 of the Delhi Municipal Corporation Act on goods carried by rail or road into the Union Territory of Delhi. The rates of Terminal Tax on various classes of goods can be varied by the Delhi Administration, subject to the maximum of three times the rates specified in the Tenth Schedule to the Delhi Municipal Corporation Act, 1957. The Motor Vehicles Tax is levied under Section 3 of the Delhi Motor Vehicles Taxation Act, 1962, on all motor vehicles kept for used in Delhi. The Entertainment Tax/Betting Tax is levied under the U.P. Entertainment and Betting Tax Act, 1937, extended to Delhi, on admission to places of entertainment in Delhi.

5.03. The system of assigned taxes in many ways peculiar to Delhi. While Terminal Tax may be considered to correspond to town duties and octroi levied by other municipal bodies in the country, the revenues from Entertainment Tax and Motor Vehicles Tax do not generally form part of the revenues of the local bodies. The receipts from Entertainment Tax have, in recent years, been passed on to the local bodies as grants in some of the States such as Madras and Mysore, while in most of the States they continue to be appropriated to the State revenues. As regards Motor Vehicles Tax, in no state are the proceeds from this tax assigned to local bodies in the manner it is done in Delhi. In some States, local bodies are paid a small grant to the extent of revenues derived from this source prior to the enactment of Motor Vehicles Act, 1939. Calcutta Corporation, for instance, has been getting a fixed amount of Rs. 4.50 lakhs per annum from the West Bengal Government. In some States, the local bodies are paid road grants equal to a portion of the receipts from this tax. Delhi Municipal Corporation, however, have been receiving increasing amount of revenue from this source.

5.04. There has been a substantial and steady increase in the proceeds of assigned taxes and the total revenue of the Corporation has increased to more than 400% as compared to the level of 1958-59 as shown below:—

Year	Terminal Tax (lacs) Rs.	Motor Vehicle Tax (lacs) Rs.	Entertainment Tax (lacs) Rs.	Total (lacs) Rs.
1958-59	98.00	11.99	25.00	134.99

1959-60	113.25	13.50	41.16	167.91
1960-61	118.36	15.54	33.06	166.96
1961-62	169.68	17.59	42.00	229.27
1962-63	171.58	20.03	48.53	240.14
1963-64	191.46	29.18	47.90	268.54
1964-65	215.22	61.96	56.50	333.68
1965-66	260.00	69.47	63.42	392.89
1966-67	361.49	72.20	68.23	501.92
1967-68	370.00	100.00	98.79	568.79

It is also significant that the relative share of assigned taxes to the total revenues of the Corporation has been steadily rising over the years as shown below:—

Year	Percentage to total revenue receipts
1958-59	27.09
1959-60	27.93
1960-61	27.47
1961-62	27.45
1962-63	29.76
1963-64	30.14
1964-65	32.93
1965-66	33.66
1966-67	35.53

5.05. The receipts from the taxes are initially credited to the Consolidated Fund of India and then distributed among the three local bodies in Delhi after deducting collection charges. The present basis of allocation is as under:—

Tax	Basis of allocation
Terminal Tax	— Population in the areas of respective local bodies.
Motor Vehicles Tax	— Surface areas of motorable roads in the jurisdiction of each local body.
Entertainment Tax/Betting Tax	— Location of the source of collection.

The amounts received by the three local bodies in Delhi as their respective shares of assigned taxes are indicated in Annexure V. It will be evident from these figures that the overall share of the Municipal Corporation of Delhi is of the order of more than 84%.

5.06. In the matter of release to the local bodies of the amounts due to them as their share in the net receipts from these taxes, no uniform procedure is being followed at present. In the case of Terminal Tax, the net proceeds are paid in eleven monthly instalments beginning from the month of May. The first ten instalments are each equal to the 1/12th of the provision made in the budget of the Government of India and the eleventh instalment which is released in the middle of March is equal to the provision made in the revised estimates, less the amount already paid. In the case of other two taxes the proceeds are generally paid in four quarterly instalments in the months of May, August, November and February. Nor is there uniformity in the basis which is adopted for determining

the actual amount to be paid to the local bodies in a particular year. The share of the Terminal tax is calculated on the basis of estimated receipts during the year in which payments are made, while in the case of the other two taxes the share for any year is calculated on the basis of actual receipts during the preceding year. Further the payments are subject to adjustment in the light of actuals as and when audited figures of such actuals become available. In regard to the share of the Terminal Tax, the adjustment is made from time to time, but in the case of the other two taxes it has so far not been made for the past several years for one reason or the other. The Commission consider this position to be unsatisfactory and feel that a uniform system should be adopted for the purpose of determining and releasing the actual share payable to the three local bodies in the receipts from these three assigned taxes. As stated earlier the share of the Corporation in the receipts of these three taxes accounts for over 1/3rd of its total revenue and any meaningful change in the system of allocation and release would by itself considerably help improving its ways and means position.

5.07. The Commission have also considered the adequacy of the existing rates of the above taxes and feel that it is necessary to rationalise the tax structure. The people in Delhi are, by comparison, almost the lowest taxed and there is scope and justification for an increase in the existing rates of these taxes, keeping in view the rates in force in the adjoining States.

5.08. A beginning has already been made in respect of Entertainment Tax of which the rates have been recently revised and the slab system replaced by the uniform rate of 40%. A statement showing the comparative effect of the rates before and after this revision is given in Annexure VI. There is, however, still some scope for increase in the rates of the Tax as would be evident from the following:—

State/Union Territory	Percentage of Tax on Admission Rates
Himachal Pradesh	50%
Madhya Pradesh (graduated)	33-1/3—40%
Punjab/Haryana/Chandigarh	50%
Rajasthan (graduated)	40—60%
Uttar Pradesh	60%

5.09. In the case of Motor Vehicles Tax, the Metropolitan Council of Delhi has already recommended the adoption of the Delhi Motor Vehicles Taxation (Amendment) Bill, 1968, which has been referred to the Government of India for consideration. The rates of taxes on various types of vehicles, based on provisions of this Bill, have been shown in Annexure VII along with the existing rates.

5.10. In the case of Terminal Tax nearly 90% of the shareable receipts is allocated to the Corporation. The design and structure of Terminal Tax Schedule, covering only 111 items grouped in 9 classes, has remained unchanged for over three decades. The rates in force at the time of the enactment of the Delhi Municipal Corporation Act, 1957, were incorporated in the Tenth Schedule with the provision in Section 178 (2) that they could be increased upto a maximum of three times of the amount shown against each item in that Schedule. The rates were increased once in 1961 and again in 1965. They have been increased again in respect of 62 items w.e.f. 3-4-1968. In spite of these increases the maximum permissible limit has been reached only in the case of 20 items.

5.11. The Terminal Tax is assessed on the basis of weight, except in a few cases in which it is calculated on the basis of numbers. The radical change in the composition of trade and the relative price rise of articles since this Schedule was originally instituted has resulted in some absurdities. For instance, while the maximum permissible rate for refined sugar is Rs. 14.07 per quintal, the rate is Rs. 6.99 per quintal for all types of foreign tobacco and cigars etc., Rs. 2.33 per quintal for dry fruits, nuts and tea, and only 56 paise for betal nuts and bhang as against Rs. 14.07 on betal leaves. Again, glass chandeliers, globes, lamps, soap of all kinds, fire works, steam coal, chalk powder, Agra stone, Indian tobacco, raw wool have all a maximum rate of 32 paise per 100 kg. It is obvious that the rates bear no relationship to the relative bulk, price or the character of the commodities whether they are articles of necessity or luxury. It is also worthy of mention that Terminal Tax is an indirect tax ; the amount levied is incorporated in the sale price and its incidence is passed on to the consumer. It may, therefore, be desirable to judge the effect of Terminal Tax on prices from the point of view of consumers. In the case of sugar, the maximum permissible rate of Rs. 14.07 per quintal works out to about 4% ad-valorem at the current prices. Similarly the incidence of levy at the maximum permissible rates works out to 1% in the case of ghee, 1/5th of 1% in the case of tea and dry fruits and 1/30th of 1% in respect of betal nuts. For the daily necessities of life such as grains and cloth, the maximum rate works out to only 1/3 of 1%. The existing rate, however, is 10 paise per quintal which represents an incidence of 1/10th of 1%.

