

APPENDIX A
TAX POWERS OF THE PANCHAYATS

Under their respective Acts the village panchayats of all the states have been empowered to levy and collect certain taxes. The tax powers of the panchayats and the nature of the taxes in some of the States are briefly described as follows:—

ASSAM

The rural panchayats of Assam have been empowered to levy a large number of taxes. Under the Assam Panchayats Act, there is no obligatory panchayat tax. The panchayats may levy any of the following tax or taxes:—

- (1) A tax on the land revenue payable to the Government at a rate not exceeding one anna per rupee of such revenue. In permanently settled areas this tax is leviable at a rate not exceeding one anna per standard Bigha.
- (2) A tax on uncultivated cultivable land (other than fallow land).
- (3) A tax on buildings leviable on occupied residences payable by the owner at the first instance and assessed at the following uniform rates:
 - (a) Residence of less than 250 sq. ft.—No tax.
 - (b) Residence of more than 250 sq. ft. and less than 550 sq. ft.—Rs. 2 per annum.
 - (c) Residence exceeding 550 sq. ft.—Rs. 10 per annum.
- (4) A marriage tax, *i.e.*, a tax on the entertainment of guests payable by the entertainer at a marriage festival at a rate not exceeding one rupee for every five adult guests entertained.
- (5) A health tax at a uniform rate not exceeding Rs. 5 per annum payable by the occupiers of houses.
- (6) A water tax not exceeding Rs. 2 per annum payable by the occupier of each house.
- (7) A firewood tax, *i.e.*, a tax for collecting firewood for domestic consumption from a panchayat reserve at a uniform rate of Rs. 5 per annum.
- (8) An education tax at a uniform rate not exceeding Rs. 5 per family.
- (9) A tax for cattle welfare purposes not exceeding Rs. 5 per annum per family.
- (10) A tax on boats at a rate not exceeding Rs. 6 per annum per boat.
- (11) A tax on cycles at a rate not exceeding Rs. 3 per annum for each cycle.

- (12) A tax on carts at the following maximum rates:
- (a) carts used for agricultural purposes.... Rs. 6 per annum per cart.
 - (b) carts used for business purposes.... Rs. 12 per annum per cart.
- (13) A labour tax involving the rendering of manual labour on able-bodied males between 18 years and 40 years of age for not more than 36 days (i.e., 216 hours) in a year or for more than three days at a stretch. The labour tax is commutable into cash at double the rates of wages as determined by the panchayats.

The panchayat taxes of Assam are subject to the rules and bye-laws framed by the State Government. The imposition of taxes requires the approval of the State Government before they are levied.

BIHAR

The panchayat taxes of Bihar have been classified into "compulsory" and "supplementary" (optional) taxes.

There are two compulsory taxes, viz:

- (1) Tax payable by persons owning immovable property.

This tax is assessed on families in the following manner:

The panchayat executive makes annual valuation of immovable property of each family. Then the budget estimate of the property tax is divided by the total valuation of the panchayat and multiplied by 100 to get the incidence of tax per cent. of valuation per annum.

- (2) A labour tax involving the rendering of manual labour by all able-bodied males between 18 years and 50 years of age for a prescribed number of units of labour. The minimum tax is twelve units of labour per annum commutable into cash at the rates of wages prevailing in the village and determined by the *Mukhiya* (President). This tax is assessed and levied as follows:

The panchayat executive estimates the total requirements of labour units for the year. The total labour units required are divided by the total number of taxable male adults in the panchayat to arrive at the tax units of labour per person. The labour tax per family is arrived at by multiplying the taxable persons of a family by the *per capita* labour-tax-units levied.

The "supplementary" or the optional taxes are:—

- (1) A tax on professions, trades and callings (with the previous sanction of the State Government). This tax is graded on the basis of annual turnover and is subject to the maximum of Rs. 50 per annum.
- (2) A tax on vehicles, pack animals and porters bringing goods for sale into the village.

