



REPORT OF EXPERT COMMITTEE ON OSR OF RURAL LOCAL BODIES

MINISTRY OF PANCHAYATI RAJ
Government of India



Panchayati Raj



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सत्यमेव जयते

MINISTRY OF PANCHAYATI RAJ
Government of India

Designing and Printing by:

Maa Kalinka Enterprises Contact No. 9818324228, 9868218307

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MINISTER OF
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KRISHI BHAWAN, NEW DELHI

संदेश

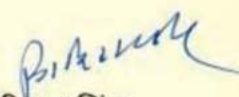
पंचायती राज प्रणाली स्थानीय स्वशासन की एक अनूठी पारंपरिक प्रणाली के रूप में हमारे देश में विकसित हुई है। इसकी जड़ें हमारे देश के लंबे इतिहास और संस्कृति में रची बसी हैं, जो हम सभी के लिए गर्व की बात है। भारत के संविधान के 73वें संशोधन के माध्यम से पंचायतों को एक संवैधानिक दर्जा दिया गया और पंचायतों के तीन स्तरों अर्थात (i) ग्राम स्तर पर ग्राम पंचायत (ii) ब्लॉक/सब-डिवीजन/तालुक/मंडल स्तर पर मध्यवर्ती पंचायत और (iii) ग्रामीण क्षेत्रों के लिए जिला स्तर पर एक समान संरचना प्रारम्भ हुई। संविधान का अनुच्छेद 243जी पंचायतों को आर्थिक विकास और सामाजिक न्याय के लिए योजनाएं तैयार करने और लागू करने का अधिकार देता है। पंचायतों को अपने भौगोलिक क्षेत्र के भीतर केंद्र और राज्य सरकारों की ऐसी सभी योजनाओं को अभिसरित और एकीकृत करके विकास के उद्देश्यों को प्राप्त करना है।

कई राज्यों/केंद्र शासित प्रदेशों में ग्रामीण स्थानीय निकायों (आरएलबी) का अपना राजस्व स्रोत सीमित है और पंचायतें काफी हद तक केंद्र और राज्य सरकारों से धन के हस्तांतरण और केंद्रीय वित्त आयोग (सीएफसी) के अवार्ड/निर्णयों पर निर्भर करती हैं। भारत के माननीय प्रधान मंत्री द्वारा निर्धारित आत्मनिर्भर भारत के दृष्टिकोण को प्राप्त करने और सतत विकास सुनिश्चित करने के लिए, ग्रामीण स्थानीय निकायों के लिए अपने स्वयं के राजस्व स्रोत सृजित करना आवश्यक है।

इस तथ्य को ध्यान में रखते हुए, पंचायती राज मंत्रालय ने ग्रामीण स्थानीय निकायों (आर.एल.बी.) के स्वयं के राजस्व स्रोत (ओ.एस.आर) की स्थिति का अध्ययन करने और ओएसआर के संवर्धन के उपायों की सिफारिश करने के लिए एक विशेषज्ञ समिति का गठन किया है। विशेषज्ञ समिति द्वारा तैयार की गई यह रिपोर्ट ग्राम पंचायतों, मध्यवर्ती पंचायतों, जिला पंचायतों के निर्वाचित सदस्यों, राज्य सरकार के प्रतिनिधियों, प्रशिक्षण संस्थानों, केंद्रीय मंत्रालयों और विश्व बैंक, यूएनडीपी और यूनिसेफ जैसे अंतर्राष्ट्रीय निकायों के हितधारकों के साथ गहन और व्यापक परामर्श की प्रक्रिया के माध्यम से विकसित की गई है।

मुझे आशा है कि रिपोर्ट में की गई सिफारिशों से पंचायती राज संस्थाओं के स्वयं के राजस्व स्रोत में वृद्धि प्राप्त करने के प्रयासों को बढ़ावा मिलेगा। रिपोर्ट में साझा की गई सफलता की कहानियां देश भर की पंचायतों के मध्य विचारों के क्रॉस पोलिनेशन/वितरण में भी मदद करेंगी। सफलता की इन कहानियों को साझा कर मुख्यधारा में लाया जाएगा और अन्य पंचायतों को शिक्षित और प्रेरित करने के लिए एक नियमित अभ्यास/कार्य के रूप में अपनाया जाएगा।

चूंकि पंचायती राज मंत्रालय विषयगत योजना (Thematic Planning) के विचार को बढ़ावा दे रहा है, मेरा मानना है कि ग्रामीण स्थानीय निकायों के राजस्व के अपने स्वयं के स्रोत जमीनी कार्यान्वयन सुनिश्चित करने तथा पारदर्शिता और जवाबदेही को बढ़ावा देने के लिए एक महत्वपूर्ण वित्तीय तंत्र के रूप में काम करेंगे।


(गिरिराज सिंह)

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पंचायती राज मंत्रालय
भारत सरकार



75
आज़ादी का
अमृत महोत्सव

KAPIL MORESHWAR PATIL
MINISTER OF STATE
MINISTRY OF PANCHAYATI RAJ
GOVERNMENT OF INDIA



संदेश

भारत ने अपनी स्वतंत्रता के 75 वर्ष पूरे कर लिए हैं, इस अवसर पर यह कहना उचित होगा कि पंचायती राज व्यवस्था ने लोकतंत्र और स्थानीय स्वशासन के संवैधानिक मूल्यों की आधार शिला के रूप में कार्य किया है। पंचायती राज संस्थान समय की कसौटी पर खरे उतरे हैं और मनरेगा, स्वच्छ भारत मिशन, जल जीवन मिशन, पीएम-जन आरोग्य योजना, भारतनेट इत्यादि योजनाओं ने देश के ग्रामीण क्षेत्रों में परिवर्तनकारी कार्यक्रमों को पर्याप्त रूप से सक्षम बनाया है। इन कार्यक्रमों के तहत धन का महत्वपूर्ण उपयोग हुये है जिसने पंचायतों को सामाजिक-आर्थिक विकास सुनिश्चित करने के लिए सशक्त बनाया है। कोविड महामारी ने देश के सम्मुख उस शक्ति को प्रकट कर दिया है जो शासन की एक इकाई के रूप में पंचायतों के पास उपलब्ध है और इसने विकास और प्रशासन में नवीन सोच को प्रेरित किया है। ग्रामीण स्थानीय निकायों की उद्यमशीलता की भावना को प्रभावी ढंग से उपयोग करने के क्रम में राजस्व के स्वयं के स्रोत सृजित करने के लिए एक अनुकूल नीतिगत पारिस्थितिकी तंत्र बनाना आवश्यक है।

ग्राम पंचायतों की सक्रिय भागीदारी के बाद, ग्रामीण स्थानीय निकायों के वित्तीय आधार में सुधार करने के लिए, केंद्रीय और राज्य वित्त आयोग स्थानीय निकायों के ओएसआर को बढ़ाने की दिशा में कई सिफारिशें करते रहे हैं ताकि केंद्रीय एवं राज्य सरकारों द्वारा उन्हें प्रदान किए गए अनुदानों को अनुपूरित किया जा सके। यह भी देखा गया है कि सामूहिक संपत्ति संसाधनों (कॉमन प्रॉपर्टी रिसोर्सेज) का कम उपयोग किया जाता है। वित्त आयोग ने अन्य बातों के साथ-साथ यह भी पाया है कि ग्रामीण स्थानीय निकायों के लिए राज्य वित्त आयोगों (एसएफसी) और केंद्रीय वित्त आयोगों द्वारा अनुशंसित कदम उठाकर अपने स्वयं के स्रोतों से राजस्व में सुधार करने की काफी गुंजाइश है। इसलिए राज्यों को पंचायत स्तर पर संसाधनों को और बढ़ाने के लिए केंद्रित उपाय करने की आवश्यकता है।

मंत्रालय ने ग्रामीण स्थानीय निकायों के लिए अपने स्वयं के राजस्व स्रोत में वृद्धि के लिए एक रिपोर्ट का मसौदा तैयार करने के लिए एक विशेषज्ञ समिति गठित की थी। विशेषज्ञ समिति द्वारा सौंपे गये इस रिपोर्ट का उद्देश्य पंचायतों की वित्तीय स्वतंत्रता की दिशा में आगे बढ़ना है। इस विशेषज्ञ समिति की रिपोर्ट में ओ एस आर के संवर्धन के लिए विशिष्ट रणनीतियाँ, समग्र सिफारिशें, ओ.एस.आर. के संवर्धन के संबंध में राज्य वित्त आयोग की सिफारिशों के लिए दिशा निर्देशों का व्यापक ढांचा है। इस विशेषज्ञ समिति की रिपोर्ट में पंचायती राज मंत्रालय (भारत सरकार), राज्य सरकारों, ग्राम पंचायतों, मध्यवर्ती पंचायतों, जिला पंचायतों को ओ.एस.आर. बढ़ाने के लिए विशिष्ट सिफारिशें भी हैं। इसमें ओ.एस.आर. बढ़ाने के संबंध में पंचायतों के लिए कार्रवाई बिंदु भी शामिल हैं। पेसा क्षेत्रों में पंचायतों के लिए और गैर-भाग IX क्षेत्रों में पंचायत जैसी संस्थाओं के लिए भी विशिष्ट सिफारिशें हैं।

मुझे पूरा विश्वास है कि यह रिपोर्ट राज्य सरकारों के लिए नीति निर्माण और पंचायतों के लिए राजस्व के अपने स्वयं के स्रोत बनाने के लिए एक सक्षम पारिस्थितिकी तंत्र तैयार करने हेतु एक महत्वपूर्ण संदर्भ के रूप में काम करेगी।


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Foreword

Panchayats have been unique part of Indian culture and civilization. The Constitution of India mandated Panchayats to plan for economic development and social justice. Moreover, Panchayats have been performing various activities such as providing basic services of water, sanitation, education etc. There is accelerated growth in the expectation from Panchayats. However, due to lack of adequate financial resources they are not able to perform to the extent of their potentialities and in terms of expectations of the rural population. Hence, there is urgent need for the augmentation of their Own Source Revenue for Rural Local Bodies. Currently, substantial parts of the grants given to Panchayat are tied funds which can be spent for specific mentioned purpose only such as in this 15th Finance Commission 60% of the funds are reserved for water & sanitation. Therefore, it is important to put emphasis on OSR so that Panchayats can have additional untied resources at their disposal to cater to unfulfilled needs of the rural population.

The Ministry of Panchayati Raj constituted an Expert Committee under the chairmanship of Dr. Bala Prasad, Ex Special Secretary, MoPR, Government of India for making recommendation for the augmentation of the OSR of Panchayats including those in peri-urban areas and near to national and state highways.

I expect that these recommendations will serve as a framework for RLBs and State Governments to augment their OSR. The report asserts that the OSR may grow to around Rs. 1 Lakh Crore gradually increasing over eight years from Rs. 5000-6000 Crore and may inculcate requisite capability in Panchayats to take much needed activities to fulfill its responsibilities. I am hopeful, that augmented OSR from measures as recommended by the Committee will provide required capability to the RLBs to promote localisation of SDGs

I would like to congratulate Dr. Bala Prasad, Former Special Secretary and the Expert Committee members for their contribution and committed effort in writing this excellent report. I also thank the Central Ministries, State/UT Governments, World Bank, UNDP, UNICEF, elected representatives of RLBs and NIRD&PR for their valuable contributions and suggestions.


 14/4/23
 (Sunil Kumar)

डॉ. चन्द्र शेखर कुमार, आई.ए.एस.
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Message

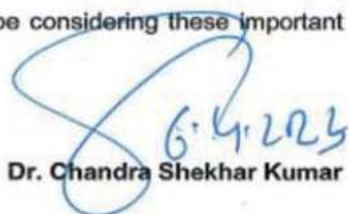
The 73rd Constitutional Amendment has made provisions for devolution of political, administrative and taxation power from State Governments to Panchayats. Article 243G of the Constitution of India empowers State Legislatures to endow Panchayats with such powers and authority to enable them to function as institutions of self-government. The Eleventh Schedule of the Constitution enlists the functions that may be devolved to the PRIs by the State. Article 243H authorizes the Panchayats to levy, collect and appropriate taxes, duties, tolls and fees apart from receiving grant-in-aid from Central and State Governments. Besides, Article 243-I provides for the constitution of State Finance Commission every five years to review the financial position of Panchayats and to recommend ways of implementing the provisions of the Article 243H.

Fifteenth Finance Commission has estimated potential for house tax collection from house tax for Rs. 42,160 Crore for rural areas. However, the actual OSR collected in FY 2019-20 was only 12% approximately and thus, there is a lot of scope for augmentation of the OSR through tax and non-tax sources.

In view of above Ministry of Panchayati Raj, constituted an Expert Committee on OSR of RLBs. The Committee held meetings with different Departments/Ministries of Central Government, concerned officials of State Governments, important institutions such as World Bank, UNDP, UNICEF, elected representatives and officials of Panchayats, SIRDs etc. The Committee also organised a National Workshop on Own Source Revenue for Rural Local Bodies in September 2022 at NIRDPR, Hyderabad for deliberating its draft recommendations and soliciting suggestions on OSR. The Committee also discussed with State Finance Commission, West Bengal at Kolkata and with delegates of National Conclave on State Finance Commission at NIRDPR, Hyderabad.

The Committee has made recommendations for Central Government, State Government and all three tiers of Panchayats along with road map for the implementation. These have been outlined in systematic manner in 9 chapters. Further, in due appreciation of special conditions, recommendations have also been made specific to Panchayats in PESA areas and Panchayats like Institutions in non-part IX areas.

I am expecting that the relevant Departments of State Governments will be considering these important recommendations for augmentation of OSR in RLBs.