5.12. The above analysis shows that while in a few cases the incidence of rates may be adequate, in others even the maximum permissible limit requires to be raised. It may also be mentioned that a number of Municipalities and Corporations particularly those in Maharashtra and Gujarat have adopted an ad-valorem basis so that the revenue from town duties and octroi increases progressively with the rising prices without any change in the rate structure. The Commission, therefore, recommend that (a) the Terminal Tax Schedule applicable in Delhi should be re-structured and revised, as early as possible, to remove ambiguities and the absurdities of the type mentioned above and (b) *ad-valorem* rates should be adopted for articles of high commercial value and luxury goods and near luxury articles like liquor, cosmetics, radio sets, tobacco, cigarettes etc. The Commission also feel that the tax schedule should be rationalised so as to eliminate the element of discretion now available in a large measure to the low paid staff in choosing lower rates in respect of commodities which have faulty nomenclature or are not clearly classified in the schedule. For instance, Motor Tyres, if classified as Motor parts, would be subject to the levy of nearly 3 times the rates applicable to rubber goods. It may be mentioned that Ahmedabad has 55 items in schedule under 6 classes while Bombay has 60 items in 9 classes. Punjab and Haryana have 121 items in 17 classes, whereas Kanpur and Surat have 159 and 50 items without any groups. The structure has necessarily to be different for various cities and States reflecting the complexion of their trade, but for preventing the possibility of malpractices, it is necessary to have a balanced grouping of taxable items based mostly on the end-use and capacity of users. The Bombay pattern provides a fairly satisfactory starting point in this direction. While the Delhi schedule may be adapted to this pattern, the Commission would like to stress that the revision of tax schedule has to be a continuing process in the light of experience of practical problems which are bound to vary from city to city.

5.13. The implementation of the measures suggested above would entail an amendment of the law preceded by a detailed study and scrutiny of the existing schedules prevalent in different Corporations for rationalising the Terminal Tax schedule for Delhi. However, as a first step, the Commission would recommend the immediate enforcement of the maximum rates of Terminal Tax permissible

under the present law except in a few cases like items 1 and 12 of class I in the Schedule in respect of which the existing rates are reasonably adequate. The Commission have made a rough estimate of the revenue likely to accrue as a result of this recommendation and results thereof are shown in Annexure VIII. The anticipated increase of revenue of the order of near Rs. 2.10 crores per annum would by itself improve appreciably the financial position of the Corporation.

5.14. The Entertainment Tax is collected by the Entertainment Tax Commissioner, Delhi Administration while there is a separate Transport Department for the collection of revenue on motor vehicles. A detailed organisation analysis and an objective study of methods and procedures in these offices would increase the possibility of higher collection of these taxes. The Commission understand that some studies have been made in the past and the O & M Unit of the Delhi Administration also reviews various aspects of their working from time to time. The Commission have, therefore, not considered it necessary to go into the working of the collection machinery in respect of these taxes.

5.15. As regards Terminal Tax, Section 179 of the Delhi Municipal Corporation Act, 1957 provides for its collection by the Central Government in such manner and through such agencies as may be specified by notification in the Official Gazette. From the very inception of the Delhi Municipal Corporation, its Commissioner has been notified as the collecting agency and the entire collection machinery functions under his direction and control. The full cost of collection is reimbursed to the Corporation. At present, the city is divided into five zones and there are 72 check posts in all where Terminal Tax is collected. The Department has a total strength of 886 persons but each post is usually manned only by a clerk, a moharrir and a peon. The Department has 33 Inspectors in two grades and bulk of the staff works at Headquarters which has one Terminal Tax Officer and six Assistant Terminal Tax Officers. Almost all witnesses appearing before the Commission were critical of the functioning of the Terminal Tax Agency and conceded that there was ample scope for tightening supervision and plugging leakages which, even on a conservative estimate, would by themselves increase the revenue from this Tax by at least 50% at the existing rates. Some measures have already been taken in this direction by the Commissioner of the Delhi Municipal Corporation and the Commission hope that the procedures in vogue would be studied in detail and simplified to speed up collection and eliminate chances of malpractices. In particular the Commission would suggest the installation of weigh bridges at all Terminal Tax Posts and the organisation of a suitable mobile unit for checking evasion and under payment of taxes. Steps should also be taken to ensure the safety of staff posted at checkposts especially in the outlying areas.

5.16. As stated earlier, the existing method of determining actual amounts payable to the local bodies as their shares of the receipts from assigned taxes and the release of such amounts requires improvement. The Commission suggest the following simplified procedure for the purpose:—

- (i) To begin with, a study should be conducted of the collections made upto 1966-67, trend of collection charges and increase in revenue collections, and the actual share paid to local bodies.
- (ii) Based on the normal trend of increased collections from year to year, and the minimum programme for phased increased in taxation, the share of local bodies should be roughly calculated.

- (iii) The local bodies should be paid the amount arrived at on the basis of sub-para (ii) above in 4 instalments to be released in the beginning of each quarter.
- (iv) After every three years the actual tax collections and the collection charges, should be reviewed on the basis of audited figures and the share of each local body should be worked out.
- (v) If the actual share exceeds or falls short of the releases made on *ad-hoc* basis vide sub-para (iii), the difference should be subject to adjustment in subsequent years.
- (vi) The figures arrived at on triennial reviews should form the basis for *ad-hoc* releases during the following three years.

5.17. In suggesting this procedure, the Commission have kept in view that assigned taxes, though part of the Consolidated Fund of India are distributed in to after deducting actual collection charges. They differ from grants-in-aid where the receiving local bodies have to account for their utilisation.

CHAPTER—VI

GRANTS-IN-AID

6.01. Shortly after the constitution of the Municipal Corporation of Delhi in 1958, the Government of India appointed a Special Officer 'to examine the financial resources of the Corporation for the purpose of determining the grants to be paid to the Corporation by the Central Government'. On the basis of recommendations made by this officer, the Government of India decided to pay the following grants-in-aid to the Corporation during the financial years 1961-62 and 1962-63:—

- (i) Grant-in-aid for institutions/services transferred from the Delhi Administration equivalent to 100% of the expenditure incurred on them as on the date of transfer ;
- (ii) grant-in-aid for the Second Five Year Plan Schemes transferred from Delhi Administration to the Corporation at 100% of the expenditure incurred on them ;
- (iii) grant-in-aid for education purposes equivalent to 50% of the net expenditure incurred by the Corporation ;
- (iv) grant-in-aid for augmenting medical and public health facilities in rural areas limited to 75% of the actual expenditure incurred on each project, subject to an overall maximum of Rs. 5.00 lakhs per annum.
- (v) grant-in-aid at the rate of Rs. 10.00 lakhs per annum for improving sanitation facilities in rehabilitation colonies taken over by the Corporation from the Ministry of Rehabilitation ; and
- (vi) a general grant-in-aid at the rate of Rs. 3/- for every Rs. 7/- raised by the Corporation by way of additional taxation.

6.02. The pattern of financial assistance has since then continued more or less on the above basis. The amount of grants has gone up from Rs. 125.11 lakhs in 1958-59 to Rs. 433.56 lakhs in 1967-68 (Annexure I-E). They constitute approximately 22% of the total revenue receipts of the Corporation which is by far the highest as compared to other major Corporations in country as would be evident from the following table:—

Name of Corporation	Percentage of Grants to Income		
	1958-59	1962-63	1967-68
	%	%	%
Delhi	25.10	24.91	22.08
Bombay	3.08	9.69	1.94
Madras	4.79	3.42	6.51
Ahmedabad	6.14	6.09	N.A.
Poona	6.81	8.22	6.67
Kanpur	11.04	13.06	12.90

6.03. The pattern recommended by the Special Officer was intended to stimulate the Delhi Municipal Corporation to raise its own resources over a period of years. As stated earlier, some specific suggestions for augmentation of income from domestic sources were also made and the Corporation was advised to take early steps to bridge the gap between its income and expenditure. The Corporation, however, did little to increase its revenues and to exploit the resources assigned to it in full. Even the 3:7 incentive formula did not work and only a paltry amount of Rs. 4.14 lakhs per annum was claimed on this account by the Corporation during the years 1963-64 and 1966-67.

6.04. A correct appreciation of the extent to which governmental funds have helped to finance the normal expenditure of the Corporation would be had from the fact that while expenditure in the Corporation has increased from Rs. 455.02 lakhs in 1958-59 to Rs. 1431.20 lakhs in 1966-67, financing by funds received from Government in one way or the other has gone up from Rs. 260.10 lakhs in 1958-59 to Rs. 788.61 lakhs in 1966-67 and to Rs. 1002.35 lakhs in 1967-68. This rising magnitude of assistance from Government to the Corporation has resulted in excessive dependence of the latter on the Government. On the one hand, lack of funds has been used as a stock argument for all purposes, whether, it be the proper discharge of civic functions or provision of basic amenities like roads, drinking water, sewage lines, etc., to the steadily growing population and expanding areas. On the other hand, over the years a feeling has grown that Government is always there to rescue the Corporation from whatever financial scrapes it may get into. It is obvious that the system in vogue has proved to be faulty and calls for substantial modification.

6.05. The broad purpose in giving financial assistance to a local body is to enable it to meet its expanding responsibilities, to help in raising standards of basic civic services and amenities and to meet its special obligations. The Commission would, however, like to emphasise that the primary responsibility for the provision of services must rest with the Corporation. It is only when in spite of its best efforts, there is a shortfall to be made up, that the Government should step in and come to the assistance of the Corporation. In determining, therefore, any pattern of grant-in-aid, it is necessary to prepare a forecast of revenue and expenditure. For this purpose, the rates of growth of each type of revenue and expenditure have to be worked out and all factors likely to effect them taken into account.

