

GOVERNMENT OF HARYANA
THIRD STATE FINANCE COMMISSION
QUESTIONNAIRE

Note:

- i) This questionnaire may be filled in and posted to **Member Secretary, Third State Finance Commission Haryana, SCO No. 80-81, Sector 8C, Chandigarh**. It can also be mailed to and printed from E-mail **sfc_8@rediff.com**
- ii) The questions in this questionnaire are indicative. Please feel free to comment on any relevant issue even if it is not mentioned in this questionnaire. You may answer all questions or only those in which you are interested.
- iii) However, for Govt. departments, and Public Sector Undertakings, it is mandatory to answer all questions pertaining to them. The response to related questions should be specific and concise duly supported by facts and figures.
- iv) In this questionnaire the term ULBs stands for Urban Local Bodies comprising Municipal Corporations, Municipal Councils and Municipal Committees or Nagar Panchayats. Similarly, the term PRIs stands for Panchayat Raj Institutions comprising Zila Parishads, Panchayat Samitis & Gram Panchayats.
- v) For further enquiry or clarification, please contact **Sh. Gian Singh Kamboj, Consultant in the Commission (M-09872162873 or 0172- 4647886)**.

➤ **TAXATION POWERS**

1. a) Do the ULBs and PRIs have any powers of taxation ? If yes, are the present powers of taxation of PRIs and ULBs adequate?
b) Do you think that some additional powers of taxation should be conferred on these bodies? If so, what powers?
c) Is it correct that ULBs are not or should not be exercising their full taxation powers? If yes, give reasons thereof.
2. Presently, rates of taxes levied by ULBs and PRIs are determined by the State Govt. and any change in the tax rates requires prior approval of State Govt. Should ULBs and PRIs be allowed full freedom to levy taxes within limits prescribed by law subject to floor or ceiling rates to be fixed by the State Govt.?

➤ **RESOURCE MOBILIZATION**

- 3.a) Are ULBs and PRIs making recovery up to the desired levels from all their taxes and duties presently levied.
 - b) If not, what is the extent in respect of each tax separately, of:
 - i) Short assessment
 - ii) Evasion or Erosion
 - iii) Shortfall in collection.
4. What measures would you suggest to improve collection from existing taxes and to reduce evasion or erosion of taxes?
5. Should the State Govt., be required to compensate the local bodies for any loss of revenue due to any concessions or reduction in rates or abolition of any tax, except on a request from the local body?
6. Should share of State Excise Duty payable to local bodies be increased from the existing level of Rupees One per bottle of country liquor and IMFL to generate more funds for the ULBs and PRIs?
- 7.a) Do you think ULBs should ultimately be financially self - sufficient?
 - b) If not, to what extent, should their resources be supplemented by devolution of State taxes?
- 8.a) Do you think additional revenues can be generated by sale or better utilization of the properties of ULBs?
 - b) If so, what are your suggestions in this regard?
9. What other taxes besides house tax should be levied by Panchayats to augment its revenues?
10. What measures would you suggest for augmenting income of Panchayats from Shamlat lands?

➤ **OCTROI**

- 11.a) Octroi stands abolished in the State w.e.f. 1st November, 1999. What has been your experience regarding abolition of octroi? What kind of repercussion this measure had on the finances and functioning of municipal bodies?
 - b) In your opinion, have the urban local bodies continued to be adequately compensated by the State Govt. since abolition of octroi through other sources of revenue, particularly Local Area Dev. Tax. (LADT);

- c) If not, can you suggest any equally buoyant and elastic alternative source of revenue to the Urban Local Bodies, which is easy to collect ?