Dr. Chandra Shekhar Kumar

डॉ बाला प्रसाद
पूर्व विशेष सचिव
पंचायती राज मंत्रालय
भारत सरकार

Dr. Bala Prasad
Ex. Special Secretary
Ministry of Panchayati Raj
Government of India

PREFACE

We are proud of continuing Panchayati Raj System of India which is an integral part of its culture and civilization. The Constitution of India mandates Panchayats to plan for economic development and social justice. Panchayats provide unique local self-governance and developmental institutions for rural areas. There is accelerated growth in the expectation from Panchayats. They are not able to perform to the extent of their potentialities for fulfilling their mandates and aspiration of their citizens due to lack of adequate financial resources. Therefore, there is urgent need for the augmentation of their own source revenue (OSR). In this context, Ministry of Panchayati Raj, Government of India constituted an Expert Committee for making recommendation for the augmentation of OSR of Panchayats, including those in peri-urban areas and near to National and State Highways.

The Committee interacted with the representatives of Panchayats, important Ministries / Departments of Union Government; State Governments, NIRDPR; important multi-lateral institutions viz. World Bank, UNDP, UNICEF, SIRD etc. The Committee also got organised a National Workshop on "Own Source Revenue for Rural Local Bodies" on 13-14 September 2022 at NIRDPR, Hyderabad for deliberating its draft recommendations and soliciting suggestions on OSR. The draft report of the Committee was also discussed with State Finance Commission, West Bengal at Kolkata on 16-11-2022 and with delegates of National Conclave on State Finance Commission on 30-11-2022 at NIRDPR, Hyderabad. The report of the Committee contains **context of OSR, financial resources of Panchayats, legal framework and State Finance Commission, status analysis and best practices on OSR, recommendations and capacity development framework for the augmentation of OSR in different chapters of this report sequentially.**

From OSR data collected from 30 States and UTs in a comprehensive format, total of OSR in States and UTs was Rs. 4813 Crore for year 2021-22 against total Panchayat Revenue of Rs. 74253 Crore *i.e.* only 6% of total revenue and per capita OSR in rural area is only Rs. 59. **On the basis of comprehensive, quantitative and qualitative analysis the Committee has made recommendations viz. specific strategies, overall recommendations, broad framework of guidelines for recommendation of State Finance Commission and recommendation to Ministry**

of Panchayati Raj, Government of India, to State Governments, recommendations to Gram Panchayats, Intermediate Panchayats, and District Panchayats, action point for Panchayats specific to Panchayats in PESA areas and Panchayat like institutions in non-part IX Areas regarding the augmentation of the OSR. The overall recommendations of the Committee includes orienting States and Panchayats, legal empowerment of Panchayats for collecting OSR, appropriate mechanism for sharing of taxes, e-banking enabled online collection and utilization of OSR, strengthening of State Finance Commissions, tax autonomy for Panchayats, establishing OSR system based on the clear norms and formula, incentivising State Governments and Panchayats for collection of OSR, income from cess or royalty from minor minerals, enabling non-tax measures regarding common property resources (CPRs), use of SVAMITVA in assessing the house tax, activating Finance Standing Committee of Panchayats, IEC initiative on OSR, penalty on non-payment of OSR, higher OSR in peri-urban areas and near to National and State Highways etc.

According to an estimate of the Fifteenth Finance Commission house tax potential for rural areas was Rs.42160 Crore at 2019 prices. Using their calculation the Committee has recommended that the taxes like house/property tax should be collected at the rate used by the Commission for the aforesaid estimate with modification that State Governments may exercise two stage flexibilities, each up to 50% on either side once fixing rate per unit area for the State and another for district/block. The commercial and industrial entities in general and more so for Panchayat in peri – urban area and nearer to national highway should pay property tax more than four and eight times respectively as compared to normal rate of house tax. The collected tax may be shared with all tiers of Panchayats and State Governments in proportion of 84% to be kept with GPs, 10% to Intermediate Panchayats (IPs), 4% to District Panchayats (DPs) and 2% to State Government. Further, proceeds from the auction of common property revenues (CPRs) may be shared with Panchayats and State Government in same proportion as recommended for house/property tax.

This report is expected to set up the road map for the augmentation of OSR of Panchayats and would prove to be a crucial guidance for boosting Panchayat finances in OSR. Hopefully, augmented OSR as recommended by the Committee may inculcate requisite capability in Panchayats to undertake much needed activities to fulfill their mandate and aspiration of respective citizens and thereby be a game changer for transformation of our country in general and rural area in particular.



(Dr. Bala Prasad)
Chairman

Expert Committee on OSR of RLBs

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Acknowledgement

India has a unique Panchayati Raj System for self-governance in rural areas. There is growing aspiration of rural population. Panchayats are facing financial constraints to fulfil these aspirations. Thus, there is an urgent need to enhance Own Source Revenues (OSR) of Panchayats in larger interest of rural people. In this context, the Ministry of Panchayati Raj, Government of India (MoPR) constituted an Expert Committee on Own Source Revenue (OSR) of Rural Local Bodies (RLBs) under the Chairmanship of Dr. Bala Prasad, Ex-Special Secretary, MoPR with members from different institutions and States to review the current status of acts/rules/framework prevalent in the States and Union Territories for enablement of OSR generation by RLBs, suggest broad guidelines on which the SFCs can make recommendations for augmentation of OSR etc.

A comprehensive report by the Expert Committee on OSR of RLBs has been prepared in consultation with various stakeholders.

We feel immense pleasure in expressing our heartfelt regards to Shri Sunil Kumar, Secretary, Ministry of Panchayati Raj for his active support and continuous encouragement during the whole process. We specially convey our sincere gratitude to Dr. Chandra Shekhar Kumar, Additional Secretary, Ministry of Panchayati Raj for his guidance and suggestions.

The Committee would also like to thank Shri Aiav Narain Jha, former member of the 15th Finance Commission and former Finance Secretary to the Government of India for his valuable support and suggestions to the Committee and Shri Manish Gupta, former member of the 13th Finance Commission and Associate Professor at the National Institute of Public Finance and Policy, New Delhi for his inputs for preparation of the report of the Committee.

We would like to convey our appreciation to Dr. Bala Prasad, Ex-Special Secretary, Ministry of Panchayati Raj, for his active and significant contribution as the Chairman of the Expert Committee on OSR of RLBs. We are grateful to Shri Alok Prem Nagar, Joint Secretary, Ministry of Panchayati Raj for his valuable inputs and able support in preparation of the Report.

The Committee would like to appreciate the contribution of Dr. Joy Elamon, DG, KILA and Member of the Committee in the preparation of recommendation of the Committee and Dr. Manoj Panda, Ex Director, IEG for analysis of data collected from the States.

We would like to thank Dr. J B Ekka Principal Secretary, PRD, Assam and Shri Kartikeya Goel Director, PRD, Chhattisgarh for their contributions in writing recommendation for Non-Part IX and PESA area respectively. The Committee would like to appreciate Dr. Pratyusna Patnaik, Associate Professor, NIRD&PR and Dr. G S Ganesh Prasad, SIRD Mysuru for their valuable inputs in Chapter 9 on Capacity Development Framework for Augmentation of OSR and the Committee would also like to thank and for his support in writing Chapter 4 on Legal Framework and OSR respectively. The Committee recognise the efforts made by Dr. Pravina Choudhary Deputy Director, RDPR, Uttar Pradesh for compiling the Success Stories on OSR. We would like to appreciate and thank Smt. Kiran Sharma, Pradhan, Chakmoh GP, Himachal Pradesh for her active participation in Expert Committee meetings and sharing her success story with the Committee. The Committee take this opportunity to extend its special gratitude to Expert Committee members, Prof. V N Alok, Professor Indian Institute of Public Administration (IIPA) and Shri Sushil Kumar Lohani, Principal Secretary, PR, Odisha for their active cooperation and contribution in drafting the report of the Expert Committee.

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We would like to express our gratitude to Department of Rural Development, Government of India; Department of Drinking Water and Sanitation, Government of India; NHM, Ministry of Health, Government of India; Micro, Small & Medium Enterprises (MSME) Government of India; Ministry of Tribal Affairs, Government of India; Department of Agriculture & Farmers Welfare, Government of India; Pradhan Mantri Poshan Shakti Nirman (PM POSHAN), Ministry of Education, Government of India; and Ministry of Development of North-East Region (MDONER), Government of India and Dr. Saurabh Bandyopadhyay, Senior Fellow, The National Council of Applied Economic Research (NCAER) for the presentation and suggestions on the subject.

We would like to extend our special thanks to Shri Sujoy Majumdar, WASH Specialist and Shri Soumen Bagchi, Social Protection Specialist, United Nations International Children's Emergency Fund (UNICEF), India; Dr. Rajni Bajpai, Lead Public Sector Specialist, Governance, World Bank; and Shri Digvijay Singh, Social Protection Specialist, United Nations Development Programme (UNDP) for sharing their valuable inputs. We would like to convey our gratitude to all distinguished representatives for their presentation, significant contribution and active participation during the whole process.

We extend our thanks to Dr. G Narendra Kumar, Director General, NIRD&PR along with Dr. R Chinnadurai and Dr. Anjan Kumar Bhanja from NIRD&PR for helping in organising the workshop on OSR on 13th and 14th September 2022 at NIRD&PR Hyderabad. We would also like to acknowledge the representatives of the States and the Union Territories for making their presentation to the Committee and sharing the OSR details in the required format.

The Committee take this opportunity to extend our special thanks to Dr. Abhirup Sarkar, Chairman 5th State Finance Commission, West Bengal for the important discussion about Own Source Revenue and his valuable suggestions in the meeting held on 16th November 2022. We also thank NIRD&PR for organising national conclave on State Finance Commissions and a dedicated session on "Suggestions of SFC for generating OSR by Panchayat".

The Committee would like to record appreciation to Shri Nilay Kumar Singh, Consultant, MoPR for his outstanding contribution in organising different meetings with stakeholders, providing all support and excellent inputs in different chapters particularly the cases of success stories. The Committee would like to thank Shri G S Krishnan, Consultant, MoPR for providing vital data and preparing of Chapter 3 on OSR.

Finally, we would like to thank the team from Ministry of Panchayati Raj Shri Vijay Kumar, Deputy Secretary MoPR; Shri Kumar Shyamal Parthasarathi, Under Secretary, MoPR; Shri Rahul Kumar Sharma and Prateek Choukikar from Panchayat Informatics Division NIC; MoPR, Shri S. Mohit Rao, Consultant, MoPR, Ms. Priyanka Anand, Sr. Office Assistant, MoPR and Shri Sunil Kumar Stenographer, MoPR, for their contribution in finalising the report. The Committee would like to acknowledge and appreciate the contribution of Smt. Lalita Gandhi, Principal Private Secretary, MoPR for her active role during the whole process of drafting the report.



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List of Abbreviations

BDP	Block Development Plan
BPL	Below Poverty Line
BPDP	Block Panchayat Development Plan
BDOs	Block Development Officers
CBPS	Centre for Budget and Policy Studies
CEO	Chief Executive Officer
CPRs	Common Property Resources
DAY-NRLM	Deendayal Antyodaya Yojana – National Rural Livelihood Mission
DDP	District Development Plan
DPDP	District Panchayat Development Plan
ETC	Extension Training Centre
FC	Finance Commission (Central Finance Commission)
FY	Financial Year
FGD	Focus Group Discussion
GDP	Gross Domestic Product
GP	Gram Panchayats
GPDP	Gram Panchayat Development Plans
GST	Goods and Services Tax
IT	Information Technology
JFM	Joint Forest Management
LBs	Local Bodies
LBT	Land and Building Tax
LGs	Local Governments
LSDG	Localising Sustainable Development Goals
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MoSPI	Ministry of Statistics and Program Implementation
MP	Madhya Pradesh
NCAER	National Council of Applied Economic Research
NIRDPR	National Institute of Rural Development and Panchayati Raj



NSS	National Sample Survey
NSSO	National Sample Survey Office
OBC	Other Backward Class
OECD	Organisation for Economic Co-operation and Development
OSR	Own Source Revenue
PCOSR	Per Capita Own Source Revenue
PCOT	Per Capita Own Tax
PIM	Participatory Irrigation Management
PPC	People's Plan Campaign
PPSWR	Probability proportional to size with replacement
PRI	Panchayati Raj Institution
PRIA	Participatory Research in Asia
PRIT	Panchayati Raj Institute of Training
PRTC	Panchayati Raj Training Center
PS	Panchayat Samiti
RLB	Rural Local Body
SC	Scheduled Caste
SCP	Special Component Plan
SDG	Sustainable Development Goal
SFC	State Finance Commission
SHG	Self Help Group
SIRD	State Institute of Rural Development
SIRDPR	State Institute of Rural Development and Panchayati Raj
SRSWOR	Simple Random Sampling Without Replacement
ST	Scheduled Tribe
SVAMITVA	Survey of Villages and Mapping with Improved Technology in Village Areas
ToT	Training of Trainers
TSP	Tribal Sub Plan
ULB	Urban Local Body
VPRP	Village Poverty Reduction Plan
WATI	Web-assisted telephone interviewing
WB	World Bank
ZP	Zilla Parishad

Executive Summary

India has a remarkable achievement of continuing Panchayati Raj System as an institution of rural self-governance. Panchayats have been unique part of Indian culture and civilization. The 73rd Amendment of the Constitution of India introduced uniform structure and system of three tiers of Panchayat viz. (i) Gram Panchayat at village level, (ii) Intermediate Panchayat (IP) at Block / Sub-Division / Taluk / Mandal level, and (iii) District Panchayat (DP) at district level for rural area. Article 243G of the Constitution mandates Panchayats to prepare and implement plan for economic development and social justice by converging and integrating all such schemes of Central and State Governments within their respective geographical area. Moreover, Panchayats have been providing basic services e.g. water, sanitation, education etc. Though Panchayats get grants on the basis of the recommendations of Central Finance Commission and State Finance Commission, they are not able to perform to fulfill their mandates assigned by the Constitution and the aspiration of the people due to lack of sufficient financial resources. However, there is huge potential for augmenting and generating their Own Source Revenue (OSR). Therefore, there is urgent need to augment OSR of Panchayats in larger interest of the country in general and rural people in particular. *The augmentation of OSR would also help in providing support to deprived and weaker section, financial autonomy of Panchayats, creating a two-way relationship of PRIs and citizens, enhancing the quality of public services, encouraging participation in Gram Sabha etc.*

In view of above Ministry of Panchayati Raj, constituted an Expert Committee on Own Source Revenue for Rural Local Bodies to review current status of acts/rules/framework prevalent in States, suggest broad guidelines to SFCs on which they can make recommendations to augment OSR, suggest specific strategies, study best practices, augmentation of OSR of Panchayats in peri-urban areas and near to National and State Highways etc. The Expert Committee organised twenty-seven intensive meetings and interacted with representatives of Panchayats, Ministries/Departments of Union Government, NIRD&PR, State/UT Government, SIRD, International Organizations viz UNICEF, World Bank and UNDP etc. to prepare this report. Moreover, a national workshop on augmentation of OSR for RLBs was also organised at NIRD&PR Hyderabad to discuss draft recommendations of the Expert Committee with groups of key stakeholders e.g. elected representatives of all three tiers of PRIs and representatives of State Governments, SIRDs etc. Further, with the inputs from elected representatives, delegates of the workshop, representatives of State Governments and SIRDs, State Finance Commissions, the Committee finalized their recommendations for the augmentation of OSR. The draft report of the Committee was also discussed with State Finance Commission, West Bengal at Kolkata on 16-11-2022 and with delegates of National Conclave on State Finance Commission on 30-11-2022 at NIRDPR, Hyderabad.