Detailed studies and assessments in respect of levels of expenditure have yet to be carried out by the Commission and until this is done, an overall view of the obligations, resources, and levels of expenditure cannot be taken and a specific pattern of financial assistance evolved which may continue to have meaning and relevance for a reasonable period of time.

6.06. However, certain general principles and criteria could, in the opinion of the Commission, help the Government in determining the degree of financial assistance. The more important of these are enumerated as under:—

- (a) It is not a healthy practice to give financial assistance in the shape of grants in every case ;
- (b) the Delhi Municipal Corporation Act has cast upon the Corporation certain duties and functions and assistance for an indefinite period for meeting these obligations is not sound in principle. The cost on account of provision and maintenance of basic civic services and amenities should normally be met out of the Corporation's own resources without the need for any grant-in-aid ;

- (c) financial assistance should be made available to a local body to assist it in discharging obligations arising out of special circumstances such as schemes involving substantial capital outlay for in excess of genuine surpluses expected in the revenue accounts of the local body ;
- (d) specific grants-in-aid should be given by Government in respect of Central schemes according to the pre-determined pattern for similar assistance to States etc., when the latter function as executing agencies.

6.07. In regard to special liabilities which have developed on the Municipal Corporation of Delhi, two specific points need mention. Delhi is the first major city in India to have a comprehensive urban development plan with metropolitan and regional complexes. The Municipal Corporation of Delhi is one of the chief agencies which is expected to make a substantial contribution towards implementation of the Delhi Master Plan. Obviously, such implementation would involve huge investment outlays but the financial aspect of the problem has not been studied in sufficient depth. It has also not been possible for the Commission to have from the Delhi Development Authority even a rough idea of the size of investment that would be needed. This would be possible after the Master Plan has been phased out and the cost and revenue implications have been worked out for different stages. At any rate, the finances required for such efforts would be quite considerable. In the context of over-all development the social and associated compulsions often determine the need for a scheme than its justification on economic and productive potential. In such circumstances, it would be natural to expect the Government to finance certain schemes substantially, especially those which do not create sufficient repaying capacity or which are ab-initio not adequately remunerative. Grants-in-aid to the Corporation for such schemes would necessarily deserve consideration on merits of individual schemes. There would also be projects which can ultimately yield adequate return and create the capacity of the Corporation not only to pay interest charges but also repay to Government the initial investment. The assistance given for such schemes would naturally deserve to be treated as loan repayable after a period of time depending on the time expected to be taken for the scheme to become remunerative.

6.08. As stated earlier, a large metropolitan city like Delhi cannot exist or grow in isolation without creating imbalances in the field of regional development. Therefore, in order to ensure a co-ordinated development of both the city and the periphery in an organised manner, the entire rural area embracing over 300 villages and covering over 400 square miles was brought within the jurisdiction of the Corporation. Out of these villages, about 111 would come within the urbanisable limits as envisaged in the Master Plan. The re-development of these urban villages, and grouping of rural villages in small clusters surrounding in all about 25 'central' villages, and providing them with community facilities which individual villages cannot afford, would involve huge capital outlays, admittedly beyond the capacity of the Corporation to invest. Even today, the Corporation is incurring a substantial liability in the matter of provision of basic civic amenities in rural areas. Annexure IX gives details of the revenue derived and the expenditure incurred by the Corporation in rural areas during the years 1964-65 to 1967-68. It will be seen that while the revenue has been static between five to seven lakhs per year, the expenditure has increased from Rs. 115.15 lakhs in 1964-65 to nearly Rs. 150.00 lakhs in 1967-68. At the present level, therefore, the gross deficit incurred by the Corporation per year in respect of rural areas is of the order of Rs. 145.00 lakhs part of which is met out of education and plan grants. It has been urged before the Commission on behalf of the Corporation, that this type of unusual drain on its financial resources constitu-

tes a genuine case for compensation. Formerly, the responsibility for the provision and maintenance of civic amenities in rural areas rested on the District Board of Delhi and if this Board has continued to exist, the entire liability would have been borne by the Delhi Administration. This body was replaced by the Corporation in the larger interests of planned and co-ordinated development of the city of Delhi and its peripheral areas, making rural areas the responsibility of the Corporation, and the Commission recognise the need for a special grant-in-aid to meet the net deficit incurred by the Corporation in respect of rural areas. The Corporation should, however, be advised to increase progressively its income from these areas.

6.09. There is a statutory provision for grant-in-aid for primary education and grants are a regular feature of the finances of the local bodies and the Commission do not recommend any change in the existing arrangement.

6.10. Under the provisions of section 42 of the Delhi Municipal Corporation Act, 1957, the maintenance of services like hospitals, dispensaries, maternity and child welfare centres, the carrying out of other measures necessary for public medical relief, the maintenance of schools for primary education and the maintenance of a fire services are some of the obligatory functions of the Municipal Corporation of Delhi. On the establishment of the Corporation the following institutions and services were transferred to it together with all their assets and liabilities:—

Institutions & services	No. of Institutions and services transferred.
1. Medical and Public Health.	37
2. Primary, Junior Basic and Senior Basic Schools.	325
3. Delhi Fire Service and the Fire Brigade Stations.	7
4. Roads.	61

A grant-in-aid of Rs. 97.00 lakhs i.e., equivalent to 100% of the expenditure incurred by the Delhi Administration on the date of such transfer, has been paid to the Corporation all these years. The Corporation has had sufficient time to mobilise its own resources and to balance its budget without such grants. The Commission feel that there is no justification for continuance of such grants merely because the Corporation has failed to meet expenditure on such institutions out of its own revenues. As a special case, however, they may be paid on the existing basis for the current financial year but should be progressively reduced by 33-1/3% every year.

6.11. Assistance in the shape of grant-in-aid on 100% basis may be provided in respect of non-remunerative capital projects which are undertaken by the Corporation as a part of the phased programme adopted in consultation with the concerned authorities and prior approval of the Government of India for implementation of the Master Plan for Delhi.

6.12. Assistance for other projects, which are self-liquidating or semi-remunerative in nature, should be made available on merits of each scheme as and when required by the Corporation. This should be in the shape of loans. There should be a moratorium on the payment of interest and principal for an initial period of three to five years depending on the time expected to be taken by individual projects to become productive.

6.13. A special grant-in-aid may be given on 100% basis to cover the net deficit incurred by the Corporation in respect of rural areas. The net deficit should be determined after deducting from the gross expenditure the net revenue (both tax and non-tax) derived from rural areas and such other grants-in-aid as may be admissible otherwise in respect of any item of expenditure, such as primary education, maternity centres, etc. Payment of such grants-in-aid should be subject to the conditions that:—

- (i) the Corporation would maintain a separate rural areas account of both income and expenditure ; and
- (ii) it would defray expenditure only on such schemes/items and upto such limits as are duly approved by the Delhi Administration as part of an annual rural development plan.

6.14. Plan schemes should not be treated as a separate item for grant-in-aid with effect from 1969-70. As for the current year, the ad-hoc basis hitherto in force may be continued.

6.15. All other grants which are being given in accordance with the orders contained in the Ministry of Home Affairs letter No. F. 16/9/59-Delhi dated the 3rd September, 1960, should be discontinued with effect from 1969-70.

6.16. The Commission realise that it would be unrealistic to assume that switch-over from the existing pattern to the one suggested by them could be completed in one attempt. Having regard to the desirability of a smooth transition the Commission recommend that the pattern of financial assistance indicated in the foregoing paragraphs may be adopted for a period of three years whereafter it may be subjected to another detailed review.

6.17. It has been stated before the Commission that certain claims of the Corporation have not been settled. In particular, the attention of the Commission has been drawn to the amounts reportedly due in respect of claims concerning the Slum and re-housing schemes transferred from the Delhi Development Authority to the Municipal Corporation of Delhi in January, 1960 and amounts representing the difference between the actual expenditure incurred by the Corporation and the grants paid by Government for educational purposes. The Commission attach considerable importance to this matter and would urge the Government to take urgent steps to settle these and all other outstanding claims as early as possible.

CHAPTER—VII

EFFECT OF RECOMMENDATIONS

7.01. It is axiomatic that allocation of independent resources to a local body should be so designed that they match the functions assigned to it. The financial resources made available to the Municipal Corporation of Delhi, though adequate for its day to day working, have not been utilised fully and properly. It would, therefore, appear that the appropriate remedy to enable the Corporation to discharge its normal functions is to make it increase its tax effort. It is with this broad purpose in view that the Commission have in the previous chapters suggested specific measures for better and fuller exploitation of the available resources and rationalisation of the tax administration.