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| (3) Water rate | } | Where service provided by
the gram panchayat. |
| (4) A latrine tax | | |
| (5) A lighting rate | | |
| (6) Drainage fee | | |
| (7) A pilgrim tax (if approved by the Government) | | |
| (8) Any other tax, toll or rate approved by the Government. | | |

The Bihar Panchayat Act contains a further provision that an emergency tax may be levied by the panchayat executive on the occurring of an emergency. The levy of this tax requires that the emergency should be reported to the Government immediately and when the emergency ceases to exist, the emergency tax has also to be withdrawn.

Yet another important provision governing Bihar panchayat taxation is that no tax, toll or rate can be levied by the panchayat if such tax, toll or rate had already been levied by the district board in that area. The tax powers of the panchayats are subject to the rules and orders passed by the Government from time to time.

WEST BENGAL

In West Bengal there are no panchayats but their equivalent viz., union boards. The Government of West Bengal proposes to replace the union boards by village panchayats. At present the only tax levied by the union boards is the union rate. The rate is imposed on owners or occupiers of buildings within the union and assessed on the circumstances and property of the persons liable to pay the rate. The amount of the rate to be realised during a particular year depends upon the annual estimated expenditure of the board. The maximum amount of the rate assessed upon an individual rate-payer is Rs. 84 per annum. Exemptions from the rate may be granted by the board on grounds of poverty. Besides, the union rate, tolls are levied by a few union boards. Such union boards, however, are exceptions rather than the rule.

BOMBAY

The village panchayats of Bombay are under a statutory obligation to levy at least two taxes. One of the obligatory taxes has to be a tax on houses and lands (not liable to agricultural assessment). The tax may be assessed either on the capital valuation of the buildings and lands or on the rental value of the buildings and lands. A maximum rate of eight annas per Rs. 100 of capital valuation of fifteen per cent. of the annual rental value has been prescribed for this tax. The other obligatory tax may be selected out of the following taxes which otherwise are optional taxes of the panchayats:—

- (1) Octroi.—Octroi is levied on building materials, cloth, coal, oil-seeds, hosiery goods, kerosene oil and other oils (coconut, groundnut, castor oil), betelnuts and dates, cigarettes, spices, sugar, tea, coffee, etc. The maximum rates of the octroi duty for different classes of goods and commodities have been prescribed under the rules.

- (2) *Tax on fairs and festivals.*—This tax is assessed on shops, booths and stalls, cinemas and circuses, etc., at rates whose maxima have been prescribed.
- (3) *A pilgrim tax.*—The maximum rate of the tax is six annas per pilgrim.
- (4) *Tax on sale of goods.*—This tax is based on the size of the plots of lands occupied by shop-keepers or it is based on the quantity of goods exposed for sale (for example baskets, head-loads, gunny-bags and carts).
- (5) *A tax on marriages, adoptions and feasts.*—These taxes are graded into four classes and a maximum rate has been fixed for each class of marriage, adoption or feast.
- (6) *A tax on shops and hotels.*—This tax is a sort of profession tax.
- (7) Tolls on vehicles and animals.
- (8) Any other tax (not being a toll on motor vehicles) which the State Legislature has power to impose, subject to the approval of the district local board and sanction of the State Government.

UTTAR PRADESH

In Uttar Pradesh panchayats may levy any of the following permissible taxes:—

- (1) Taxes on the land revenue or rent of land at rates not exceeding the maxima prescribed for different classes of tenancy rights in the Act.
- (2) A tax on trades, callings and professions at rates not exceeding the maxima prescribed. Grain, cloth, sugar merchants and sugar refineries (other than sugar factories), employees of mills and factories and persons carrying on any other trade determined by a prescribed authority may be subjected to pay this tax which is assessed on the annual income of their trade, calling or profession. Income below Rs. 500 per annum has been exempted from the tax.
- (3) A tax on buildings owned by persons who do not pay any of the aforesaid taxes not exceeding a minimum rate of five per cent. of their annual rental value.

The imposition of the taxes requires due notification and the final approval of a prescribed authority. Elaborate rules have also been laid down in respect of assessments, collection and exemptions of the panchayat taxes.

PUNJAB

In this State, village panchayats are under a statutory obligation to levy a house tax payable by the occupier, and in case where a house is vacant, by the owner of such building.