The report of the Committee consists of nine Chapters viz. **Context of OSR, Financial Resources of Panchayats, Own Source Revenue of Panchayats, Legal Framework and State Finance Commission, Status of OSR Collection, Best Practices on OSR, Analysis of OSR, Recommendations for the augmentation of OSR, Capacity Development Framework for Augmentation of OSR.**

Context of OSR

As mentioned above Article 243G of the Constitution of India mandates Panchayats self prepare and implement plan for economic development and social justice and function as institution of government in rural areas. Accordingly, Gram Panchayats, Intermediate Panchayats and District Panchayats are preparing Gram Panchayat Development Plan, Block Panchayat Development Plan and District Panchayat Development Plan. However, due to the financial constraints Panchayats have not been able to perform to their potentialities for fulfilling their mandates and aspiration of citizens of their respective areas.

Financial Resources of Panchayats

For sustaining any organization, particularly for those, which are engaged in developmental works, its finances are very important. Financial resources of Panchayats may be categorized into grants from Central Government and State Government and their OSR. A comparative position of these sources may be seen in table 2.2 of this report. For 30 States/UTs total OSR was Rs. 4813 Crore against total Panchayat resources of Rs. 74253 Crore in financial year 2021-22. Though the share of OSR in overall Panchayat finance is at present around 6-7%, there is huge scope of increasing it along with improving the quality of service being provided by them. Moreover, substantial parts of the grants coming to Panchayat are tied in nature. Therefore, there is further need of putting emphasis on OSR so that Panchayats can have more untied resources at their disposal to cater to unmet needs of their people and area in accordance with local priorities.

Own Source Revenue of Panchayats

Article 243H of the Constitution authorizes the Panchayat to levy, collect and appropriate taxes, duties, tolls and fees apart from receiving grant-in-aid from the Central and State Governments. A Study commissioned by the World Bank reviewed various legislations of the State and identified as many 78 statutory provisions for Panchayats to make OSR, which comprised of 13 types of taxes on moveable and immoveable property, 14 other types of taxes and 10 number of cess and surcharges (Rao and Mahendiran, 2014). Taxes levied by Panchayats include property tax, profession tax, entertainment tax, advertisement tax etc. Licence fee, rent, permit fee, registration fee, other fees, penalties and fines, user charges, income from investment, interest income, sales and hire charges, market receipts etc. are examples of non-tax revenue collected by Panchayats. **Property/house tax are the most important source of OSR.** If the present collection of total OSR of Rs 4953 Crore of 25 States is compared with the potential of house tax Rs. 42160 of 28 States given in table 7.1, then the gap between the actual and potential collection gets highlighted. Therefore, this gives an opportunity to augment the OSR. This issue has also been highlighted by the Fifteenth Finance Commission. Moreover, there is need to consider about common property resources. Despite the availability of such large varieties of tax and non-tax sources, in actual practice Panchayat in most of the States have not been able to tap them.

Legal Framework and State Finance Commission

As mentioned above Article 243G of the Constitution assigns mandate to Panchayats and Article 243H provides power to Panchayats to levy collect and appropriate taxes, duties, tolls and fees subject to provisions in respective State Acts. Article 243-I makes it incumbent upon States to constitute quinquennial State Finance Commission (SFC) to review the financial position of Panchayats and to recommend about the proceeds of taxes etc. “*which may be divided between the States and Panchayats*”. There is appropriate legal framework for OSR in the Constitution of India and State Panchayat Acts. *However, the augmentation of OSR gets negatively impacted due to lack of clear guidelines, authorization, lower rate etc.* State Finance Commission has very important role in capacitating Panchayats financially so that they can function as a real institution of self governance and cater to their mandates assigned to them through the Constitution of India and State Panchayat Act and many other Central and State Acts. However, the institution of State Finance Commission needs to be strengthened as many SFCs face constraints in their functioning. Further, many States are not constituting SFC in time and the report of SFC is also not duly considered by some States for acceptance.

Status of OSR Collection

In due appreciation of existing scenario the Committee developed a comprehensive format (Annexure IV) for collecting data on OSR from States and UTs. Accordingly, the data were received from 30 States and the Union Territories of India. The details of collection of OSR along with its different components have been outlined in Chapter 5. OSR collection was miniscule as compared to the potential. Most of the powers for collection of taxes are given to Gram Panchayats. Intermediate or District Panchayats have not been authorised for collection of taxes by several states. Panchayats in Kerala have succeeded in collecting tax revenue varying between Rs. 600 Crore and 700 Crore in recent years. Substantial growth was seen in case of Karnataka where their tax revenue increased from Rs 354 Crore in 2017-18 to Rs 759 Crore in 2021-22. There are some States where collections remain negligible. Taxes are being collected only recently by Panchayats in some States *e.g.* Madhya Pradesh. Intermediate or District Panchayats also have been authorised to collect non-tax revenue. Tamil Nadu, West Bengal, Gujarat and Andhra Pradesh are collecting maximum non-tax revenue whereas Nagaland and Odisha are yet to start collecting non-tax revenue. Non-tax revenue is mostly collected by GPs except for Assam, Bihar, Jammu & Kashmir, Jharkhand, Uttar Pradesh and Uttarakhand where DPs collect most of non-tax revenue. Intermediate Panchayats have a maximum share of non-tax collection in Puducherry, Haryana, Rajasthan, Punjab and Chhattisgarh at 100%, 47%, 37%, 26% and 25% respectively. But, there is a lot of scope of the augmentation of OSR by Panchayats.

Best Practices on OSR

It is important to bring the best practices regarding OSR to common platform to inspire and educate Panchayats about their potential and possibilities. There are some best practices described in Chapter 6 *e.g.* Dharmaj GP, Gujarat collecting OSR: Rs. 3.0 Cr; Azara Gram Panchayat Assam OSR: Rs. Rs. 42.5 Lakhs; Bonaigarh GP, Odisha OSR: Rs. 27.40 Lakhs; N. Panjampatti GP, Tamil Nadu OSR: Rs. 22 Lakhs; Subhashgram GP, Andaman and Nicobar Island OSR: Rs. 21.67 Lakhs; Patna GP, Chhattisgarh OSR: Rs. 18.68 Lakhs etc. The success was not only in collection of substantially higher OSR, but also in utilizing

them for the development of the respective Panchayats. The best practices give idea to Panchayats for replication with or without modification. Moreover, these practices have also been used by the committee to find out variables supporting augmentation of the OSR.

Analysis of OSR

The analysis of collection of OSR has been analysed quantitatively and qualitatively in Chapter 7. The analysis highlights the diverse condition of OSR collection in different states and underlines the importance of requisite focus required for the augmentation of OSR. Some States such as Andhra Pradesh, Gujarat, Goa, Karnataka, Kerala, Tamil Nadu, Telangana, and West Bengal are comparatively better in collection of OSR by Panchayats. OSR generation by States and UTs are merely average of 6-7% of the total revenue (including CFC and SFC) for the Panchayats for the period 2017-18 to 2021-22. **Against the potential of Rs. 42159 Crore for 28 States of house tax**, total OSR from all sources was Rs. 4953 Crore for 2019-20 in 25 States (table 7.1). As detailed in table 7.3 per capita OSR at national level is Rs. 59 annually, which needs to be enhanced significantly. Though Goa is doing better at Rs. 1635 followed by Puducherry at Rs 756. These are exceptions as most of the States are below the national average and as many as 11 States/UTs are in single digit. It has also been observed in table 7.2 that 56% of the OSR revenue is collected through taxes and 44% are through non-tax sources. It may also be concluded that most of the revenues are collected at Gram Panchayat level. There are States where the Panchayats are empowered to collect taxes but they are not exercising the given power. From the inter tier comparison in table 7.4 it may be concluded that maximum OSR is generated by Gram Panchayat (78.12%). Whereas, District and Intermediate Panchayats are way behind in collecting OSR. Moreover, it has also been attempted to analyse factors affecting OSR mobilization both in terms of supporting factors and hindering factors. It was found that adequate regulation and accountability measure, capacity building and training and awareness supports collection of the OSR whereas lack of infrastructure, support and cooperation from the higher authorities, non-tapping of resources like house tax and CPRs and lack of proper distribution mechanism of collection cause difficulties in optimization of the augmentation of OSR by Panchayats.

Recommendations for Augmentation of OSR

The Expert Committee has made comprehensive recommendations for the augmentation of OSR in logical framework from strategy to action points in Chapter 8. **Specific strategies, overall recommendations, broad framework of guidelines for recommendation of State Finance Commission and recommendation to Ministry of Panchayati Raj, State Government, Gram Panchayat, Intermediate Panchayat, District Panchayat for augmentation of OSR have been made separately and sequentially. Further, action points for Panchayats, recommendation specific to Panchayats in PESA Areas and Panchayat like institutions in non-part IX areas regarding augmentation of OSR have also been outlined in the report.**

For bridging the gap between potential and actual collection of OSR the Committee has outlined appropriate strategies. Bringing OSR from margin to the centre of Panchayat Finances, developing comprehensive system, creating stake of all three tiers of Panchayats and State Government in collection of house/property and other taxes, non-conventional and innovative sources, revenue linked to quality of public services, incentivising performance, use of the state of art technology for smooth and transparent collection and

utilization of OSR, comprehensive capacity development of Panchayats and orienting State Government, creating flawless legal system, providing administrative and regulatory agencies support to Panchayats for collection are important strategies recommended by the Committee. Further, the strategies include Private Public Panchayats partnership, assessment and analysis for existing and new sources, tier wise distribution of OSR mobilization responsibilities, taking locational advantage for optimizing, transparency and accountability in collection and utilisation of OSR.

For the augmentation of OSR and in consonance with the above mentioned strategies overall recommendations of the Committee includes **orienting States and Panchayats, legal empowerment of Panchayats for collecting OSR, appropriate mechanism for sharing of OSR, e-banking enabled online collection and utilization of OSR, strengthening of SFC, tax autonomy for Panchayats, functions and revenue-gap study, establishing OSR system based on clear norms and formula, incentivising State Government and Panchayat for collection of OSR, identifying existing and new OSRs and rationalizing their rates, imposition and distribution of advertisement tax, rationalisation and sharing of professional tax with Panchayats, income from cess or royalty from minor minerals, enabling non-tax measures regarding CPRs, use of SVAMITVA in assessing house/property tax, activating finance standing committee of Panchayats, IEC initiative on OSR, penalty on non-payment of OSR, higher OSR for property in peri-urban areas and/or near to national and state highways, public information board to depict the collection and utilization of OSR, capacity development framework for OSR.**

For SFCs the Committee recommends that SFCs should collect data on OSR from all Panchayats. A comprehensive data framework for SFC (Annexure V) has been suggested by the Committee. Further, the committee also has recommended that *inter-alia* the SFC should initiate specific studies on assessment and analysis of OSR, balanced growth of OSR and State grants to all three tiers of Panchayats, matching grants, compensating Panchayats on the basis of tax revenue subsumed in GST etc. The Committee has also recommended that SFC may consider to prepare their report in the format (Annexure VI) as suggested by the Thirteenth Finance Commission.

For Ministry of Panchayati Raj, Govt. of India the committee recommends to organise a dissemination workshop, take up the matter of taxes (*e.g.* Octorai, entertainment tax) subsumed in GST with Ministry of Finance, Govt. of India, issue guidelines to the States /UT Government for the State Finance Commission, launch comprehensive Capacity Building framework for augmentation of OSR, issue separate advisories one each for PESA States and States with non-part IX Areas etc.