7.02. Broadly speaking our recommendations fall under three categories namely:—

- (a) specific changes in the existing level of taxation ;
- (b) suggestions regarding further changes in the tax structure, such as revision of maximum rate of terminal tax, adoption of *ad valorem* system, rationalisation of the terminal tax Schedule, introduction of education cess and tax on professions, possibility of increase in various miscellaneous rates, fees etc ; and
- (c) reforms in the tax administration machinery, such as constitution of an independent assessing authority, improvements in billing and collection systems, introduction of a system of rebate/penalties, etc.

7.03. The recommendations covering the specific changes in the existing level of taxation alone would, if implemented yield Rs. 4.51 crores per annum, as mentioned below:—

Changes	Estimated Income. (Rs. in lacs)
(a) Increase in rate of general property tax (paras 4.12 & 4.15).	100.00
(b) Increase in rates of water/scavenging tax (paras 4.13 & 4.15).	25.00
(c) Surcharge on "rent controlled" properties (para 4.34).	74.00
(d) Increase in service charges in respect of government properties (para 4.36).	15.00
(e) Increase in rates of tax on advertisements, vehicles and animals (para 4.41).	25.00
(f) Increase in rates of terminal tax (para 5.13).	210.00
Total:	449.00 (Approx.)

The increase shown above in the receipts from property taxes have been calculated on the basis of total rateable value of properties as in the year 1966-67. Since the total rateable value is steadily increasing, the income from these measures would still be higher.

7.04. The implementation of the above-mentioned recommendations would involve an amendment of the Delhi Municipal Corporation Act, 1957, as also of the Delhi Rent Control Act, 1958, and the taking of decisions by the Government and the Municipal Corporation of Delhi. Having regard to the fact that it would take time to give effect to these decisions, the Commission expect that full effect of the proposals would materialise by 1971-72, even if the process of implementation is started almost immediately. It should not, therefore, be unreasonable to assume that the additional income to accrue to the Corporation would be of the order of Rs. 225 lakhs in 1969-70, Rs. 337 lakhs in 1970-71 and Rs. 450 lakhs in 1971-72.

7.05. For a proper appreciation of the effect of our recommendations it is also necessary to take into account the estimated income and expenditure during the aforesaid three years. On the basis of actuals for the year 1966-67 and the rate of normal growth based on past trends, a forecast of income and expenditure during the year 1969-70 to 1971-72 has been prepared and is indicated in Annexure X. In making this forecast, the following factors have been taken into account:—

- (i) increase in the rates of general property tax and terminal tax introduced in the current financial year ;
- (ii) increase in the rates of Entertainment and Betting Tax made operative with effect from 10th May, 1968 ;
- (iii) the average expenditure of Rs. 75 lakhs incurred on "works in constituencies" has not been taken into consideration.

7.06. In the ultimate analysis the implementation of our recommendations will result in the following ways and means position of the revenue account of the Corporation:—

	(Rs. in Crores)		
	1969-70	1970-71	1971-72
Estimated expenditure	17.70	18.97	20.21
Estimated income at existing levels	15.10	16.35	17.79
Gross deficit	2.60	2.62	2.42
Additional increase as indicated in para 7.04	2.25	3.37	4.50
<i>Net position</i>			
Surplus	—	0.75	2.08
deficit	0.35	—	—

7.07. It is significant to note that the above nominal deficit of Rs. 35 lakhs in 1969-70 and the surplus in the subsequent two years do not take into account any grants that may be paid to the Corporation as recommended in Chapter VI. The estimate of expenditure also does not include liabilities on account of plan schemes or capital expenditure but includes all non-plan revenue expenditure in

respect of primary education and transferred institutions. Nor does the above financial summary take into account the addition to revenues found to accrue due to the adoption of various suggestions and changes recommended by the Commission in respect of further revision of the tax structure and streamlining of the tax administration machinery.

7.08. It would thus be clear that if steps are taken forthwith to give effect to the recommendations of the Commission, the Corporation would have turned the corner and would actually be having substantial surpluses from the financial year 1969-70 onwards which will enable it to strengthen its ways and means position.

7.09. Before concluding this chapter a mention need also be made of the accumulated unpaid liabilities of the Corporation, which have aggregated Rs. 857 lakhs as on 31st March, 1968. However, certain claims of the Corporation are reportedly outstanding against the New Delhi Municipal Committee and the Government of India. The Commission have already recommended an expeditious settlement of these claims. The Corporation would also be well advised to make special efforts to liquidate the arrears of property taxes which are stated to be over Rs. 350 lakhs. The receipts on account of realisation of these arrears, and the settlement of claims, could considerably help in reducing the accumulated liabilities of the Corporation. The remaining liabilities could be liquidated out of the surplus anticipated as a result of implementation of the recommendations contained in this report.

CHAPTER—VIII

SUMMARY OF RECOMMENDATIONS

8.01. A local body should first fully exploit its own sources of revenue before laying a claim to financial assistance from Government. The time has perhaps come when the Corporation should be told so and advised, in the first instance, to impose taxes at adequate and reasonable rates. If the Corporation still fails to act, the Government should seriously consider the possibility of taking additional powers so as to be able to themselves impose new taxes or revise the rates of existing taxes for and on behalf of the Corporation (para 3.13).

8.02. The rates levied by the Delhi Municipal Corporation are by far the lowest and do not at all compare with the rates in force in other principal cities. The Commission feel that the level of property taxes in Delhi must be suitably raised so as to become comparable with those existing in the other principal Corporations. (Para 4.11)

8.03. In order to make the Corporation levy tax at a higher rate the minimum rate laid down in the Delhi Municipal Corporation Act, 1957, should be increased to 15%. Further, the slab system recently adopted may continue to remain in force but it should be rationalised so that properties with an annual rateable value of Rs. 40,000/- and above are grouped together in one slab paying property taxes at the rate of 24%. The rates in respect of properties for the other slabs should be suitably re-adjusted between the minimum of 15% and the maximum of 24%. Further a flat additional rate of 5% may be levied in the case of 'commercial' properties falling under the different slabs. (para 4.12)

8.04. The Delhi Municipal Corporation Act, 1957, does not prescribe any minimum in respect of these two taxes. The following minimum rates may be laid in the law:—

Water Tax	4%
Scavenging Tax	2½% (para 4.13)

8.05. The Commission do not recommend any upward revision of fire tax for the present.

8.06. For increasing the yield from property taxes, which should be the mainstay of local revenues, the valuation should be done by an expert and impartial agency functioning under the control of Delhi Administration. (para 4.14)

8.07. An officer of a rank not lower than that of a Deputy Municipal Commissioner working in the Delhi Administration and assisted by such technical staff as may be deemed necessary should be made responsible for the assessment of properties. He may also hear objections and send the final list to the Corporation for purposes of levying property taxes. The Municipal Corporation of Delhi and the assessee will have the right to appeal to the local Assessment Tribunal which should be sent up for the purpose. (4.20)

8.08. The Tribunal may be headed by a District Judge and assisted by two other members, one of whom should be a technical expert. The decision of the Tribunal should be final. Pending disposal of the appeal, however, no person should have the right to withhold payment of the tax. (para 4.21)

8.09. The provisions of the law should be suitably modified so as to provide for a periodical review of the assessment list in the entire Corporation area. For this purpose the Corporation area may be divided into five zones and the assessment of each zone should be taken up and completed in one year so that during each period of five years the entire area would be covered. Besides, the revision of assessment in respect of those properties which may have attained higher rental value due to additions and alterations or due to changes in tenancy should be a continuous process. (para 4.22)

8.10. It is a matter of urgent necessity that the machinery for the preparation of bills is streamlined so that the present delay in the issue of bills is eliminated. The recent introduction of the system of automatic data processing in some zones should be extended to the remaining zones expeditiously. It is essential in the interest of collection that all bills are prepared and presented by 30th June every year. The existing elaborate and dilatory procedure of presentation of bills and demand notices separately should also be changed and the relevant provisions of law should be suitably amended so that the bills and demand notices are combined. (para 4.25)

8.11. The system of rebate/penalty is working very satisfactorily in Calcutta Municipal Corporation. To induce prompt payment a similar system may be introduced in Delhi as below:—

From the date of issue of bills	Rebate/Penalty
(i). For payments made within 30 days.	5% rebate.
(ii) For payments made between 31 days and 60 days.	No rebate or penalty.
(iii) For payments made after 60 days.	Penalty at the rate of 1% p.m. or part thereof.