A gram-panchayat may, with the previous permission of the Director of Panchayats, impose a special labour tax on the adult.

male members of the sabha-area for the construction of a public work of general utility to the inhabitants. Voluntary labour is acceptable in lieu of this tax if approved by the panchayat. In case of an emergency, rendering of manual labour may be made compulsory and without the option of payment in cash.

No other tax has been specified in the Panchayat Act but a general provision has been made that a gram panchayat may, with the previous sanction of the Government, levy any other tax which the Legislature of the State has power to impose.

A panchayat may grant exemptions to any person or class of persons from payment of any tax subject to the prescribed restrictions on this power. It has also been provided in the Act that if the gram panchayat fails to impose the compulsory tax, the Government may take necessary steps to see that the tax is imposed.

MADHYA PRADESH

There are three compulsory panchayat taxes in this State viz..

- (1) A cess on land revenue or rent of land at the rate of six pies in the rupee.
- (2) A tax on all buildings and non-agricultural lands within the gram panchayat area payable by the occupier and where there is no occupier, by the owner. The rates of this tax and the methods of its assessment are to be prescribed by the Government. The Government may also provide an exemption limit in respect of this tax.
- (3) A tax on persons practising any profession, trade or calling within the gram panchayat area. The rate of this tax may be prescribed by the Government.

Besides the above compulsory taxes, there are the following permissible taxes open to the panchayats:

- (1) Tolls on vehicles, pack animals and porters bringing goods for sale into the gram panchayat area.
 - (2) A tax payable by the owners of animals used for riding, driving, draught or burden or of dogs or pigs kept within the gram panchayat area.
 - (3) A water rate
 - (4) A lighting rate
 - (5) A drainage fee
- } Where service is provided.
- (6) A labour tax involving the rendering of manual labour on works of public utility undertaken by the gram panchayat. This tax is commutable into cash at rates determined by the gram panchayat. It is also permissible to get the labour contributed through a proxy.
 - (7) Any other tax, toll, fee or rate approved by the State Government.

The tax powers of the panchayats are subject to rules framed by the Government under the Act. The imposition of the optional taxes requires 2/3rds majority of the panchayat executive and the approval of the district council (Janapada sabha). None of these taxes, if already imposed by the district council in the panchayat

area, can be levied by the panchayats. It has further been provided that if, in the opinion of the district council, the income of a gram panchayat is or is likely to be inadequate for the discharge of any of its duties, the district council may require the gram panchayat to increase its income to the extent considered necessary by the council. In case of the gram panchayat's failure, the district council may require the panchayat to levy or increase any tax, toll or fee. The gram panchayat may make an appeal against such order to the Government whose decision is final.

ORISSA

The permissible panchayat taxes and the tax powers of the panchayats in this State are almost identical with those of Madhya Pradesh. In this State the compulsory property tax is to be assessed according to the circumstances and property of the owners or occupiers of buildings and properties situated within the area of the gram sabha. As regards the labour tax, the Orissa Panchayat Act has prescribed a maximum of four days labour per person per annum or two days labour at a stretch. The profession tax in Orissa is subject to a maximum of Rs. 50 per annum.

The powers with respect of panchayat taxation which in Madhya Pradesh vest with the district councils, vest in Orissa, with the Registrar of Co-operative Societies. The other tax powers and limitations of Orissa Panchayats are the same as in the case of Madhya Pradesh.

MADRAS

The Madras Village Panchayats Act 1950 has provided that every panchayat shall compulsorily levy the following taxes:—

- (1) *House Tax*: This tax is assessable on the basis of capital value or rental value or plinth area measurements.
- (2) Profession tax assessable on the basis of the annual income of the persons liable to pay the tax.
- (3) Vehicle tax leviable on vehicles (other than motor vehicles), carts and cycles.

The State Government has laid down the minimum and maximum rates in respect of the above compulsory taxes. Besides the above compulsory taxes, the panchayats may also levy any of the following taxes:—

- (1) Land cess at the rate of three pies in a rupee of the land revenue paid. It may be levied in addition to the compulsory land cess levied in every district at two annas in the rupee of which, one-fourth is credited to the panchayat of the village concerned and the balance to the district board.
- (2) A tax on agricultural lands. It may be levied for specific purposes as watch of crops, construction of a bridge, etc.