For State Govt. the Committee recommends to review the existing system of OSR by Panchayats, authorize Panchayats to collect **taxes like house/property tax at the rate used by the FFC with required flexibility, handover common property resources to Panchayats etc. Further, the Committee has recommended that taxes like house/property tax should be collected at the rate used by the Fifteenth Finance Commission with modification that State Government may exercise two stage of flexibility each up to 50% on either side once fixing rate per unit for the State and another for District/Block. House Tax may be based on SVAMITVA data. Property tax on commercial and industrial units should be four time and eight times respectively more than the rate for house tax. Furthermore, it is recommended that the collected tax may be shared with all three tiers of Panchayats and State Government in proportion of 84% to be kept with GP, 10% to Intermediate Panchayat, 4% to District Panchayat and 2% to State Government. However, to avoid any confusion the distribution among**

Panchayats and State Government should be initiated only when computerized system for collection is put in place with automatic distribution. Moreover, to avoid any ill- feeling, particularly among GP it may be ensured that distribution should not lower overall OSR collection as compared to the same in 2022-23. In case, if property tax is being collected by other tiers, it should be distributed in the ratio of 58:30:10:2 i.e. 58% to be kept by the concerned tier and 30% going to the Gram Panchayat, 10% to the other Panchayat and 2% to the State Government. **Common property resources listed in table 3.3 may be handed over to Panchayats. These CPRs may be categorized in three types, one fully in a GP area to be managed by the respective GP. Those CPR falling in more than one Panchayat but fully covered in one IP area to be managed by respective IP and those in more than one IP area, but in one district to be managed by District Panchayat. However, revenue is to be shared by GPs, IPs and DP and State Government in proportion mentioned above for OSR from house/ property tax.** State should fix higher rate of Property/ House tax in Panchayats in **peri-urban areas and nearer to National and State Highways.** Moreover, rate of tax in peri-urban area should be 50% of the rate of adjoining municipalities for the commercial and industrial property. For houses it should be calculated on the basis of floor area. Similarly for commercial and industrial property near National and State Highway should be at the rate 50% of the same in adjoining municipal area and more than four times and eight times respectively as compared to house tax in those areas.

Separate recommendations for GP, IP and DP have been given in separate sections 8.6, 8.7 and 8.8 respectively and corresponding action points in chapter 8.9. It has been recommended that Panchayats should undertake **component-wise listing of present OSR being collected**, an assessment and comprehensive analysis of the present status of OSR generation, including spatial and temporal analysis of each component of OSR particularly for important sources, **listing of those OSR authorized by State Govt. but not being collected, considering success stories of Panchayat on the augmentation of OSR, organising a workshop on the augmentation of OSR with Finance Standing committees and other experts etc.** Based on the analysis they should list issues, which hinder the augmentation of OSR presently and new/potential sources of revenue, prepare **annually OSR Augmentation Action Plan and implement and monitor the plan.** Panchayats in PESA areas *inter-alia* may focus on minor forest produce, processing of minor forest produce, social forestry activities, community right, tourism activities in forests and mountains, management of minor water bodies, management of minor minerals etc. For non-part IX areas the Committee recommends that District Councils and other rural local bodies may be authorised to collect tax and non-tax revenue similar to Panchayats, engagement of tax collectors, training of public representatives etc.

Capacity Development Framework for Augmentation of OSR

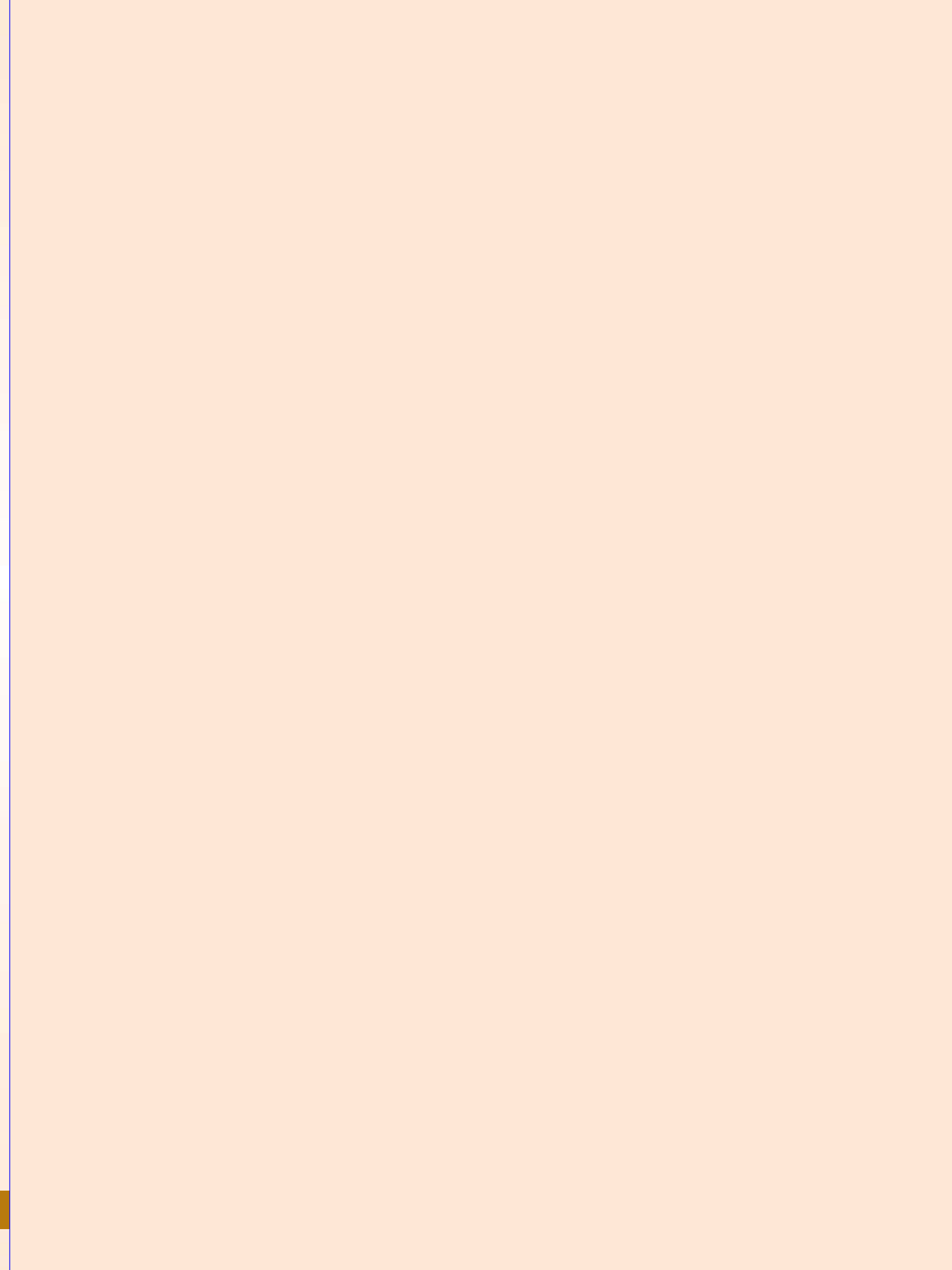
In due appreciation of need for the capacity development of Panchayati Raj Institutions the Committee has recommended for training of trainer at nation, state, district, block and Gram Panchayat levels. The training becomes more important as many Panchayat representatives are not aware of Acts, Rules and Guidelines issued by State Governments and despite provision for the OSR, Panchayats have not been able to collect substantially. It has also been recommended for campaigning and publicity for generating OSR at different levels from State to Gram Panchayat and providing hand holding support to Panchayats, particularly GPs, for the augmentation of OSR.

Concluding Remarks

OSR is critically important for Panchayats as they have to undertake various activities as an institution of self-government and ensure economic development and social justice and implement schemes of Central and State Governments. They are constrained due to inadequate financial resources. This report is expected to set up the road map for the augmentation of OSR. It is expected that OSR may grow fast and provide Rs. 1 Lakh Crore to Panchayats gradually increasing over eight years from Rs. 5000-6000 Crore and inculcate requisite capability to them to take much needed activities to fulfill its responsibilities. Hopefully, augmented OSR from measures as recommended by the Committee would provide requisite capability to them to undertake much needed activities to fulfill their responsibilities and thereby be game changer for transformation of rural area of our country.



Panchayati Raj



**Context of Own
Source Revenue for
Panchayats**

1

Context of Own Source Revenue for Panchayats

1

India has unique Panchayati Raj System for rural self-governance. The 73rd Amendment of the Constitution of India introduced uniform structure of three tiers of Panchayats. The Constitution has assigned mandate to Panchayats regarding economic development and social justice. Accordingly, there is growing aspiration of rural population. Panchayats are facing financial constraint in fulfilling aspirations of rural people from them. Therefore, there is urgent need to enhance Own Source Revenues (OSR) of Panchayats in larger interest of the country in general and rural people in particular. In this context the Panchayati Raj System of India, Constitutional provision for planning by Panchayats and OSR, recent initiatives of Ministry of Panchayati Raj, Govt. of India *e.g.* Gram Panchayat Development Plan, Block Development Plan, District Development Plan for Rural Area, People's Plan Campaign, localising Sustainable Development Goals, SVAMITVA scheme, Disaster Management Plan, need of increasing OSR and past efforts for this have been outlined in succeeding sections.

1.1 Background

India has remarkable achievement of continuing Panchayati Raj System, which is an integral part of its culture and civilization. Panchayats provide unique local self-governance and developmental institutions for rural areas. The 73rd Amendment of the Constitution of India introduced uniform structure of three tiers of Panchayats *viz.* (i) Gram Panchayat (GP) at village level, (ii) Intermediate Panchayat (IP) at Block / Sub-Division / Taluk / Mandal level, and (iii) District Panchayat (DP) at district level for rural area. Article 243-G of the Constitution mandates Panchayats to prepare and implement plan for economic development and social justice by converging and integrating all such schemes of Central and State Governments within their geographical area as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule of the Constitution. Further, Article 243-H of the Constitution authorizes the Panchayat to levy, collect and appropriate taxes, duties, tolls and fees apart from receiving grants-in-aid from the Central and State Governments. Besides, Article 243-I provides for constitution of State Finance Commission (SFC) every five years to review the financial position of Panchayats and to recommend ways of implementing the provisions of Article 243-H for improving financial conditions of PRIs. The SFCs are also expected to assess the revenue requirements of local governments after taking into account their roles and responsibilities, recommend sharing of State's revenues with PRIs and improvements in their Own Source Revenues (OSR).

It has been observed that Panchayats are performing various activities like providing basic services *e.g.* water, sanitation etc. Moreover, Panchayats have performed very well in managing recent pandemic of COVID-19 in rural areas. There is accelerated growth in the expectation from Panchayats. Though they

get grants on the basis of the recommendation of Central Finance Commission and State Finance Commission and for some other purposes, they are not able to perform to the extent to their potentialities and expectation of the people due to the lack of sufficient resources. In order to contribute towards greater fiscal freedom of PRIs, it is essential that their OSR is enhanced. In this context Ministry of Panchayati Raj, Govt. of India constituted an Expert Committee on Own Source Revenues (OSR) of Rural Local Bodies (RLBs) vide order No.M-11015/449/2020-FD dated 13.5.2022 (Annexure I) with the following terms of reference:

- “To review the current status of Acts/ Rules/Framework prevalent in the States for enablement of Own Source Revenue (OSR) Generation by Rural Local Bodies (RLBs).
- To suggest broad guidelines on which the State Finance Commissions (SFCs) can make recommendations for augmentation of OSR generation by RLBs.
- To suggest specific strategies for augmentation of OSR levels of RLBs.
- To study best practices of OSR generation by RLBs and suggest suitable benchmarks.
- To prepare a broad roadmap for implementation by States / RLBs with specific targets and timelines towards augmentation of OSR of RLBs.
- To make any other suggestions having bearing on the subject under consideration.”

In view of the deliberations in the Committee it was agreed to expand the committee with addition of five members vide order of even number dated 29th June, 2022 (Annexure II). Further, in due appreciation of specific need and potential of Panchayat in peri-urban areas and more national and State Panchayats following additional item (Annexure III) was added in the terms of reference: -

“To analyse and give specific recommendations for the augmentation of OSR through new revenue sources in Panchayats, which are located in peri-urban areas and near national and state highways with specific reference to:

- Leveraging monetarily facilities provided to builders of residential / commercial / industrial / logistical / facilities in their jurisdiction.
- Negotiating with private organisations, i.e. builder, industrialist, etc., regarding utilization of natural resources of respective Panchayats.
 - o Getting monetary compensation on fixed and / or continuous basis for the utilization of natural resources by the above builders.
- The building society/ industrialist augmenting the social infrastructure of respective Panchayats e.g. sharing of schools / medical / recreational facilities”

1.2 Panchayati Raj System of India

Panchayats have been integral part of Indian culture and civilisation. In fact, Panchayati Raj System of India is unique system of local self governance for rural areas. The father of nation Mahatma Gandhi had said “The greater the power of Panchayats, the better for the people.” In due appreciation of the need of strengthening Panchayati Raj System the 73rd Amendment of the Constitution mandates Panchayats for preparing plan for economic development and social justice as stated in the **Article 243G of the Constitution of India, which is as follows :**

“243G. Powers, authority and responsibilities of Panchayat. —Subject to the provisions of this Constitution, the Legislature of a State may, by Law, endow Panchayats with such powers and authority as may be

necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats, at the appropriate level, subject to such conditions as may be specified therein, with respect to-

- (a) the preparation of plans for economic development and social justice;
- (b) the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule.”

The Eleventh Schedule of the Constitution of India contains twenty-nine subjects (Box 1.1)

Box 1.1: Subjects Listed in Eleventh Schedule of the Constitution

1. Agriculture, including agricultural extension	10. Rural housing	20. Libraries
2. Land improvement, implementation of land reforms, land consolidation and soil conservation	11. Drinking Water	21. Cultural activities
3. Minor irrigation, water management and watershed development	12. Fuel and fodder	22. Markets and fairs
4. Animal Husbandry, Dairying and poultry	13. Road, culverts, bridges, ferries, waterways and other means of communication	23. Health and sanitation including hospitals, primary health centres and dispensaries
5. Fisheries	14. Rural electrification, including distribution of electricity	24. Family welfare
6. Social forestry and farm forestry	15. Non-conventional sources of energy	25. Women and Child Development
7. Minor forest produce	16. Poverty alleviation programme.	26. Social welfare, including welfare of the handicapped and mentally retarded
8. Small scale industries, including food processing industries	17. Education including primary and secondary schools	27. Welfare of the weaker sections, and in particular of schedule caste and schedule tribes
9. Khadi, village and cottage industries	18. Technical training and vocational education	28. Public distribution system
	19. Adult and non-formal education	29. Maintenance of community assets

1.2.1 Panchayats in PESA Area

“The Provisions of Panchayats (Extension to the Scheduled Areas) Act, 1996” (PESA Act), was enacted by the Parliament under the provisions of Article 243M of the Constitution. PESA Act came into force on December 24, 1996. The Act extends the provisions of Part IX of the Constitution with certain modifications and exceptions, to the Fifth Schedule Areas of ten States of Andhra Pradesh, Chhattisgarh, Gujarat, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, Rajasthan and Telangana.