(para 4.26)

8.12. Sustained and determined effort to liquidate these arrears and the timely realisation of current demand in future, would have a positive impact on the Corporation's resources. The Corporation would, therefore, be well advised to have special cells for locating and pursuing the defaulting parties. (para 4.27)

8.13. The Delhi Municipal Corporation Act, 1957, and the Delhi Rent Control Act, 1958, should be suitably amended so as to provide for imposing a surcharge of 50% of the general property tax as in force from time to time and for allowing the landlords to shift the entire burden of this surcharge onto the tenants in respect of properties, whether residential or otherwise, constructed before the second day of June, 1951. (para 4.34)

8.14. After considering all aspects of the matter, and keeping in view the different practices followed in various States as also the fact that the question of revising the present policy in regard to the payment of service charges is already under consideration of the Government, the Commission are not inclined to recommend any change in respect of the basis of valuation. However, the service charges on Union Government properties in Delhi may be calculated on the basis of 100% of the rates of property taxes as levied under the Delhi Municipal Corporation Act, 1957, in place of 75% prescribed in the Ministry of Home Affairs' letter dated 30th April, 1964. (para 4.36)

8.15. The limits laid down in the respective laws concerning the Corporation of Bombay and Calcutta are comparable to those prescribed for Delhi. The Corporation of Bombay and Calcutta are today levying these taxes ; (tax on advertisements and tax on vehicles and animals) at the maximum permissible rates and there is no reason why the Municipal Corporation of Delhi should not also do the same. (para 4.39).

8.16. The tax on bicycle should be levied at reasonable rate and if one reason or the other it is not possible for the concerned authorities to do so it may be deleted from the Third Schedule to the Delhi Municipal Corporation Act, 1957. (para 4.40)

8.17. The rate of tax on advertisements should also be increased forthwith up to the maximum limit permissible under the Delhi Municipal Corporation Act, 1957 (Fifth schedule). Similarly, the rate of tax on vehicles and animals should also be progressively increased upto the maximum permissible level (Third Schedule of the Delhi Municipal Corporation Act, 1957), during the course of the next three years. (para 4.41)

8.18. In regard to the arrears of tax on electricity reportedly outstanding against the New Delhi Municipal Committee, the Commission do not wish to comment on the merits of the claims or views put forth by either local body but would like to place on record their feeling of disappointment on the protracted controversy going on between the two sister local bodies despite the intervention of the Government of India. They would like also to stress the desirability of an early settlement of this seemingly interminable and undignified dispute. (para 4.44)

8.19. The Corporation may consider the desirability of making a beginning at least on a modest scale in the matter of levy of education cess and tax on professions, trades, callings and employments. (para 4.45)

8.20. Effective steps should be taken by the Corporation to streamline and strengthen its administrative machinery to enable exploitation of the miscellaneous sources to the fullest extent. (para 4.46)

8.21. A uniform system should be adopted for the purpose of determining and releasing the actual share payable to the three local bodies in the receipts from these three assigned taxes. The share of the Corporation in the receipts of these three taxes accounts for over 1/3rd of its total revenue and any meaningful change in the system of allocation and release would by itself considerably help improving its ways and means position. (para 5.06)

8.22. The people in Delhi are, by comparison, almost the lowest taxed and there is scope and justification for an increase in the existing rates of these taxes, keeping in view the rates in force in the adjoining States. (para 5.07)

8.23. A beginning has already been made in respect of Entertainment Tax of which the rates have been recently revised and the slab system replaced by the uniform rate of 40%. There is, however, still some scope for increase in the rates of the tax. (para 5.08).

8.24. The Terminal Tax Schedule applicable in Delhi should be re-structured and revised, as early as possible to remove the present ambiguities and ab-

surdities and *ad valorem* rates should be adopted for articles of high commercial value and luxury goods and near luxury articles like liquor, cosmetics, radio sets, tobacco, cigarettes etc.

The tax schedule should also be rationalised so as to eliminate the element of discretion now available in a large measure to the low paid staff in choosing lower rates in respect of commodities which have faulty nomenclature or are not clearly classified in the schedule.

For preventing the possibility of malpractices, it is necessary to have a balanced grouping of taxable items based mostly on the end-use and capacity of users. The Bombay pattern provides a fairly satisfactory starting point in this direction. While the Delhi schedule may be adopted to this pattern, the revision of tax schedule has to be a continuing process in the light of experience of practical problems which are bound to vary from city to city. (para 5.12)

8.25. As a first step the maximum rates of Terminal Tax permissible under the present law should be enforced except in a few cases like items 1 and 12 of class I in the Schedule in respect of which the existing rates are reasonably adequate. (para 5.13)

8.26. The procedures in vogue should be studied in detail and simplified to speed up collection and eliminate chances of malpractices. In particular, weigh bridges should be installed at all Terminal Tax Posts and a suitable mobile unit be organised for checking evasion and under payment of taxes. Steps should also be taken to ensure the safety of staff posted at check-posts especially in the outlying areas. (para 5.15)

8.27. The following simplified procedure is suggested for the purpose of determining actual amounts payable to the local bodies as their shares of the receipts from assigned taxes and the release of such amounts:—

- (i) To begin with, a study should be conducted of the collections made upto 1966-67, trend of collection charges and increase in revenue collections, and the actual share paid to local bodies ;
- (ii) Based on the normal trend of increased collections from year to year, and the minimum programme for phased increase in taxation, the share of local bodies should be roughly calculated ;
- (iii) The local bodies should be paid the amount arrived at on the basis of sub-para (ii) above in four instalments to be released in the beginning of each quarter ;
- (iv) After every three years the actual tax collections and the collection charges, should be reviewed on the basis of audited figures and the share of each local body should be worked out ;
- (v) If the actual share exceeds or falls short of the releases made on *ad-hoc* basis vide sub-para (iii), the difference should be subject to adjustment in subsequent years ;
- (vi) The figures arrived at on triennial reviews should form the basis of *ad-hoc* releases during the following three years. (para 5.16)

8.28. There is a statutory provision for grant-in-aid for primary education and grants are a regular feature of the finances of the local bodies and the Commission do not recommend any change in the existing arrangement. (para 6 09)

8.29. There is no justification for continuance of the grants-in-aid for transferred institutions and services merely because the Corporation has failed to meet expenditure on them out of its own revenues. As a special case, however, they may be paid on the existing basis for the current financial year but should be progressively reduced by 33-1/3% every year. (para 6.10)

8.30. Assistance in the shape of grant-in-aid on 100% basis may be provided in respect of non-remunerative capital projects which are undertaken by the Corporation as a part of the phased programme adopted in consultation with the concerned authorities and prior approval of the Government of India for implementation of the Master Plan for Delhi. (para 6.11)

8.31. Assistance for other projects, which are self-liquidating or semi-remunerative in nature, should be made available on merits of each scheme as and when required by the Corporation. This should be in the shape of loans. There should be a moratorium on the payment of interest and principal for an initial period of three to five years depending on the time expected to be taken by individual projects to become productive. (para 6.12)

8.32. A special grant-in-aid may be given on 100% basis to cover the net deficit incurred by the Corporation in respect of rural areas. The net deficit should be determined after deducting from the gross expenditure the net revenue (both tax and non-tax) derived from rural areas and such other grants-in-aid as may be admissible otherwise in respect of any item of expenditure, such as primary education, maternity centres, etc. Payment of such grants-in-aid should be subject to the conditions that:—

- (i) the Corporation would maintain a separate rural area account of both income and expenditure ; and
- (ii) it would defray expenditure only on such schemes/items and upto such limits as are duly approved by the Delhi Administration as part of an annual rural development Plan. (para 6.13)

8.33. Plan schemes should not be treated as a separate item for grant-in-aid with effect from 1969-70. As for the current year, the *ad-hoc* basis hitherto in force may be continued. (para 6.14)

8.34. All other grants which are being given in accordance with the orders contained in the Ministry of Home Affairs letter No. F. 16/9/59-Delhi dated the 3rd September, 1960, should be discontinued with effect from 1969-70. (para 6.15)

8.35. The pattern of financial assistance indicated in the foregoing paragraphs may be adopted for a period of three years whereafter it may be subjected to another detailed review. (para 6.16)

8.36. Certain claims of the Corporation have not been settled. In particular, the attention of the Commission has been drawn to the amounts reportedly due in respect of claims concerning the Slum and re-housing schemes transferred from the Delhi Development Authority to the Municipal Corporation of Delhi

in January, 1960 and amounts representing the difference between the actual expenditure incurred by the Corporation and the grants paid by Government for educational purposes. The Commission attach considerable importance to this matter and would urge the Government to take urgent steps to settle these and all other outstanding claims as early as possible. (para 6.17).

Sd/- R.R. Morarka,
Chairman

Sd/- R.R. Bahl,
Member

Sd/- Gian Parkash,
Member

Sd/- D.J. Madan,
Member

Sd/- S.C. Pandey,
Secretary

New Delhi, August, 30, 1968.