There is no statutory provision for an independent labour tax in Madras. The Madras Village Panchayat Act, however, contains a provision for the prescription of rules as to the acceptance of manual labour in lieu of any tax due under the Act.

HYDERABAD

The village panchayats of Hyderabad are empowered to levy any or all of the following taxes:—

- (1) A tax on the capital value of buildings situated in the village; minimum tax on any building being four annas and the maximum Rs. 5 per annum.
- (2) A tax on the sale of goods other than newspapers not coming within the purview of the general sales tax.
- (3) A tax on premises where industries are carried on by the use of oil, steam or electrical energy. Under the village panchayat rules, this tax is to be levied at the following rates:—

Upto 10 horse power—Rs. 10 per annum.

Upto 25 horse power—Rs. 30 per annum.

Upto 35 horse power—Rs. 60 per annum.

Above 50 horse power—Rs. 100 per annum

- (4) With the sanction of the Government, any other tax specified in the List II of the Seventh Schedule to the constitution. Under this general provision, the panchayat rules permit the panchayats to levy the following taxes in addition to those specified above:—

(1) Tax on vehicles and animals.

(2) Pilgrim tax leviable at the rate of annas four per adult and annas two per child.

(3) *Barbardari* toll.

(4) Entertainment tax (theatre tax).

(5) General water tax.

(6) Tax on transfer of immoveable property at the rate of Rs. 2 per Rs. 100 of the property under transfer.

One of the provisions of the Act lays down that the panchayat may, with the consent of the tax payer, commute the payment of any tax into a contribution of labour not exceeding ten days' labour in a year at such intervals, for such period of time, and on such condition as may be prescribed.

The Act enjoins that the proposal to levy, vary, suspend or cancel a tax must be passed by at least 2/3rds majority of the panchayat's executive in a meeting specially convened for the purpose. The resolution so passed further requires the approval of the Government before it can be put into effect.

MYSORE

The list of panchayat taxes of Mysore consists of obligatory and optional taxes. The obligatory taxes are:—

(1) A house tax.

(2) A tax on vacant sites.

(3) A tax on shops and places of business.

(4) A tax on carts.

The optional taxes are:—

- (1) A profession tax (with the sanction of the Commissioner).
- (2) A tax on Shandies, fairs and festivals. (The imposition of this tax is subject to a majority of not less than 2/3rds of the total members of the panchayat).
- (3) A village improvement tax commutable into a contribution of labour.

The Mysore Village Panchayats and District Boards Act of 1952 provides detailed tax schedules in respect of the taxes. These taxes have been graded so as to make them progressive. The maximum rates of different classes have also been prescribed in the schedules. All these taxes are subject to rules made by the State Government. There is a further provision in the Act that if at any time, in the opinion of the Deputy Commissioner, the regular income of the panchayat falls below what is necessary for the proper discharge of its obligatory duties, the Deputy Commissioner may call upon the panchayat to take steps within six months to increase its income to such an extent as may be considered necessary. If the Panchayat fails to take adequate steps to increase its income to the required amount, the Deputy Commissioner may require it to increase the rate or rates of any of the obligatory taxes. An appeal against the order of the Deputy Commissioner lies with the Commissioner.

MADHYA BHARAT

The panchayat taxes of this State have also been classified into compulsory and optional ones. The former class of taxes comprise the following:—

- (1) Taxes on land revenue or rent of land at six pies per rupee of such land revenue or rent.
- (2) A tax on owners of buildings if such an owner has not been subjected to any of the taxes leviable under (1) above.
- (3) A labour tax on males of 21 years to 50 years of age involving the rendering of manual labour for five days (40 hours) per annum. This tax is commutable into a cash payment at the rate of double the daily wages determined by the gram panchayat.

The optional taxes are:—

- (1) A tax on vehicles and draught cattle.
 - (2) A tax on the owners of pack-animals, dogs and pigs.
 - (3) A water tax.
 - (4) A lighting tax
 - (5) Any other tax, rate or fee with the sanction of the Government.
- } Where the service is provided by
} the gram panchayat.