PESA Act promotes people-centric local self-governance and provides a central role to the Gram Sabha. Under PESA, Gram Sabhas are deemed to be ‘competent’ authorities to safeguard and preserve the traditions and customs of their people, cultural identity, community resources and their customary mode of dispute resolution. Gram Sabhas have mandatory executive functions and responsibilities to approve plans of the Village Panchayat, for social and economic development, identify beneficiaries for schemes for poverty alleviation and other programmes and issue certificates of utilization of funds by respective Panchayat.

Under PESA, Gram Sabha or Panchayats have right to mandatory consultation in matters of land acquisition, resettlement and rehabilitation, granting of prospecting licenses and mining leases for minor minerals. The State has to ensure that Gram Sabha or Panchayats at appropriate level have powers to regulate and restrict sale and consumption of liquor; manage village markets; control money lending to the Scheduled Tribes; ownership of minor forest produce; and the power to control institutions and functionaries in all social sectors, local plans and resources etc.

Panchayats in PESA areas are preparing GPDP, BPDP and DPDP for their respective areas. There is need to strengthen Panchayats in PESA areas so that they may contribute to the development of their areas in accordance with their potentiality. They may generate OSR *inter-alia* using the provision of PESA for developing their respective area.

1.3 Panchayat Like Institution in Non-Part IX Area

Part IX of the Constitution of India was introduced through the 73rd Amendment for “The Panchayat”. Through the same amendment Article 243M was also incorporated in Part IX in which a provision was made that this part would not apply to the Scheduled Areas and tribal areas referred to in clause (1) and (2) of the Article 244, *i.e.* Nagaland, Meghalaya, Mizoram, hill areas of Manipur and at district level for hill area of Darjeeling. However, Panchayats (Extension to Scheduled Areas) Act, 1996 (PESA Act) brought Panchayati Raj Systems in the Fifth Schedule Area. Thus, areas mentioned in table 1.1 constitute Non-Part IX areas. There are wide variations in the systems of local governance in the Non-Part IX areas vis-à-vis those in general areas. For example, there is no elected body like Intermediate Panchayat at Block level in Non- Part IX areas. Even at district level, there are many places in which one Autonomous Council Area covers many districts *e. g.* there are four districts under Bodo Territorial Council. At some places council is part of a district.

Table 1.1: Areas Exempted from Part IX and Part IXA of the Constitution

State/ Area within a State	Provisions Under Which Exempt
Meghalaya	Exempt under Article 243M and covered by Schedule VI except selected wards of Shillong Municipal Area
Mizoram	Exempt under Article 243M, with two administrative districts Lawngtai and Siha covered by Schedule VI
Assam: Bodoland, North Cachar Hill & Karbi Anglong	Covered by Scheduled Areas. (Article 244)
Tripura	Only the Tripura Tribal District is covered by schedule VI
Nagaland	Exempt under Article 243M and not covered by Schedule VI
Manipur: Hill areas for which District Councils exist	Exempt under Article 243M and not covered by Schedule VI
West Bengal: The hill areas of the district of Darjeeling, covered by the Darjeeling Gorkha Hill Council	Exempt under Articles 243M/243ZC of the constitution and not covered by Schedule VI

Source: FC, 2021

Peoples’ Plan Campaign 2018 included for preparation of Village Development Plan in Non-Part IX areas also. Moreover, Rashtriya Gram Swaraj Abhiyan (RGSA) was launched in 2018 for comprehensive capacity building of Panchayati Raj Institutions. This scheme was also extended in Non-Part IX areas. There is need to ensure OSR for Panchayat like institution in Non-Part IX Area also.

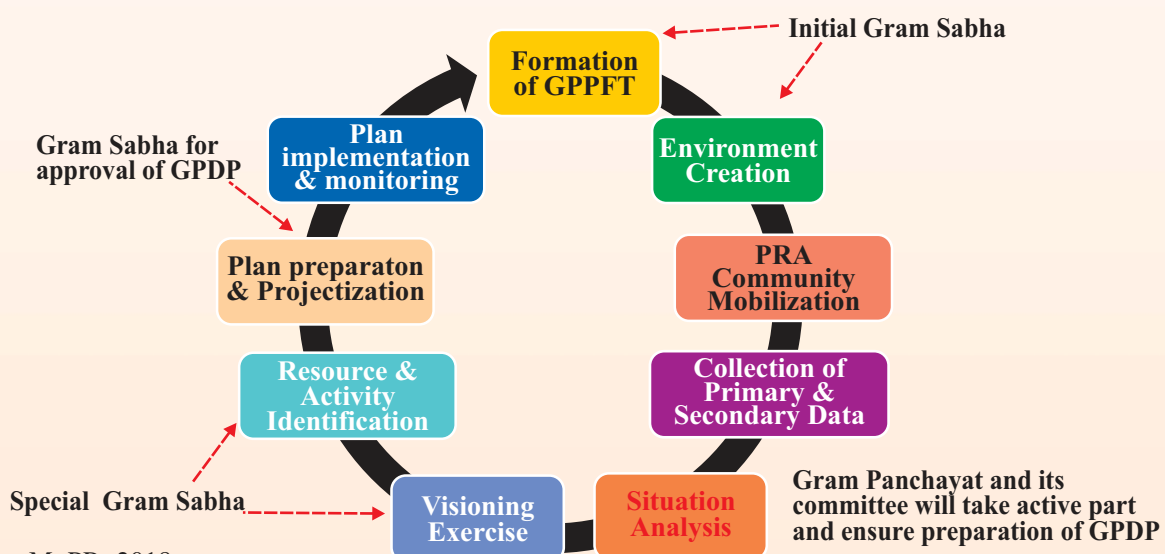
1.4 Recent Initiatives

Panchayati Raj Institutions are registering accelerated growth and emerging as key performers in rural areas. Ministry of Panchayati Raj, Government of India and State Governments and PRIs have been taking initiatives in accordance with existing and emerging needs. Some important initiatives with respect to OSR have been described in succeeding sub-sections.

1.4.1 Gram Panchayat Development Plan

Article 243G of the Constitution of India mandates the Gram Panchayat (GP) to prepare and implement Gram Panchayat Development Plan (GPDP) for economic development and social justice by converging and integrating all relevant subject/programmes/schemes of the Panchayat, and State and Central Governments to be implemented in their geographical area. The preparation of the GPDP got a fillip with proactive drive by the Ministry of Panchayati Raj, Government of India (MoPR) and State Governments, grants on the recommendation of Fourteenth Finance Commission, comprehensive guidelines for the preparation of GPDP 2018 and five successive People’s Plan Campaign (PPC) “Sabki Yojana Sabka Vikas” meaning plan of everybody and development of everybody in 2018, 2019, 2020, 2021 and 2022. These GPDPs were further broad based due to convergence of different Ministries of Central Government and grants on the recommendation of State Finance Commission (SFC) with ensuring active participation of community in the campaigns and capacity building to make GPDPs more comprehensive and enhance their quality with equity and inclusiveness. The GPDP should ideally match people’s needs and their aspirations, prioritized in accordance with the importance and available resources. It should be prepared through a participatory, inclusive and transparent process. The Plan cycle of the GPDP is depicted

Diagram 1.1: Plan Cycle of GPDP



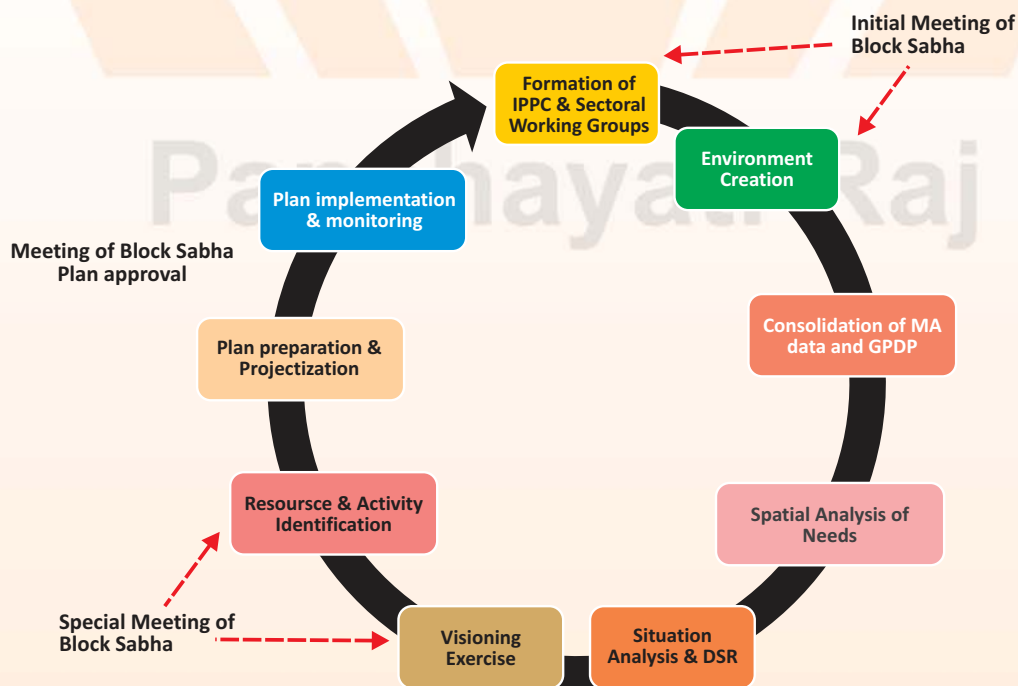
Source: MoPR, 2018

schematically in Diagram 1.1. The GPDP process is initiated every year by organising Gram Sabha on 2nd October *i.e.* birthday of Mahatma Gandhi, father of our nation and the process is expected to be completed by 31st December (MoPR, 2018). For formulating and implementing GPDP in comprehensive manner Gram Panchayats need enhanced OSR.

1.4.2 Block Development Plan

Article 243G of the Constitution of India mandates the Intermediate Panchayat to prepare the Block Development Plan (BDP) for economic development and social justice by converging and integrating relevant programmes / schemes of the Panchayat, State and Centre to be implemented in their geographical area. This can only be achieved through implementation of a comprehensive plan through efficient and responsible utilization of available resources and expanding the resources to cater to the needs of people in their area. The BDP may be formulated by consolidating gaps ascertained in GPDPs through Mission Antyodaya data. Those gaps, which were addressed or planned to be addressed by Gram Panchayats may be excluded from the plan. Further, it would also strive to contribute to national commitments *e.g.* SDGs and priorities. The plan activities of the line departments operating at the Intermediate Panchayat level should be integrated into the Block Development Plan, although the same may be implemented by the line departments themselves. The plan cycle of Block Development Plan has been depicted in Diagram schematically 1.2 (MoPR, 2020). The process of BDP is expected to be completed by 31st January every year for the plan to be implemented in the succeeding financial year. For formulating and implementing BDP in comprehensive manner Intermediate Panchayats need enhanced OSR.

Diagram 1.2: Plan Cycle of Block Development Plan



Source: MoPR, 2020

1.4.3 District Development Plan for Rural Area

The preparation of the District Development Plan for rural area (DDP) is a time-bound process. It is an essential part of chain of plans to be prepared in cascading mode. It should be prepared after completion

of GPDPs by Gram Panchayat and Block Development Plan (BDP) by Intermediate Panchayat falling within the district. These GPDPs and BDPs should provide building blocks to District Development Plan for rural area (DDP) to be prepared by the District Panchayat. The District Panchayat being in a better position with respect to human resources, infrastructure and institutional capacity, can plan for and implement larger types of activities, which are possible on their part to plan, implement and monitor. Besides, it may be necessary on the part of each District Panchayat to plan for and implement those plan activities, which territorially cover two or more Blocks because, in such cases, the District Panchayat will be in a better position to take charge of such activities. However, they may undertake important activities confined to even in only one block if they are earnestly needed and the concerned block is not in a position to take up these activities. The DDP would be approved by **District Sabha consisting of all District Panchayat members, Block Panchayat Presidents and Vice Presidents, Presidents/Sarpanches of at least five Gram Panchayats from the concerned District.** The process of DDP is completed by the end of February every year for the plan to be implemented in succeeding financial year (MoPR, 2020). For formulating and implementing DPDP in comprehensive manner District Panchayats need enhanced OSR.

1.4.4 People's Plan Campaign for GPDP

Ministry of Panchayati Raj and Ministry of Rural Development, Government of India have been jointly launching People's Plan Campaign (PPC) under the theme "Sabki Yojana, Sabka Vikas" (meaning plans of everybody and development of everybody) in 2018, 2019, 2020, 2021 and 2022 for preparing comprehensive GPDPs. Since 2020 Block Panchayat Development Plan (BPDP) and District Panchayat Development Plan (DPDP) are also being prepared under the campaign. The Campaign also strengthened the role of 31 lakh elected representatives of Panchayats and 5.25 crore women SHGs under DAY-NRLM. The Public Information Boards installed in Gram Panchayats led to transparency regarding utilisation of funds placed at the disposal of Gram Panchayats for development under the various schemes. Mission Antyodaya data help in identifying gaps at the village, and Gram Panchayat level and facilitate systematic thrust on evidence-based planning and implementation for the GPDP. The campaign initiated under the theme "Sabki Yojana Sabka Vikas" was an intensive and structured exercise for planning at the GP level through convergence between Panchayati Raj Institutions (PRIs). The PPCs have been developed over the years and they are more broad based, encompassing many new contemporary issues, which have been integrated into the plans of PRIs particularly, national commitments, issues and problems related to rural areas. PPC 2022 has been launched from 2nd October, 2022 to 31st January, 2023 for preparing comprehensive GPDP, BPDP and DPDP for the next financial year 2023-24. PPC 2022 is focussed on *inter-alia* achieving effective localisation of SDG, integration of Village Poverty Reduction Plan (VPRD) into GPDP, gender responsive governance and public information campaign with public disclosure on schemes/finances etc. (MoPR, 2022c). The net result of the campaign have been that by and large all Panchayats across the country have prepared their respective GPDP, BPDP and DPDP in a time bound manner and the quality of plans has also simultaneously improved substantially. There is need that PPC should also focus on enhancing OSR.