ANNEXURE—I
(Para 4.01)

Revenue Income of the Municipal Corporation of Delhi

(Rs. in Lakhs)

Years	Domestic Sources*		External Sources**		Total
	Income	Percentage of total Income	Income	Percentage of total Income	
1	2	3	4	5	6
	Rs.		Rs.		Rs.
1958-59	237.84	(47.77)	260.10	(52.23)	497.94
1959-60	238.64	(43.11)	341.45	(56.89)	600.09
1960-61	269.81	(44.40)	337.92	(55.60)	607.73
1961-62	379.31	(45.41)	456.05	(54.59)	835.36
1962-63	365.50	(45.33)	441.05	(54.67)	806.55
1963-64	404.96	(45.42)	486.42	(54.58)	891.38
1964-65	507.43	(47.56)	537.49	(52.44)	1044.92
1965-66	583.49	(49.78)	590.89	(50.22)	1174.38
1966-67	623.79	(44.18)	788.61	(55.82)	1412.40
1967-68	961.20	(48.96)	1002.35	(51.04)	1963.55
(R.E.)					
1968-69 (B.E.)	1103.78	(50.70)	1073.42	(49.30)	2177.20

*details enclosed

ANNEXURE—I-A

Details of Domestic Revenue Income of the Municipal Corporation of Delhi
(See Column 2 of Annexure-I)

(Rs. in Lakhs)

Years	I—Obligatory Taxes								Total
	General Tax	Fire Tax	Duty on transfer of Property	Tax on building applications	Tax on advertisements	Theatre Tax	Tax on vehicles & animals	Water Tax scavenging & water charges	
1	2	3	4	5	6	7	8	9	10
1958-59	71.70	—	—	3.51	1.82	—	9.55	46.49	133.07
1959-60	98.00	3.30	21.98	6.98	3.09	2.42	14.53	—	150.30
1960-61	103.05	4.47	23.68	8.42	3.02	3.37	11.44	—	157.45
1961-62	202.39	7.50	30.08	6.98	4.18	3.74	8.53	—	263.40
1962-63	126.24	5.42	36.02	8.68	5.75	3.84	8.82	—	194.77
1963-64	162.99	6.76	38.15	7.69	6.52	4.04	8.07	—	234.22
1964-65	257.19	9.41	46.76	14.07	8.04	4.12	7.74	—	347.33
1965-66	316.53	10.51	52.78	9.69	8.14	4.34	8.83	—	410.82
1966-67	282.21	11.49	80.70	9.07	9.89	4.56	8.67	—	406.59
*1967-68	391.10	16.70	70.00	8.50	11.00	5.00	9.82	—	512.12
**1968-69	488.60	17.75	85.00	9.00	15.00	5.00	10.97	—	631.32

II—Discretionary Taxes

Years	Local rate on	Tax on pro-	Totals	Tax on sale	Total	III-Rents, rates & miscellane- ous	Total income from domes- tic sources (Col. 10+15 16)
	Land revenue	fections trades & callings		& consump- tion of elec- tricity			
	11	12	13	14	15	16	17
1958-59	—	0.20	0.43	—	0.63	104.14	237.84
1959-60	0.15	—	0.01	11.80	11.96	96.38	258.64
1960-61	1.26	0.01	0.01	10.82	12.10	100.26	269.81
1961-62	0.30	0.01	—	32.23	32.54	83.37	379.31
1962-63	—	0.02	—	46.01	46.03	124.70	365.50
1963-64	—	—	—	58.59	58.59	112.15	404.96
1964-65	—	—	—	27.76	27.76	132.34	507.43
1965-66	—	—	—	43.15	43.15	129.52	583.49
1966-67	—	—	—	62.91	62.91	154.29	623.79
*1967-68	—	—	—	180.00	180.00	269.08	961.20
**1968-69	—	—	—	140.00	140.00	332.46	1103.78

*Revised Estimates

**Budget Estimates

ANNEXURE—I-B

Details of Income of the Municipal Corporation of Delhi from External Sources
(See Column 4 of the Annexure 1)

(Rs. in Lakhs)

Years	Assigned Taxes				Grants	Total
	Terminal Tax	Entertainment Tax	Motor Vehicles Tax	Total		
1958-59	98.00	25.00	11.99	134.99	125.11	260.10
1959-60	113.25	41.16	13.50	167.91	173.54	341.45
1950-61	118.36	33.06	15.54	166.96	170.96	337.92
1961-62	169.68	42.00	17.59	229.27	226.78	456.05
1962-63	171.58	48.53	20.03	240.14	200.91	441.05
1963-64	191.46	47.90	29.18	268.54	217.88	486.42
1964-65	215.22	56.50	61.96	333.68	203.81	537.49
1965-66	260.00	63.42	69.47	392.89	198.00	590.89
1966-67	361.49	68.23	72.20	501.92	286.69	788.61
*1967-68	370.00	98.79	100.00	568.79	433.56	1002.35
**1968-69	535.00	137.00	115.00	787.00	286.42	1073.42

*Revised Estimates.

**Budget Estimates.

ANNEXURE—II

(Para 4.10)

Rates of Property Taxes levied by various Corporations

Name of Corporation	Rateable Value						
							above
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	1800	8000	12000	20000	40000	100000	100000
%	%	%	%	%	%	%	
(i) General Tax:							
Delhi	10	11	12-1/2	15	17-1/2	19	20
Madras	9-1/2	14-1/2	14-1/2	14-1/2	14-1/2	14-1/2	14-1/2
**Calcutta	18	22	22	30	30	30	30
Bombay	24-3/4	24-3/4	24-3/4	24-3/4	24-3/4	24-3/4	24-3/4
Poona	16	22	23	24	27	29	30
Ahmedabad	22	30	30	30	30	30	30
Kanpur	8-3/4	11-1/4	13-3/4	16-1/4	16-1/4	16-1/4	16-1/4
(ii) Other Taxes:							
Delhi	4-1/2	4-1/2	4-1/2	4-1/2	4-1/2	4-1/2	4-1/2
Madras	10-1/2	10½	10-1/2	10-1/2	10-1/2	10-1/2	10-1/2
*Calcutta	1-1/2	1/2	1/2	1/2	1/2	1/2	1/2
Bombay	8	8	8	8	8	8	8
Poona	6	6	6	6	6	6	6
Ahmedabad	5-1/2	5-1/2	5-1/2	5-1/2	5-1/2	5-1/2	5-1/2
Kanpur	6-1/4	6-1/4	6-1/4	6-1/4	6-1/4	6-1/4	6-1/4
(iii) Total Property Taxes:							
Delhi	14-1/2	15-1/2	17	19-1/2	22	23-1/2	24-1/2
Madras	20	25	25	25	25	25	25
Calcutta	18½	22-1/2	22-1/2	30-1/2	30½	30½	30-1/2
Bombay	32-3/4	32-3/4	32-3/4	32-3/4	32-3/4	32-3/4	32-3/4
Poona	22	28	29	30	33	35	36
Ahmedabad	27-1/2	35-1/2	35-1/2	35-1/2	35-1/2	35-1/2	35-1/2
Kanpur	15	17-1/2	20	22-1/2	22-1/2	22-1/2	22½

***Hawrah Bridge Tax.**

The rates of Education Cess are of the order of 2-1/2% in Bombay, 5% in Madras and 2-1/2% in Ahmedabad.

**The proviso to Section 165 of the Calcutta Municipal Corporation Act, 1951, authorises the levy of property tax at a consolidated rate of 33%, with the approval of State Government where the annual valuation exceeds Rs. 3,000/-.

ANNEXURE—III
(Para 4.24)

Rate of Collection of Property Taxes by various Corporations

(Rs. in Lakhs)

Year	Delhi	Bombay	Madras	Poona	Kanpur	Ahme- dabad	Cal- cutta
1958-59	71.70 (42.49)	792.10 (64.86)	178.45 (89.00)	46.79 (74.36)	*	156.05 (73.24)	337.38 (84.99)
1959-60	98.01 (43.48)	897.34 (64.83)	191.69 (87.67)	54.66 (79.78)	*	181.48 (69.90)	339.47 (81.61)
1960-61	103.06 (27.67)	1110.29 (65.16)	1215.34 (85.31)	1150.69 (75.50)	*	1221.05 (78.37)	348.13 (79.23)
1961-62	202.38 (50.91)	1130.15 (69.06)	240.34 (83.62)	52.53 (72.67)	*	250.36 (78.86)	364.43 (80.00)
1962-63	126.24 (35.69)	1169.26 (70.28)	271.62 (83.43)	55.51 (69.03)	*	261.00 (76.54)	382.50 (80.83)
1963-64	162.99 (36.02)	1399.60 (70.37)	294.68 (80.16)	69.33 (68.15)	*	305.42 (74.03)	396.70 (80.38)
1964-65	257.19 (43.53)	1422.37 (67.20)	331.84 (78.11)	78.63 (68.35)	74.18 (65.64)	326.41 (73.09)	416.48 (81.81)
1965-66	316.53 (51.63)	1561.90 (68.63)	379.94 (77.87)	87.93 (66.89)	74.90 (62.21)	321.72 (68.01)	* *
1966-67	282.21 (49.59)	1540.22 (70.66)	398.54 (74.30)	101.14 (64.06)	80.93 (61.79)	329.47 (68.50)	*

N.B.—Figures in brackets indicate percentage of collection to total demand.

*Figures not available.