➤ **HOUSE TAX (PROPERTY TAX)**

- 12. a) In your opinion, should House Tax be levied on the basis of annual rental value ?
If yes, should application of Rent Control Act to “annual value” adopted for house tax be eliminated by a specific amendment in the law?
 - b) If not, should it be based on the “unit area” annual value of the property assessed according to well-defined criteria based on factors such as locality or location, covered area, type of construction, age of construction, usage (e.g. residential, commercial, industrial etc.) or should it be based on capital (market) value of property.
 - c) In case of (b) above, should there be a Valuation Authority to ensure fair assessment and Appellate Authority to hear appeals against assessment?
If so, what should be the composition of the Valuation and Appellate Authorities?
 - d) Should there be periodic revision of valuation, say after every 3 years, based on inflation index and allowing for depreciation?
- 13. a) In your opinion, is exemption of residential buildings, occupied by the owners themselves, from house tax, irrespective of their plot size/covered area justified?
 - b) If not, up to what plot/ covered area, should the owner-occupied residential buildings be exempted from house tax?
- 14. a) Will privatization of collection of house tax and other taxes and duties lead to increase in revenue?
 - b) If this Service is privatized, how should it be regulated so as to avoid harassment of public?
- 15. a) Should house tax be levied on Commercial establishments in rural areas at a uniform rate?
 - b) Should house tax be levied on commercial establishments in urban areas at a uniform rate?

➤ **WATER SUPPLY AND SEWERAGE**

16. One of the core function assigned to ULBs is water supply and sewerage. In Haryana this function has been taken over by the Public Health Deptt. for operation, maintenance and augmentation.
- a) In your opinion, should it remain with the Public Health Deptt. or given back to Urban Local Bodies?
 - b) If it remains with Public Health Deptt., are you satisfied with the level of service being provided?
 - c) In case, it is transferred to ULBs, would it adversely affect the level of service being provided?
17. a) Should full cost of operation and maintenance of water supply and sewerage be recovered from all consumers?
b) If not, what portion should be recovered from economically weaker section and who should bear the resultant loss, other consumers through cross-subsidization or the general municipal budget?
18. Should any portion of capital cost of water supply and sewerage projects be recovered from the consumers and if so, how much?
19. What measures would you suggest to :
- a) Effect economy in operation and maintenance expenditure on water supply & sewerage, and
 - b) Avoid wastage of water?
20. In your view, will privatization of operation and maintenance of water supply and sewerage, sanitation and solid waste management and other services result in reduction of cost and improvement in quality of service?

➤ **DEVOLUTION OF STATE RESOURCES-
METHODOLGY AND APPROACH**

21. What should be the basis for determining the total amount to be transferred from State Govt. to ULBs. and PRs.:-
- a) A proportion of the anticipated revenue deficit by projecting revenue on the basis of historical growth or traditional approach.
 - b) A proportion of normative revenue deficit (i.e. by projecting revenue on the basis of optimum recovery of tax & non-tax revenues)
 - c) Any other basis (please specify)

22. The First and Second State Finance Commissions had recommended devolution of some proportion of net receipts of the following State Taxes to the ULBs and PRIs:
i) Stamp Duty ; ii) Motor Vehicles Tax ; iii) Electricity Duty ; Electricity consumption ; iv) Entertainment Tax ; v) Show Tax.
- a) Should PRIs and ULBs have a share in only these taxes; or
 - b) Should they have a share in the net proceeds from all taxes levied and collected by the State Govt.?
23. As per the Excise Policy of the State, some proportion of State Excise collection goes to PRIs and ULBs. . Like wise, as per section 22 of Local Area Development Tax Act, 2000 (LADT Act), the net proceeds are assigned to PRIs and ULBs. These levies remained out of the ambit of the previous Commissions.
- a) Should these two taxes be brought under the purview of State Finance Commission for making recommendations as to their sharing with PRIs and ULBs?
 - b) If so, please suggest suitable devolution criteria.
 - c) Please also state if such a step would require any amendments in the respective Acts or not?
24. a) What should be the basis for division of the total amount of devolution between rural and urban local bodies?
- b) Should any weightage be given to rural areas because of lower per capita income in rural areas & therefore, lower revenue potential of PRIs? If so, how much?
 - c) On what principles should the amount allocated for ULBs be distributed between Municipal Corporations, Municipal Councils and Municipal Committees or Nagar Panchayats?
 - d) Should the entire amount allocated for PRIs be given to Gram Panchayats?
If not, what percentage should be given to Gram Panchayats, Panchayat Samitis and Zila Parishads?
 - e) Should certain weightage be given to ULBs & PRIs located in recognized backward areas, sub mountainous, border areas etc.? If so, how much?
 - f) Can you suggest any other basis on which the local bodies with lower resource base or higher expenditure responsibilities may be given some weightage in allocation?