1.4.5 Localising Sustainable Development Goals through PRIs

Sustainable Development Goals (SDGs) are the blueprint to achieve a better and more sustainable future for all. The 17 SDGs and 169 related targets were adopted and signed by all UN Member States in September 2015, as part of the 2030 agenda for Sustainable Development, which set out a 15-year plan to achieve the Goals. India is also a signatory to the United Nations Sustainable Development Goals (SDGs) 2030 agenda and committed to achieve the Goals and targets adopting multipronged strategy.

29 subjects listed in eleventh schedule of the Constitution are quite relevant for achieving SDGs. Therefore, role of PRIs becomes more important for achievements of SDGs through localization. Therefore, there is need to take forward SDGs up to the last mile, *i.e.* Gram Panchayat level, leveraging wide network and strong institutional mechanism of third tier of Government including Traditional Bodies of non-part IX areas. For PRIs to localize the SDGs, to cover most relevant SDGs following nine themes have been identified by an expert group (MoPR, 2021) so that PRIs can relate SDGs through those themes with local targets aligned to national targets. Nine themes along with corresponding SDGs may be as follows (MoPR, 2021):

1.	Theme 1:	Poverty Free and Enhanced Livelihoods Village (SDGs:1,2,3, 4, 5, 6, 7, 8, 10, 11, 13 and 15)
2.	Theme 2:	Healthy Village (SDGs:2, 3, 4, 5, 6 and 12)
3.	Theme 3:	Child-Friendly Village (SDGs:1,2,3,4, 5, 8, 10 and 16)
4.	Theme 4:	Water Sufficient Village (SDGs: 1, 2, 3, 4, 5, 6, 8, 9, 10, 12, 13, 14 and 15)
5.	Theme 5:	Clean and Green Village (SDGs:6, 7, 12, 13, 14 and 15)
6.	Theme 6:	Village with Self-Sufficient Infrastructure (SDGs:1,2,4,5,6,9 and 11)
7.	Theme 7:	Socially Just and Socially Secured Village (SDGs:1,2, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 16)
8.	Theme 8:	Village with Good Governance (SDGs:1,2, 3, 4, 5, 6, 8, 9, 10 and 16)
9.	Theme 9:	Women Friendly Village (SDGs:1,2,3,4,5, 6, 7, 8, 10, 13 and 16)

The role of Panchayats is vital and key requirement for the localization of SDGs. Panchayats are expected to develop positive linkages and, more importantly, ensure the required alignment with national policies and develop strategies to ensure a greater response to local needs and demands. The following specific task may be undertaken by Panchayats:

- **Creating of awareness on different social issues & schemes**
- **Using of modern technology for improved service delivery**
- **Liaising with different institutions / departments to provide necessary support on cohesive planning & augmentation of services**
- **Constituting different local groups**
- **Strengthening Local Committees**
- **Formulating inclusive, participatory, evidence based plans adopting thematic approach.**
- **Aligning plans with the local need and Sankalp taken by the respective GPs.**

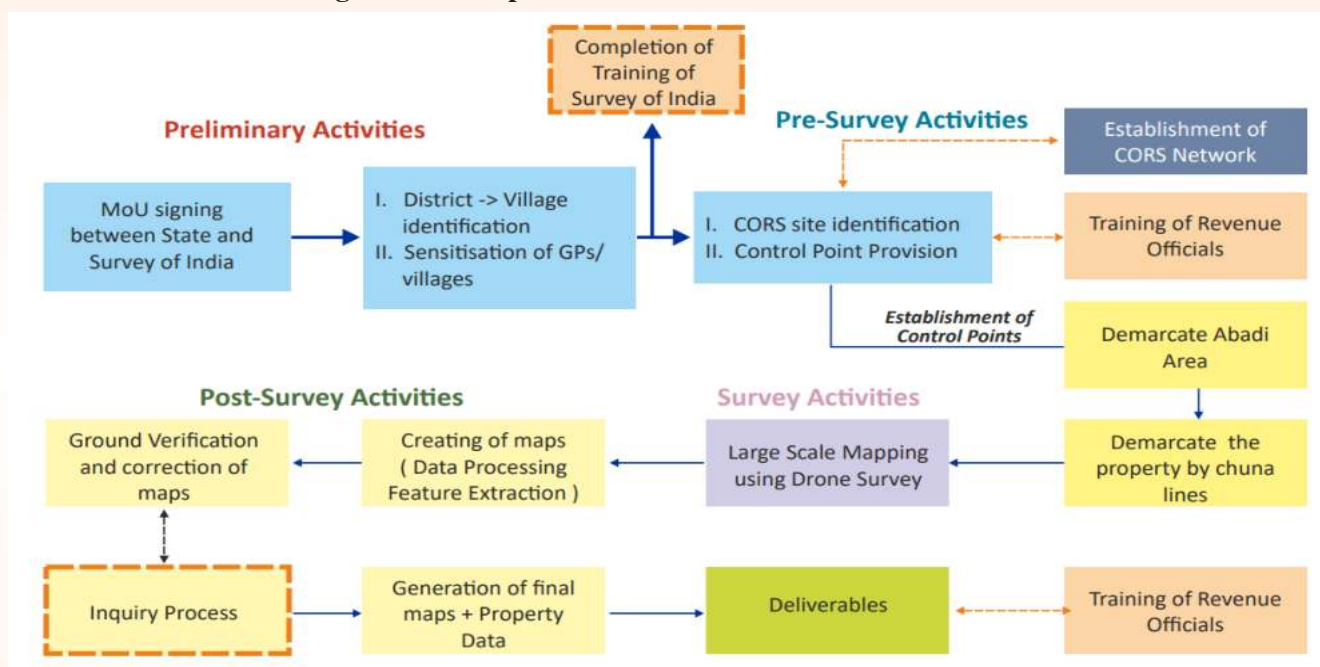
For undertaking above mentioned tasks Panchayats need enhanced OSR so that SDGs are achieved.

1.4.6 SVAMITVA Scheme

SVAMITVA (Survey of Villages and Mapping with Improvised Technology in Village Areas) is a Central Sector Scheme launched by Hon'ble Prime Minister of India on 24th April 2020, on the occasion of the National Panchayati Raj Day. The scheme is a reformative step towards establishment of clear ownership of property in rural inhabited ("Abadi") areas, by mapping of land parcels using drone technology and

providing ‘Record of Rights’ to village household owners with issuance of ownership cards (Property cards) to the property owners. The scheme is implemented with the collaborative efforts of the Ministry of Panchayati Raj, State Revenue Department, State Panchayati Raj Department and Survey of India. The scheme covers multifarious aspects *viz.* facilitating monetisation of properties and enabling bank loan; reducing property related disputes; comprehensive village level planning. Therefore, it would be the stepping stone towards achieving Gram Swaraj in true sense and contributing in making rural India **Atmanirbhar**. The Scheme is being implemented across the country in a phased manner over a period of five years (2020-2025) and would eventually cover all villages across the country by 2025. The **Implementation Process Flow of SVAMITVA has been given schematically in diagram 1.3.**

Diagram 1.3: Implementation Process Flow of SVAMITVA



The scheme would be able to make following impact on rural households:

- i. **Providing the right of the property to the rural household**
- ii. **Opening avenue for applying loans from financial institutions by property owners**
- iii. **Reducing of disputes related to property**
- iv. **Providing the States with an unprecedented prospect of empowering Gram Panchayats to levy and collect Property Tax.**
- v. **Creating of accurate land records and GIS maps, to support in preparation of better-quality Gram Panchayat Development Plan (GPDP)**
- vi. **Enhancing the socio- economic profile of Panchayats, making them self- sustainable**

As on 28th November, 2022 the scheme has showcased exemplary progress and so far, 31 States/UTs have signed MoU with Survey of India for implementation of the SVAMITVA scheme. Drone flying has been completed in nearly 2 Lakh villages across 31 States/UTs and villages of 7 States/UTs namely, Haryana, Uttarakhand, Goa and UT of Lakshadweep, A&N islands, Puducherry, and Dadra & Nagar haveli and Daman & Diu have been saturated with drone flying. Nearly 94 lakh property cards have been prepared in

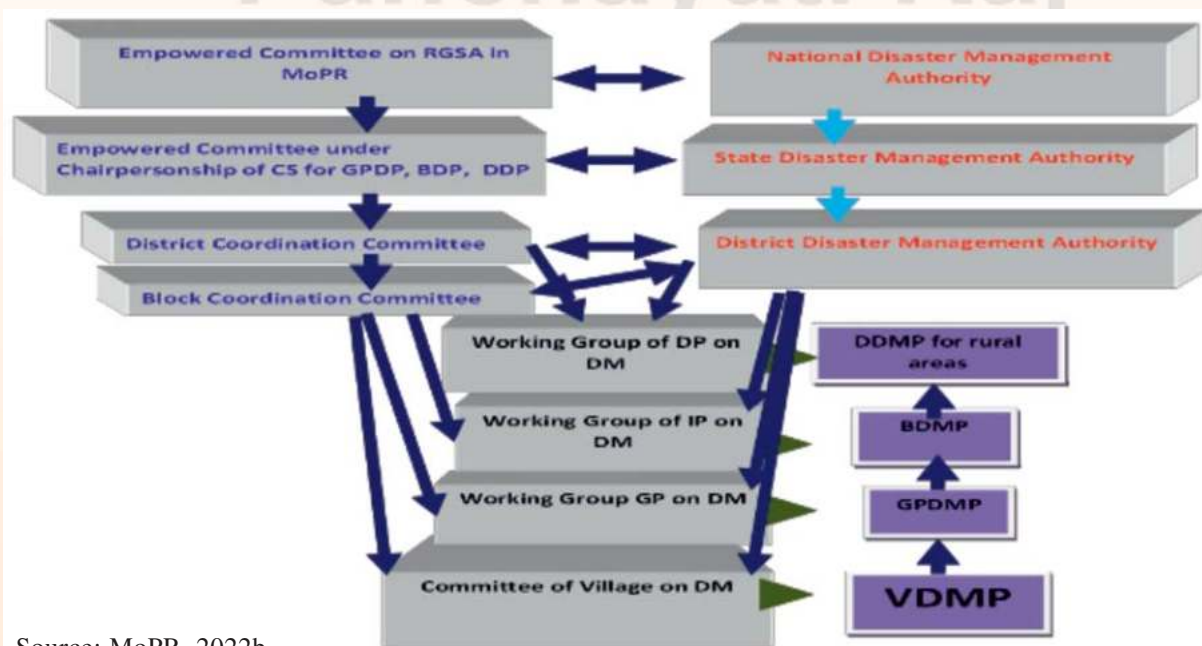
61 thousand villages. SVAMITVA can be used for enhancing OSR particularly collection of property / house tax.

1.4.7 Disaster Management Plan of the Ministry of Panchayati Raj

Disasters, which may be natural or human – made, are commonly occurring throughout the world. They continue to strike with or without warning and are continuously increasing in their magnitude, complexity, frequency and economic impact. During 2010-19, 83% of all disasters triggered by natural hazards were caused by extreme weather and climate related events, such as floods, storms and heat waves. The outbreak of the COVID 19, with massive infections and substantial casualties has highlighted the need for treating disaster management comprehensively. India has also been experiencing many disasters such as cyclone, flood, drought, earthquake, tsunami landslide etc. The disasters always involve loss/damage to the assets / infrastructure of the rural areas and push back developments, at times, by decades. In many places, Panchayats particularly, Gram Panchayats have played important role in managing the disaster.

Over the years, India has institutionalized disaster management (DM) from National level to the district level with appropriate enactment, policy and guidelines. The National Disaster Management Authority (NDMA) is the lead agency responsible for the preparation of DMPs, advocacy and the execution of DM functions at the national level. In most cases, State Governments carry out disaster management activities, with the Central Government playing a supporting role. In aforesaid context and in compliance of Section 37 of Disaster Management Act and guidelines issued by National Disaster Management Authority “Disaster Management Plan of Ministry of Panchayati Raj” (DMP-MoPR) has been prepared with larger perspective of community-based planning starting from village to District Panchayat level. Under DMP-MoPR, every Indian village should have “Village Disaster Management plan, which would form the basis for preparation of disaster management mainstreamed GPDP, BDPD and DPDP for the respective Panchayat. **System for Disaster Management Planning by Panchayats has been shown schematically in Diagram 1.4 (MoPR, 2022b).**

Diagram1.4: System for Disaster Management Planning by Panchayats



Source: MoPR, 2022b

The implementation of community based disaster management needs *inter-alia* enhanced OSR for Panchayats.