ANNEXURE—IV

(Para 4.34)

**Rateable value of Properties in areas under the jurisdiction of the
Municipal Corporation of Delhi**

Zone	Rateable Value	Exempted Rateable Value	Rateable value of properties whose assessed rents are lower on account of Rent Control Act 1958
1. City South Zone	1,90,00,130	15,78,790	1,00,00,000
2. City North Zone	2,02,30,920	2,67,850	1,50,00,000
3. Sadar Paharganj Zone	2,16,77,600	1,94,120	1,50,00,000
4. New Delhi South Zone	6,34,18,220	1,45,270	1,00,00,000
5. Shahdara Zone	1,12,99,361	41,240	12,00,000
6. West Zone	3,42,60,530	23,270	1,00,00,000
7. Karol Bagh Zone	4,35,29,950	8,49,940	2,00,00,000
8. Civil Lines Zone	2,96,79,480	10,95,000	1,50,00,000
9. Rural Zone	9,81,160	1,40,300	—
Total:	24,40,77,351	43,35,780	9,62,00,000

ANNEXURE—V
(Para 5.05)

Assigned Taxes received by Local Bodies in Delhi

	1964-65	1965-66	1966-67
Municipal Corporation of Delhi:			
Terminal Tax	2,15,21,557	2,60,00,000	3,61,48,600
Motor Vehicle Tax	61,96,000	69,46,900	72,20,000
Entertainment Tax	56,50,000	63,42,000	68,23,000
Total:	3,33,67,557	3,92,88,900	5,01,91,600
	(84.05)	(83.60)	(84.84)
New Delhi Municipal Committee:			
Terminal Tax	25,00,000	31,51,400	41,85,299
Motor Vehicle Tax	18,00,000	20,10,700	22,13,100
Entertainment Tax/Betting Tax	16,70,000	19,25,000	20,32,000
Total:	59,70,000	70,87,100	84,30,399
	(15.03)	(15.30)	(14.25)
Cantonment Board:			
Terminal Tax	3,15,000	2,61,000	2,74,000
Motor Vehicle Tax	Nil	1,82,000	2,01,200
Entertainment Tax	50,000	61,000	62,600
Total:	3,65,000	5,04,000	5,37,800
	(0.92)	(1.10)	(0.91)
Total Payments Made:			
Terminal Tax	2,43,36,557	2,94,12,400	4,06,07,899
Motor Vehicle Tax	79,96,000	91,39,600	96,34,300
Entertainment Tax/Betting Tax	73,70,000	83,28,000	89,17,600
Total:	3,97,02,557	4,68,80,000	5,91,59,799

The figures in brackets indicate the percentage of assigned taxes received by a local body to the total assigned taxes distributed in that year.

ANNEXURE—VI

(Para 5.08)

Statement showing the effect of previous and revised rates of Entertainment Tax in Delhi

(in Rupees)

Rates of Admission	The amount of tax at previous Rates	The amount of Tax at Revised Rates
0.25	0.06	0.10
0.50	0.13	0.20
0.60	0.25	0.30
0.75	0.25	0.30
1.00	0.25	0.40
1.25	0.50	0.50
1.50	0.50	0.60
2.00	0.50	0.80
2.25	0.75	0.90
2.50	0.75	1.00
2.75	0.75	1.10
3.00	0.75	1.20
3.50	1.00	1.40
4.00	1.00	1.60
4.50	1.25	1.80

Beyond the rate of admission of Rs. 5, the previous rate of tax was Rs. 1.25 upto Rs. 6-1/2 and Rs. 2.50 between Rs. 6-1/2 and Rs. 10. For an admission rate exceeding Rs. 10, the previous rate was Rs. 2.50 on the first Rs. 10 plus Rs. 1.25 for every additional Rs. 5 or part thereof. These rates have now been uniformly increased to 40% of the admission rates.

ANNEXURE—VII

(Para 5.09)

Rates of Taxes on various types of Motor Vehicles in Delhi

Class of Vehicle	Existing Rates	Proposed Rates
	(per annum)	(per annum)
	Rs.	Rs.
1. Motor Cycle	32.00	40.00
2. Auto-Rickshaws	80.00	100.00
3. Motor-Car	100.00	125.00
4. Motor-Cycle-Rickshaws	160.00	200.00
5. Taxis	160.00	200.00
6. Truck (All goods vehicles)	1000.00	1250.00
7. Buses	2200.00	2750.00

*On the basis of proposals contained in the Delhi Motor Vehicles Taxation (Amendment) Bill, 1968, as passed by the Metropolitan Council of Delhi.

ANNEXURE—VIII

(Para 5.13)

Additional anticipated income on the levy of Terminal Tax at the Maximum rates permissible under the Delhi Municipal Corporation Act, 1957

SUMMARY

Articles included in	Additional Anticipated income
	Rs.
Class I	1,38,19,391.70
Class II	12,38,027.77
Class III	68,64,076.76
Class IV	2,86,644.53
Class V	55,540.31
Class VI	17,889.54
Class VII	15,51,517.80
Class VIII	15,14,074.75
Class IX	4,12,531.33
	2,57,59,694.49

N.B.:—Calculations have been made for imports during 1966-67 on the basis of difference between maximum permissible rates and the revised rates in force in 1968. (Details enclosed).

Statement showing the Additional Income from Terminal Tax if the levy is put to the maximum permissible limit

Sl. No.	Item No.	Rate per quintal in 1968	Maximum rate permissible	Difference	Quantity imported during 1966-67	Additional Anticipated Income
1	2	3	4	5	6	7
		Rs.	Rs.	Rs.		Rs.
CLASS—I						
1	1	9.50	14.07	4.57	10,18,871.00	46,56,240.47
2	2	1.60	4.66	3.06	4,74,509.00	14,51,997.54
3	3	4.85	14.07	9.22)	3,24,319.00	29,90,221.18
4	4	4.85	14.07	9.22)		
5	5	2.00	2.33	0.33	5,11,948.00	1,68,942.84
6	6	0.50	0.56	0.06	37,603.00	2,256.18
7	7	9.00	9.40	0.40	2,35,912.00	94,364.80
8	8	1.00	1.20	0.20	4,56,827.00	91,365.40
9	9	1.00	1.20	0.20	25,40,798.00	5,08,159.60
10	10	9.40	9.40	—	—	—
11	11	0.56	0.56	—	—	—
12	12	5.00	14.07	9.07	4,643.00	42,112.01

61

13	13	2.00	2.33	0.33	36,276.00	11,971.08
14	14	0.10	0.32	0.22	64,51,187.00	14,19,261.14
15	15	0.10	0.32	0.22	1,08,29,543.00	23,82,499.46
16	16	1.00	2.33	1.33	—	—
						1,38,19,391.70

CLASS—II

17	1	0.60 each	2.33 each	1.73 each	6,78,729.00	11,74,201.17
18	2	0.40 each	0.45 each	0.05 each	5,31,812.00	26,590.60
19	3	1.50 each	1.74 each	0.24 each	1,55,150.00	37,236.00
						12,38,027.77

CLASS—III

20	1	1.00	1.20	0.20	8,74,767.00	1,74,953.40
21	2	0.05	0.12	0.07	8,55,42,135.00	59,87,949.45
		per Litre	per Litre	per Litre		
22	3	0.56	0.56	—	—	—
23	4	1.20	1.20	—	—	—
24	5	0.15	0.32	0.17	5,50,659.00	93,612.03
25	6	0.30	0.32	0.02	44,466.00	889.32
26	7	2.50	2.89	0.39	10,25,968.00	4,00,127.52
27	8	0.30	0.32	0.02	12,958.00	259.16
28	9	0.30	0.32	0.02	4,589.00	91.78
29	10	0.30	0.32	0.02	43,075.00	861.50
30	11	0.30	0.32	0.02	Included in Sl. No. 28.	—
31	12	0.30	0.32	0.02	Included in Sl. No. 27.	—
32	13	0.30	0.32	0.02	1,02,71,630.00	3,05,432.60
						68,64,076.76

CLASS—V

33	1	0.16	0.16	—	—	—
34	2	0.40	0.56	0.16	13,24,255.00	2,11,880.80
35	3	0.08	0.08	—	—	—
36	4	0.30	0.32	0.02	11,27,096.00	22,541.92
37	5	0.30	0.32	0.02)	3,34,760.00	23,433.20
38	6	0.20	0.32	0.12)	—	—
39	7	1.20	1.20	—	—	—
40	8	1.50	1.76	0.26	40,324.00	10,484.24
41	9	1.50	1.74	0.24	568.00	136.32
42	10	0.25	0.32	0.07	946.00	66.22
43	11	0.40	0.88	0.48	29,508.00	14,163.84
44	12	1.50	1.74	0.24	11,884.00	2,852.16
45	13	1.20	1.20	—	—	—

46	14	0.30	0.32	0.02	27,545.00	550.90
47	15	2.00	2.33	0.33	1,621.00	534.93
Total						<u>2,86,644.53</u>

CLASS—V

48	1	3.50	3.53	0.03	1,90,038.00	5,701.14
49	2	0.30	0.56	0.26	90,069.00	23,417.94
50	3	2.00	4.66	2.66	4,456.00	11,852.96
51	4	0.25	0.56	0.31	62,417.00	19,349.27
52	5	1.00	1.20	0.20)	1,750.00	350.00
53	6	1.00	1.20	0.20)		
Total:						<u>55,540.31</u>