There are a few interesting provisions in the Panchayats' Act of this State. The Act provides that any of the taxes may be paid in kind or labour with the approval of gram panchayat. The yield from the compulsory taxes (except the labour tax) has to be divided equally between the gram panchayat, the kendra panchayat and the mandal panchayat. As regards the optional taxes the rule is

that the entire yield from an optional tax shall accrue to the gram panchayat if the tax is levied by the panchayat. If the tax is levied by the kendra panchayat the yield shall be divided in equal proportions between the kendra panchayat and the gram panchayat. If the tax is levied by the mandal panchayat the yield shall be divided equally between the mandal, the kendra and the gram panchayat. In case of a clash of tax jurisdiction between two or more panchayat authorities the jurisdiction of the higher authority would prevail over the lower ones.

PEPSU

The PEPSU Panchayat Raj Act provides for obligatory and optional taxes. The obligatory taxes are enumerated below:

- (1) A profession tax on persons exercising any profession art or calling (other than agriculture) or carrying on any trade or business in the sabha area.
- (2) A health tax.
- (3) A tax on any person on the birth of his male child.
- (4) A tax on the marriage of a male person.
- (5) If so authorised by the Government, a tax on transfer of property in the form of a surcharge on the duty imposed by the Indian Stamp Act, 1899, on instruments of sale, gift and mortgage with possession of immovable property situated in the sabha area at such rate as may be fixed by the Government not exceeding two per cent. on the value of the property or the amount secured by the mortgagee as set forth in the instrument.
- (6) A labour tax involving the rendering of manual labour in the sabha area by all able-bodied males between the prescribed age-limits for a prescribed number of units of labour. Manual labour is commutable into cash payment equal in value to double the wages of labour to be calculated in accordance with the rates of wages prevailing in the village as determined by the panchayat.
- (7) Any other tax which the legislature of the State has power to impose, if so authorised by the Government.

The Optional taxes are three: viz.,

- (1) A tax on vehicles,
- (2) A tax on animals, and
- (3) A tax on pack animals.

All the panchayat taxes are subject to general or special rules and orders of the Government regulating the rates of taxes, collections etc. Panchayat may grant exemption to any person or class of persons from the payment of any tax with the sanction of the Director.

VINDHYA PRADESH

The tax powers of the village panchayats of Vindhya Pradesh are identical with those of Uttar Pradesh and hence need not be repeated.

SAURASHTRA

All the panchayat taxes of Saurashtra are permissible ones. The panchayats may levy any of the following taxes:—

- (1) Tax upon the owners or occupiers of the houses including farm building whether or not subject to payment of agricultural assessment and not lands which are not subject to payment of agricultural assessment within the limits of the village.
- (2) Tax on markets, fairs, festivals, entertainments.
- (3) Octroi.
- (4) Tax on vehicles and wheels.
- (5) Tax on shops and hotels.
- (6) General sanitary cess.
- (7) Special sanitary cess.
- (8) Tax on bazaars and auctions.
- (9) Toll on animals and vehicles.
- (10) Tax when a gram panchayat makes a supply of water.
- (11) Any other tax, cess, lagoon, latrines due or fee which the Government may direct.

The Act, provides that the taxes would be imposed at such rates and in such manner and subject to such exemptions as the Government may prescribe. The tax payer has been given the option to pay the taxes either in cash or in kind or by rendering manual labour in the manner prescribed by the Government. The Government have also assumed the power to effect reduction or increase or to make modification of any kind with regard to any tax and to issue order to panchayats for due enforcement thereof. The imposition of any tax or fee or the reduction of the rates of the taxes requires the consent of the Government and the Government may direct the panchayats to adopt any course of action while according such consent.

HIMACHAL PRADESH

The Himachal Pradesh Panchayats Act of 1953 specifies only one tax, viz., a local rate at the rate of twenty per cent. of the land revenue. Besides this rate, the Act makes a general provision that a gaon sabha may impose any such taxes as may be approved by the State Government and in such a manner as may be prescribed. Where any person liable to pay any tax is in default of making a payment, the panchayat which imposes the tax is empowered to direct that in addition to the amount of arrears, a sum at the rate of five per cent. of the amount of the arrears for every day of default not exceeding the amount of the arrears shall be recovered from him by way of penalty, provided that the penalty may be waived by the panchayat imposing the tax.