1.5 Need of Augmentation of Own Source Revenue for Panchayats

Property tax, cess on land revenue, surcharge on additional stamp duty, tolls, tax on professions, tax on advertisements, non-motor vehicle tax, user charges etc. contribute the maximum to the own source revenue. However, these OSR generated is very small component of the total expenditure of Panchayats. Gram Panchayats have been authorized in most of the States to collect tax and non-tax revenue. But, Intermediate and District Panchayats have been mostly authorized to collect non-tax revenue. In most States, the property tax generates the maximum revenue. However, this tax, mostly based on the annual rental value of assessment, remains inelastic, added to the inefficient ways of its administration. However, a few progressive States like Karnataka have reformed the tax structure and are using the unit area method in determining the tax base. Therefore, there is need of the OSR for enabling Panchayats to provide effective local governance in consonance with the spirit of the Constitution. Panchayats need augmentation of own source of revenue for the following purposes:

- For **fulfilling mandate and responsibility assigned through the Constitution of India, various Acts, national priorities etc,**
- For **catering to aspiration** of rural people particularly deprived and weaker section including women, children, elderly, SC, ST people as their needs are growing fast,
- For achieving **financial autonomy** as OSR being totally untied money for Panchayats may be able to cater to the needs of their areas in focused manner,
- For **creating a two-way relationship** of PRIs and citizens as OSR creates, nurtures and establishes the relationship,
- For **enhancing the quality of public services** provided by Panchayats as there is a positive correlation between willingness of rural people to pay and quality of services,
- For **encouraging participation** in Gram Sabha as it has been seen that increased proportion of OSR have resulted in enhanced participation in Gram Sabha,
- For **promoting efficiency as well as accountability** in services being provided by Panchayats as improved OSR may strengthen link between revenue and expenditure.

1.6 Past Efforts for Augmenting OSR

Ministry of Panchayati Raj, Govt. of India, State Govt. and some PRIs have been taking initiatives for augmenting OSR. Some of important initiatives have been below.

Performance Grants in the grants based on recommendation of Fourteenth Finance Commission
 - Fourteenth Finance Commission (XIV FC) had recommended for 10 % allocation of the devolution to the Gram Panchayats (GPs) as Performance Grants. It had specified achievement of increase in OSR as

one of the eligibility conditions for the GPs for getting Performance Grants. MoPR, being the nodal ministry for the recommendation of XIV FC Grants to the Gram Panchayat have ensured that States and GPs were made aware of the requirement and make sustained efforts towards the same.

National Workshop on increasing Own Source of Revenue (OSR) by Panchayats at Chitrakoot, Madhya Pradesh on 28th February – 1st March, 2017 - A two-Day National Workshop on “Increase in Own Source Revenue (OSR) by Panchayats” was organised by MoPR during 28th February and 1st March, 2017 at Deendayal Research Institute (DRI), Chitrakoot, Madhya Pradesh in coordination with the State Institute for Rural Development (SIRD), Jabalpur. The officers of the Ministry of Panchayati Raj, representatives of the State Panchayati Raj Department and SIRDs participated in the deliberation of the workshop for increasing the OSR of Panchayats.

Video Conference Meeting on increasing Own Source of Revenue (OSR) - MoPR organised a discussion meeting with the States on 3rd February, 2021 through video conference on the subject of the augmentation of OSR of PRIs. On the basis of deliberations in the meeting, it was suggested that the PRIs in the States should set the target for improvement of OSR as given in table 1.2.

Table 1.2: Target for OSR for States

Present Status of OSR generation in States	Target for OSR during FY 2021-22 vis-à-vis annual budget for PRIs of State
States with NIL or negligible OSR	minimum of 5%
States with Minimal OSR	at least 10%
States with Better OSR	Upto 15% or above

It was also suggested that above targets are generally indicative, the States may consider their present performances in respect of the various indicators, and suitably fix the exact targets in terms of both the quantum of OSR to be generated as well as its proportion in the annual expenditure.

National Webinar / Virtual Interaction with Beacon Panchayats and other well-performing Panchayats – MoPR organised a National Webinar through virtual interaction with Beacon Panchayats and other well performing Panchayats as a part of Azadi ki Amrit Mahotsav on 25th October, 2021. During the Webinar, three presentations of well performing Panchayats on OSR, viz. Vadodara Zilla Panchayat, Jarod and Goraj Gram Panchayats in Gujarat, Rajganj Block Panchayat in West Bengal and Odanthurai Village Panchayat in Tamil Nadu were made on the best practices to augment the OSR.

Iconic Week Celebrations during Azadi ki Amrit Mahotsav – MoPR organised the iconic week celebrations to commemorate Azadi ki Amrit Mahotsav during 11 to 18 April, 2022. During the celebrations, an exclusive National Conference on Augmentation of OSR of Rural Local Bodies was organised. The Conference had deliberations through the technical sessions on **Present Status of OSR of RLBs, Performance of OSR of RLBs in States and Way forward, Innovation by Panchayats for OSR and Framework for Roadmap towards OSR augmentation.**

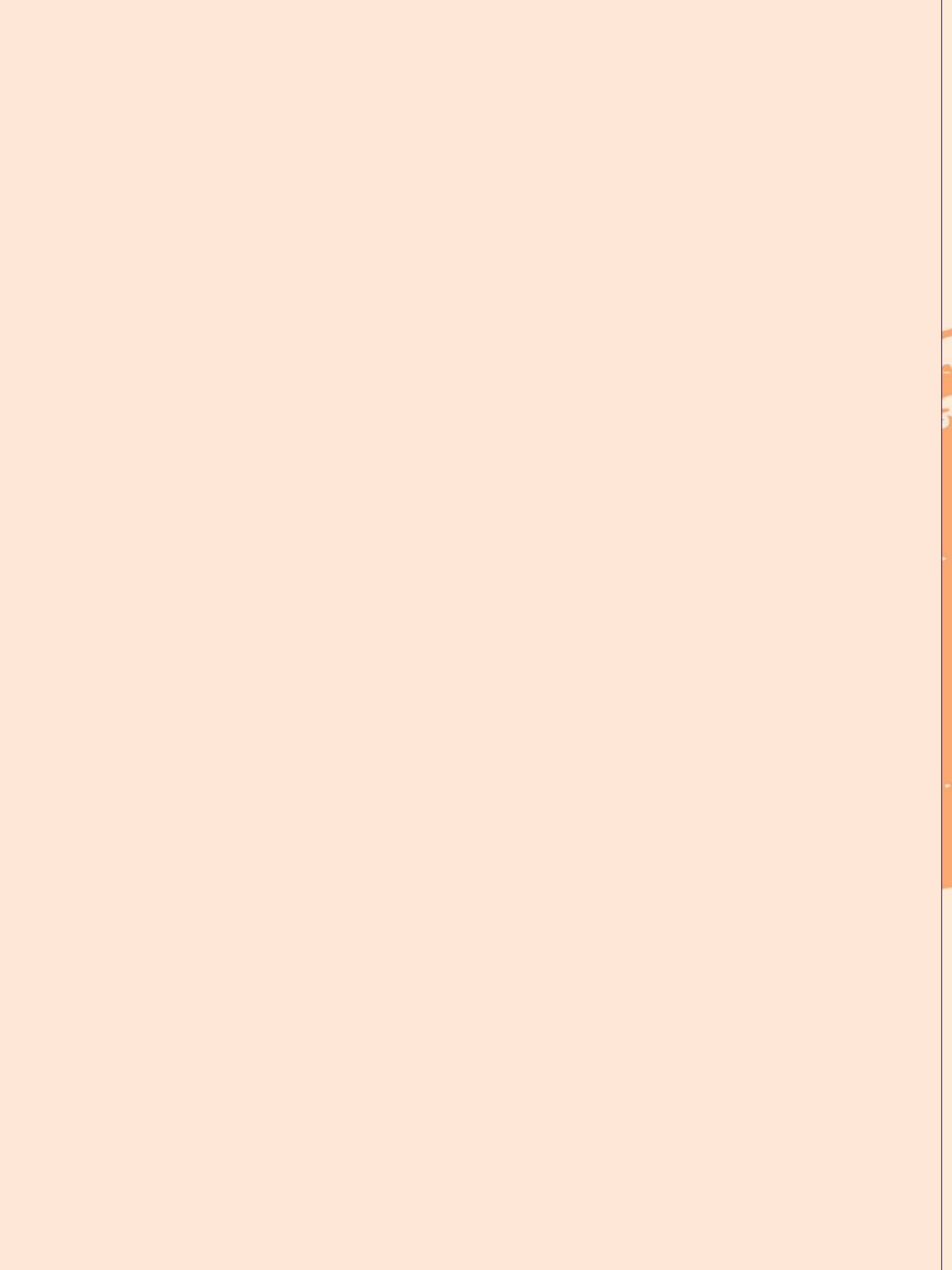
Study to Assess the Availability of Resources for Creating the Assets and Initiatives taken for Generating Various Own Sources of Revenue - Ministry of Panchayati Raj sponsored a study on “Assessment of the Availability of Resources for Creating the Assets and Initiative taken for Generating

Various Own Sources of Revenue” by the National Council of Applied Economic Research (NCAER). Based on the findings of the study, advisories have been sent to the States requesting them to take suitable actions on the various findings and suggestions made in the report of the study.

1.7 Organisation of Report

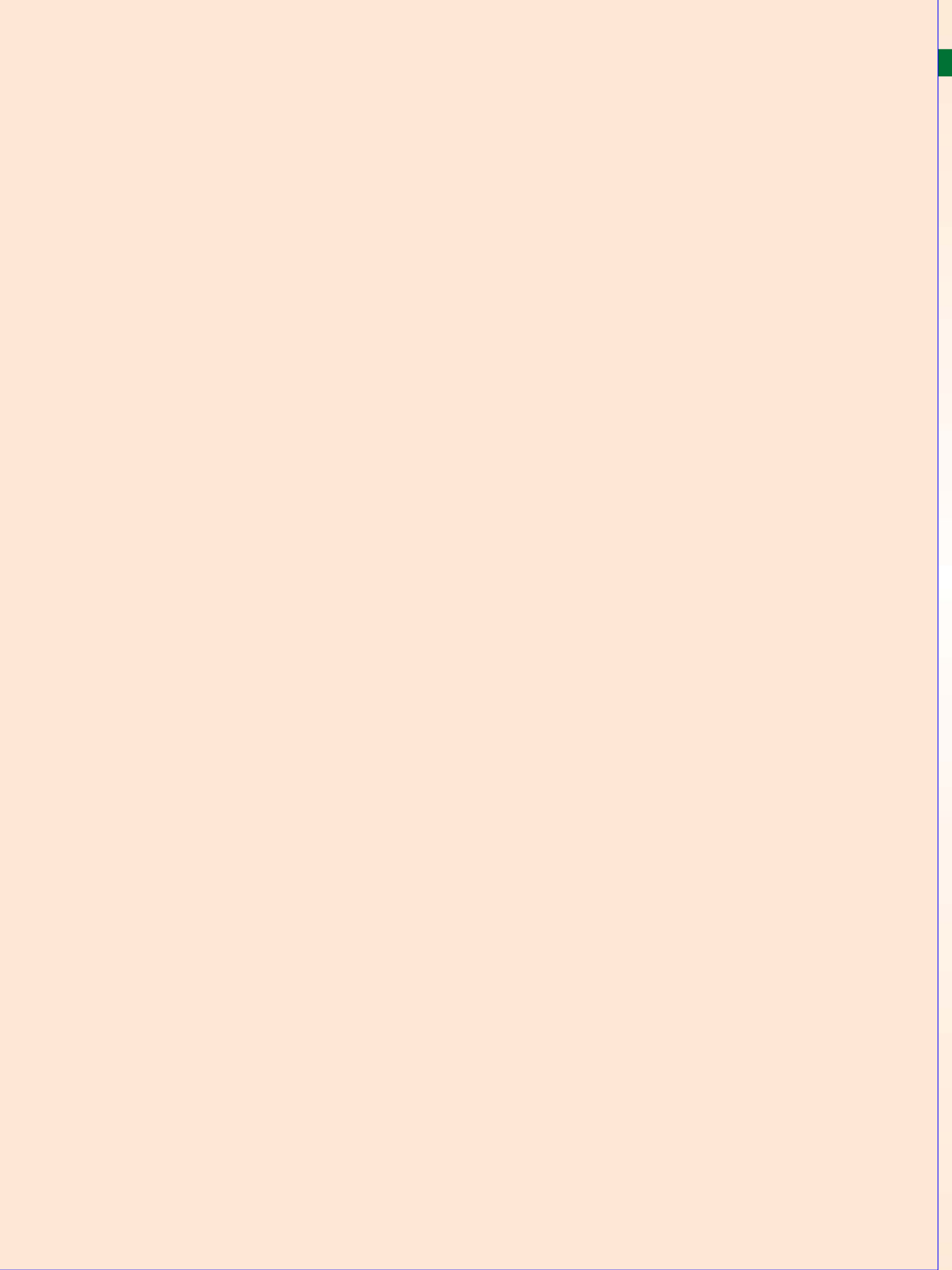
All out efforts were made by the Expert Committee, constituted by Ministry of Panchayati Raj, Govt of India to prepare this report. The Committee interacted with various experts and institutions including World Bank, UNDP, UNICEF, and representatives of selected Central Govt. Ministries / Departments, State Governments, State Finance Commission, SIRD/PRTI, elected representatives and functionaries of Panchayats etc and solicited their inputs and suggestions. The report consists of nine Chapters. The report contains **Context of OSR, Financial Resources of Panchayats, Own Source of Revenue of Panchayats, Legal Framework and State Finance Commission, Status of OSR Collection, Best Practices for augmentation of OSR, Analysis of OSR, Recommendations, Capacity Development Framework in different chapters sequentially.**

For setting up context, Panchayati Raj System of India, constitutional provision for planning by Panchayats and OSR, recent initiatives *e.g.* Gram Panchayat Development Plan, Block Development Plan, District Development Plan for Rural Area, People’s Plan Campaign, localising Sustainable Development Goals, SVAMITVA scheme, Disaster Management Plan, need and past efforts for augmentation of OSR have been outlined in the first chapter. The second chapter deals with different financial resources of Panchayats including grants on recommendation of Central Finance Commission and State Finance Commission, OSR, other grants etc. In third chapter OSR has been elaborated with respect to its perspective, historical evolution, components *e.g.* taxes, non-tax revenues etc. and importance of OSR in emerging scenario. The fourth chapter highlights the legal framework and role of State Finance Commission, State Rules and Guidelines for OSR. The fifth chapter contains the status of collection of different types of OSR. The sixth chapter contains best practices with respect to the OSR. Comprehensive analysis of OSR including National level framework analysis, comparative analysis among states, tiers of the Panchayat, OSR & grant and important aspects of its generation have been provided in the seventh chapter. The eighth chapter elaborates the set of recommendations of the Committee for the augmentation of the OSR. The recommendations outline specific strategies for enhancement and broad framework of guidelines for State Finance Commission. Further, it provides overall recommendations and specific recommendations to Ministry of Panchayati Raj, Govt. of India, State Government and different tiers of Panchayat, PESA areas and non-part IX areas separately. A separate comprehensive framework of Capacity Development Framework for the augmentation of OSR including its role, training of trainers, training at District, Intermediate and Gram Panchayat levels etc. have been elaborated in the ninth chapter.