CLASS—VI

54	1	6.99	6.99	—	—	—
55	2	0.30	0.32	0.02	23,437.00	468.74
56	3	1.00	1.20	0.20	9,380.00	1,876.00
57	4	1.00	1.20	0.20	77,724.00	15,544.80
Total:						<u>17,889.54</u>

CLASS—VII

58	1	2.00	2.33	0.33	14,35,817.00	4,73,819.61
59	2	3.50	4.66	1.16	2,91,354.00	3,37,970.64
60	3	0.50	0.88	0.38	3,56,489.00	1,35,465.82
61	4	1.76	1.76	—	—	—
62	5	0.56	0.56	—	—	—
63	6	0.30	0.32	0.02	5,50,185.00	11,003.70
64	7	1.00	2.33	1.33	40,681.00	54,105.73
65	8	0.50	0.88	0.38	8,00,476.00	3,04,180.88
66	9	4.50	4.66	0.16	81,432.00	13,029.12
67	10	10.00	14.07	4.07	20,255.00	82,437.85
68	11	3.25	9.40	6.15	22,547.00	1,38,664.05
69	12	5.00	9.40	4.40	191.00	840.40
Total:						<u>15,51,517.80</u>

CLASS—VIII

70	1	0.50	0.56	0.06	32,74,880.00	1,96,492.80
71	2	0.45	0.48	0.03	11,79,398.00	35,381.94
72	3	2.50	3.53	1.03	9,21,181.00	9,48,816.43
73	4	2.89	2.89	—	—	—
74	5	52.50	52.50(a)	—	—	—
		118.00	118.11(b)	0.11	1,426.00	—
75	6	87.00	87.51 (a)	0.51	3,066.00	156.86
		105.00	105.00 (b)	—	—	1,563.66
76	7	9.40	9.40	—	—	—
77	8	2.89	2.89	—	—	—

78	9	4.44	4.66	0.22	15,00,000.00	3,30,000.00
79	10	17.00	17.49	0.49	3,394.00	1,663.06
80	11	21.00	21.00	—	—	—
					Rs.	<u>15,14,074.75</u>

CLASS—IX

81	1	1.00	1.20	0.20	45,542.00	9,108.40
82	2	0.60	1.44	0.84	87,181.00	84,565.57
83	3	1.00	1.20	0.20	2,91,007.00	58,201.40
84	4	0.30	0.32	0.02)		
85	5	0.30	0.32	0.02)	98,849.00	1,976.98
86	6	0.30	0.32	0.02)		
87	7	0.30	0.32	0.02	16,884.00	337.68
88	8	1.10	1.44	0.34	19,537.00	6,642.58
89	9	4.00	4.66	0.66	8,172.00	5,393.52
90	10	1.76	1.76	—	—	—
91	11	0.30	0.32	0.02)	41,838.00	836.76
92	12	0.30	0.32	0.02)		
93	13	0.55	1.44	0.89	Included in Sl. No. 82.	—
94	14	10.00	14.07	4.07	1,309.00	7,945.63
95	15	2.00	2.89	0.89	1,331.00	1,184.95
96	16	2.85	2.89	0.04	413.00	16.52
97	17	9.00	9.40	0.40	2,506.00	1,002.40
98	18	14.00	14.07	0.07	395.00	27.65
99	19	2.00	2.89	0.89	49,232.00	43,816.48
100	20	2.70	2.89	0.19	1,131.00	252.79
101	21	1.20	1.20	—	—	—
102	22	1.00	2.33	1.33	10,000.00	13,300.00
103	23	9.00	9.40	0.40	12,486.00	4,994.40
104	24	1.00	1.20	0.20	4,000.00	800.00
105	25	6.00	14.07	8.07	Included in Sl. No. 94.	—
106	26	0.40	1.20	0.80	12,739.00	10,191.20
107	27	1.10	2.80	1.79	4,026.00	7,206.54
108	28	2.89	2.89	—	—	—
109	29	1.00	3.52	2.52	10,000.00	25,300.00
110	30	0.30	0.32	0.02)	64,71,494.00	1,29,429.88
111	31	0.30	0.32	0.02)		
						<u>4,12,531.33</u>

CORRIGENDUM

Sl. No.	Column No.	For	Read
32	7	3,05,432.60	2,05,432.60
74 (b)	7	existing entry.	156.86
78	3	4.44	4.00
78	5	0.22	0.66
78	6	15,00,000. quintals	5,00,000 quintals

ANNEXURE—IX
(Para 6.09)

Income and Expenditure of the Municipal Corporation of Delhi in Rural Areas

(Rs. in Lakhs)

Income	1964-65 Rs.	1965-66 Rs.	1966-67 Rs.	1967-68 Rs.
1. General Tax	2.09	1.87	2.20	2.07
2. Fire Tax	0.07	0.08	0.07	0.05
3. Tax on Vehicles and Animals	0.17	0.13	0.12	0.06
4. Tax on building applications	—	0.09	0.08	0.04
5. Rents, Fees, Fines etc.	1.05	0.49	1.05	0.49
6. Cattle Pounds	0.17	0.09	0.11	0.07
7. Miscellaneous	1.71	3.05	3.27	2.36
TOTAL INCOME:	5.26	5.80	6.90	5.14
Expenditure				
1. General Supervision	4.76	4.11	2.50	2.04
2. Education	60.99	69.67	90.00	91.68
3. Public Health	8.97	8.15	8.15	7.65
4. Medical Relief	6.12	6.90	13.41	9.75
5. Roads and Street lighting	6.06	9.66	10.00	10.46
6. Buildings and land acquisition	4.30	5.39	3.18	1.75
7. Licensing and removal of encroachment	0.07	0.15	0.16	0.11
8. Gardens and open spaces	0.73	1.00	1.43	0.91
9. Minor works	20.07	14.17	15.05	14.37
10. Miscellaneous	3.08	3.00	7.64	1.67
TOTAL EXPENDITURE:	115.15	122.20	151.52	140.39*
DEFICIT	(-) 109.89	116.40	144.62	135.25

*Excluding teachers salary for February, 1968 disbursed in April, 1968. Total expenditure including this item would be a little over Rs. 150 lakhs, raising net deficit from Rs. 135.25 lakhs to nearly Rs. 145 lakhs.

ANNEXURE—X

(Para 7.08)

**Anticipated Income and Expenditure of the Municipal Corporation of
Delhi from 1969 to 1972 without implementation of the recom-
mendations made in the Interim Report**

A—INCOME

(Rs. in Lakhs)

Source of Revenue	1966-67	1969-70	1970-71	1971-72
	Actuals	Normal rate of growth	Normal rate of growth	Normal rate of growth
I. Obligatory Taxes:				
1. General Tax				
(a) Normal collection	282.21	87.60	96.92	116.90
(b) Increase of rates in 1968	—	19.00	38.00	57.00
2. Tax on Vehicles & Animals	8.67	0.86	0.95	1.05
3. Duty on Transfer of Pro- perty	80.70	13.36	16.49	19.69
4. Theatre Tax	4.56	0.43	0.52	0.61
5. Tax on Building applica- tions	9.07	0.92	1.01	1.12
6. Tax on Advertisements	9.89	1.68	1.99	2.35
7. Fire Tax	11.49	1.49	1.59	1.70
	406.59	125.34	157.47	200.42
Actuals during 1966-67		406.59	406.59	406.59
Total Obligatory Taxes		531.93	564.06	607.01
II. Discretionary Taxes:				
Tax on sale and consumption of electricity	62.91	15.58	20.94	26.43
Actuals for 1966-67		62.91	62.91	62.91
Total Discretionary Taxes		78.49	83.85	89.34
III. Rents, Fees, Fines and Miscella- neous items				
Actuals for 1966-67	154.29	31.65	37.14	43.41
Total Rents, Fees etc.		185.94	191.43	197.70

IV. Assigned Taxes:

1. Terminal Tax	361.49	123.00	180.51	244.51
2. Entertainment Tax	68.23	33.01	45.01	58.62
3. Motor Vehicles Tax	72.20	56.17	68.04	80.15
	<u>501.92</u>	<u>212.18</u>	<u>293.56</u>	<u>383.28</u>
Actuals during 1966-67		501.92	501.92	501.92
		<u>714.10</u>	<u>795.48</u>	<u>885.20</u>
Total Assigned Taxes				
Total Income	1125.71	1510.46	1634.82	1779.25

B. FORECAST OF EXPENDITURE DURING 1969-72

Normal rate of growth		338.63	465.60	589.54
Actual Revenue Expenditure in 1966-67		1431.20	1431.20	1431.20
		<u>1769.83</u>	<u>1896.80</u>	<u>2020.74</u>
Total Forecast of Expenditure				

X796 - 251 - N7t

K8

125904