25. The First and Second State Finance Commissions had recommended untied per capita development grants for PRIs and ULBs to be worked out on the basis of latest census population figures. The interse distribution of per capita grants among various districts, in case of PRIs, was to be made on the basis of formula adopted for decentralized planning which takes into account the relative economic level of the districts. In case of ULBs, financial status of municipal bodies was to be taken as the basis for interse distribution. **It has been felt that this economic criteria tends to reward the weak and backward local bodies which are slack in collection of taxes and to adversely affect those local bodies with better tax efforts and prudent financial management.**
- a) In your opinion, should this system of per capita grants be continued as per the existing pattern? Or should the economic criteria of distribution of per capita grants be replaced by some other suitable criteria. If so, make suggestions.
 - b) Should it be replaced by a system of incentive grants by providing an inbuilt system for better performance by the local bodies with a view to improve their efficiency as also inculcate a spirit of competition among local bodies.
 - c) In the latter case, can you suggest a suitable scheme for such incentive grants?
26. Should the funds flowing to urban and rural areas for civic facilities from different State Govt. departments, Centrally Sponsored Schemes, District Rural Development Agency, Rural Development Board, Marketing Board, Urban Development Agency, State Components Grants, World Bank assisted projects etc., be taken into consideration while determining amounts to be transferred by devolution of taxes and grants?
27. Should disbursement of development grants by the State Govt. and other Agencies be left entirely to discretion or should any principles be evolved for regulating release of these grants?

➤ **GENERAL-ULBs/PRIs**

28. a) Do you think privatization of construction of civil infrastructure like roads, bridges and flyovers, streets, water supply and sewerage etc. will lead to lower costs, reduce construction period and improve quality of work?

- b) In your view, will privatization of more functions and services performed by Urban Local Bodies lead to reduced expenditure and improved performance?
29. In your view, which are the other areas where savings can be affected in municipal expenditure through streamlining functioning and improving supervision, etc. and how?
30. In your view what measures may be adopted to slow down the growth of population in the cities by migration from rural areas with consequent pressure on infrastructural facilities in the cities?
31. What measures would you suggest should be taken by ULBs to check the growth of slum, provision of alternative accommodation for the slum dwellers and improvement of basic civic amenities in slum areas?
32. a) Do you think that ULBs are over- staffed?
 b) If so, please suggest specific measures for reduction of staff to reasonable levels.
 c) Do you think that ULBs have adequately qualified staff to implement development projects?
 d) Do you think ULBs staff requires training, particularly in accounting and town planning?
- 33.a) Are the present administrative and disciplinary powers vested in the ULBs and PRIs in respect of provincialized cadre employees adequate?
 b) If not, to what extent these powers need to be enhanced to ensure more effective functioning of PRIs and ULBs?
- 34.a) Are ULBs taking adequate measures to check air and water pollution?
 b) If not, what measures need to be taken by them in this regard?
35. Corruption affects the financial position of ULBs and PRIs adversely through leakage of revenue & wastage of expenditure. Can you suggest some effective measures for reducing corruption in these bodies?
36. Auditing and Accounting are important and essential areas in which local bodies need to develop their capacities. Can you suggest any changes in the present accounting and audit arrangements and procedures in ULBs and PRIs to ensure transparency and effective control over expenditure & income?

37. The State Finance Commission is a constitutional body which works as an arbiter in correcting vertical imbalances in the financial administration of local bodies. But the scope of Terms Of Reference of the State Finance Commission seems to be limited to certain extent. **It has been argued that the SFC should be mandated to have authority to review and comment on the economic and administrative efficiencies of the state.**
- a) Do you agree with the above argument?
 - b) If so, suggest measures for improving state efficiencies for consideration of the commission.
38. Any other points (s), that you wish to mention relevant to the Terms Of Reference of the Commission. (A copy of the Notification is enclosed).
39. Would you also like to explain your views personally to the Commission? (The Commission will not be able to reimburse any travel and boarding related costs/expenses)