**Financial
Resources of
Panchayats**

2



Financial Resources of Panchayats

2

For any organization engaged in governance and development, financial resources are very important for achieving its goals, objectives and targets. Similarly, financial resources of Panchayats are critically important for their functioning. The different financial sources of Panchayats have been described in succeeding sections.

2.1 Different Financial Resources of Panchayats

Grants from Central and State Governments, own source revenue (both tax and non-tax sources) and donation & contribution as listed schematically in table 2.1 are different financial resources of Panchayats. Though donation and contribution are technically not OSR, for all practical purposes they may be treated as OSR.

Table 2.1: Different Sources of Finances of Panchayats

Grants From Government to Panchayats		Own Source Revenue of Panchayat		
Central Government	State Government	Tax Revenue	Non-Tax Revenue	Miscellaneous sources of Fund
Government of India Grants/Central Finance Commission Grants	General Purpose Fund	Property Tax	Market Fee	Donation including fund from Corporate Social Responsibility (CSR)
Receipts from Loan and other sources	Maintenance Fund (Road Assets and Non-Road Assets)	Professional Tax	Licence Fee	Contributions
Capital Receipts (by way of sale of Assets)	Development Fund (General, Special Component Plan (SCP), Tribal Sub-Plan (TSP), World Bank (WB), Special Grant etc.)	Entertainment Tax	Registration Fee	

Grants From Government to Panchayats		Own Source Revenue of Panchayat		
Central Government	State Government	Tax Revenue	Non-Tax Revenue	Miscellaneous sources of Fund
	State Sponsored Scheme Funds	Advertisement Tax	Permit Fee	
		Other Tax (Service tax, Show tax, Octroi & Toll etc.)	Rent on Land & Building	
			Interest receipts	
			Penalties & Fines	
			Receipt from Transferred Institutions	
			Other Non-Tax Receipts (Certification Fee, Services/ Administrative Charge)	

Source : NCAER, 2021 (with some modifications)

Panchayati Raj

A comprehensive framework (Annexure IV) was developed by the Committee for collection of data regarding financial resources of Panchayats from States/UTs. On the basis of data collected by Ministry of Panchayati Raj, Government of India on the request of the Committee, State/UT-wise financial resources of Panchayat have been given in table 2.2. It may be seen that out of total expenditure Rs. 66415-78488 Crore, OSR was Rs. 5380-4813 Crore varying in the range from 8% to 6%. The collected data through the framework have been dealt in details in Chapter 5. It is obvious that in most of the States the share of OSR in total revenue of Panchayats is very low.

Table 2.2: State/UT - wise Financial Resources of Panchayats

(Rs. in Crore)

SL#	State/UT	2017-18					2018-19					2021-22				
		CFC	SFC	OSR	Total	OSR %age	CFC	SFC	OSR	Total	OSR %age	CFC	SFC	OSR	Total	OSR %age
1	Andhra Pradesh	1676	2	689	2367	29%	1729	2	740	2471	30%	1939	0	969	2908	33%
2	Assam	1056	126	26	1208	2%	1082	132	26	1240	2%	1186	359	27	1572	2%
3	Bihar	3630	2470	0	6100	0%	4200	2526	0	6726	0%	3709	3261	38	7008	1%
4	Chhattisgarh	1022	952	167	2141	8%	1048	900	145	2093	7%	1075	858	142	2075	7%
5	Goa	26	0	225	251	90%	27	0	61	88	70%	55	0	219	274	80%
6	Gujarat	1683	0	864	2547	34%	1725	0	778	2503	31%	2362	0	0	2362	0%
7	Haryana	757	455	51	1263	4%	776	631	109	1516	7%	935	0	60	995	6%
8	Himachal Pradesh	313	168	0	481	0%	362	239	0	601	0%	317	303	1	621	0%
9	Jharkhand	1044	0	0	1044	0%	1208	0	0	1208	0%	1249	0	2	1251	0%
10	Karnataka	1784	926	386	3096	12%	1842	1207	553	3602	15%	2377	1203	812	4392	18%
11	Kerala	774	6697	869	8340	10%	803	8395	803	10001	8%	1203	8103	781	10087	8%
12	Madhya Pradesh	2638	1192	0	3830	0%	2709	924	0	3633	0%	2944	330	64	3338	2%
13	Manipur	40	27	1	68	1%	41	33	1	75	1%	131	47	0	178	0%
14	Mizoram#	NA	14	0	14	0%	NA	14	0	14	0%	69	0	0	69	0%
15	Nagaland#	NA	0	0	0	0%	NA	0	0	0	0%	92	0	0	92	0%
16	Odisha	1725	494	39	2258	2%	1768	494	44	2306	2%	1669	915	0	2584	0%
17	Punjab	707	0	126	833	15%	817	0	172	989	17%	1026	0	158	1184	13%

SL#	State/UT	2017-18					2018-19					2021-22				
		CFC	SFC	OSR	Total	OSR %age	CFC	SFC	OSR	Total	OSR %age	CFC	SFC	OSR	Total	OSR %age
18	Rajasthan	2657	2771	41	5469	1%	2724	2341	41	5106	1%	2854	3849	57	6760	1%
19	Sikkim	29	18	2	49	4%	30	19	2	51	4%	31	29	0	60	0%
20	Tamil Nadu	1516	3568	732	5816	13%	1754	4132	795	6681	12%	2666	4304	412	7382	6%
21	Telangana	1048	28	398	1474	27%	1072	61	426	1559	27%	1365	1659	293	3317	9%
22	Tripura	65	21	3	89	3%	67	23	4	94	4%	141	33	0	174	0%
23	Uttar Pradesh	6180	4624	193	10997	2%	7149	4868	204	12221	2%	7208	6600	246	14054	2%
24	Uttarakhand	347	342	14	703	2%	376	369	15	760	2%	425	361	16	802	2%
25	West Bengal	2369	445	523	3337	16%	2741	245	503	3489	14%	3261	0	465	3726	12%
26	Andaman and Nicobar Islands#	NA	0	2	2	100%	NA	0	2	2	100%	NA	0	3	3	100%
27	Jammu & Kashmir#	NA	0	0	0	0%	NA	0	0	0	0%	NA	0	2	2	100%
28	Ladakh#	NA	0	0	0	0%	NA	0	0	0	0%	NA	0	0	0	0%
29	Lakshadweep#	NA	0	0	0	0%	NA	0	0	0	0%	NA	0	0	0	0%
30	Puducherry#	NA	0	29	29	100%	NA	0	35	35	100%	NA	0	46	46	100%
	Total	33087	25340	5380	63807	8%	36049	27555	5459	69063	8%	40289	32214	4813	77316	6%

Note: # CFC Funds not devolved for Union Territories and under 14th FC funds were not allotted to Panchayats in non-Part IX areas.

NA stands for not received by the Ministry.

Years 2019-20 & 2020-21 being not included due to COVID period.

(Report of Expert Committee on OSR of RLBs)

2.2 Grants on Recommendations of Central Finance Commission

Under Article 280(3)(bb) of the Constitution of India, Central Finance Commission is required to make recommendations to augment the Consolidated Fund of a State to supplement the resources of Panchayats. The recommendation for devolution to the Rural Local Bodies (RLBs) have begun from the Tenth Finance Commission (period 1995-2000) onwards. Up to the Twelfth Finance Commission (period 2005-10), nominal amounts of devolution were made to the RLBs on lump-sum basis and Thirteenth Finance Commission onwards there is substantial growth of the allocation as detailed in table 2.3.

Table 2.3: Devolution to Rural Local Bodies from Central Government on recommendation from X to XV Finance Commission

Finance Commission	Period	Allocation (in Rs. Crore)	Release (in Rs. Crore)	Release as % of Allocation
10 th Finance Commission	1995-2000	4,380.93	3,576.35	81.63%
11 th Finance Commission	2000-2005	8,000.00	6,601.85	82.52%
12 th Finance Commission	2005-2010	20,000.00	18,926.79	94.63%
13 th Finance Commission	2010-2015	65,160.76	58,256.63	89.40%
14 th Finance Commission	2015-2020	2,00,292.20	1,83,248.54	91.49%
15 th Finance Commission	2020-2021	60,750.00	60,750.00	100%
15 th Finance Commission	2021-2026	2,36,805.00 (138432 for 2021-24)	95,161.52 for 2021-22 to 2023-24 (as on 21st Sep 2023)	(68.74%)

Source: Compiled in MoPR.

The recommendations of Central Finance Commissions with respect to Panchayats have been summarized in table 2.4.

The Fifteenth Finance Commission (XV FC) submitted its first report for the financial year 2020-21. The XV FC Grant-in-aid was allocated to all tiers of the Panchayati Raj including the Traditional Bodies in Non-Part IX areas and Fifth and Sixth Schedule areas in two parts, namely, (i) 50% Basic (Untied) Grant and (ii) Tied Grant. 50%. The basic grants were untied and could be used by RLBs for location-specific felt needs, except for salary or other establishment expenditure. The tied grants were used for the basic services 25% of the grant for each of (a) sanitation and maintenance of open-defecation free (ODF) status and (b) supply of drinking water, rainwater harvesting and water recycling.

XV FC has awarded Grants Rs.2,36,805 Crore for 2021-26 to the Rural Local Bodies (RLBs) in all 28 States in the three tiers and the Traditional bodies of Fifth and Sixth Schedule areas. Further, a notable recommendation of the XV FC (for 2020-21) as well as 2021-26) Additional Rs.70,051 Crores out of the Grants for local governments have been earmarked for health sector for (rural & urban) local bodies during 2021-26, out of which the rural component is Rs.43,928 Crore. Therefore, the total award for the RLBs during 2021-26 is Rs.2,80,833 Crore. 60% of the Grants (Rs. 2,36,805 Crore) are being disbursed as Tied Grants towards improvement in two National Priority focus areas – (a) sanitation and maintenance of ODF status; & (b) drinking water, rainwater harvesting & water recycling. 40% of the Grants will be untied and can be used by the RLBs for felt needs under 29 subjects listed in the Eleventh Schedule, except

for salaries & establishment costs. The inter-se distribution among all tiers is to be done by the State Governments on the basis of the accepted recommendations of the latest SFC and in conformity with the following bands :

Gram Panchayat	-	85% to 70%
Intermediate Panchayat	-	25% to 10%
District Panchayat	-	15% to 5%

2.3 Grants from State Government

Article 243-I of the Constitution of India provides for the constitution of State Finance Commission (SFC) with mandate *inter-alia* to review financial position of Panchayats and make recommendations for the distribution between State and Panchayats of net proceedings of the taxes, duties, tolls and fees leviable by the State and grants in aid to Panchayats from the Consolidated Fund of State. The task of SFCs are in consonance with that of Union Finance Commission to rectify the fiscal imbalance of rural local bodies. However, it has been observed that frequency prescribed for the constitution of SFC has not been uniformly followed by many States. Further, many times the functioning of SFC is not synchronized with that of Central Finance Commission. Moreover, the response of the State Government on the recommendation of the SFC is also not adequate. In view of the aforesaid situation the Fifteenth Finance Commission has recommended to constitute in time and implement the recommendations of respective State Finance Commissions (SFCs) by compulsorily linking it to the release of RLB Grants from FY 2024-25. The per capita grants by State Finance Commission of Panchayats have been given in table 2.5. It may be seen from grants that the devolution by SFCs continues to be an important resource for Panchayats.

Panchayati Raj

Table 2.4: Summary recommendations of Central Finance Commission with respect to Panchayat

FC RECOMMENDATIONS FOR PRIs- SUMMARY	10th FC 1995-2000	11th FC 2000-2005	12th FC 2005-2010	13th FC 2010-2015	14th FC 2015-2020	15th FC 2020-2021	15th FC 2021-2026
Quantum of Flows/Allocation(in Rs Cr.)	4380.93 - Grant in absolute terms (Despite no ToR for local Governments grants)	8000.00 -Grant in absolute terms	20000.00 -Grant in absolute terms	65160.76 -Grant as a proportion of the divisible pool	200292.20 -Grant in absolute terms	60750.00 -Grant in absolute terms	280833.00 -Grant in absolute terms
Basic and Performance Grants/Stipulations for use of grants	- State Governments were to prepare suitable schemes and issue detailed guidelines for utilisation of grants. - Local governments were required to raise matching contributions. -No grant amount was to be used for expenditure on salaries & wages.	- The first charge on the grants was to be maintenance of accounts & audit, followed by the development of a financial database. -The remaining amounts were to be utilised for maintenance of core services. -Grants were untied, barring prohibiting the payment of salaries & wages.	- Recommended PRIs to use the grants to improve water supply & sanitation services - PRIs were to give high priority to expenditure for the creation of databases on their finances & maintenance of accounts using modern technology and management systems.	- Basic Grant - 1.5% of the divisible pool subject to 2 conditions & Performance Grant- payable from 2011-12 at the rate of 0.5% of divisible pool in the first year & 1% in remaining 3 years subject to additional 6 conditions - Special area basic grant & Special area performance grant provided; 4 conditions to avail the latter.	- Unconditional basic grant & Conditional grant in ratio 90:10 resp. -To be eligible for performance grants, local govts. would have to show an increase in own source of revenue & submit audited annual accounts. - MoPR stipulated some more conditions for performance grants like completion of the GDPD, display of sector-wise expenditure in a dashboard & assignment of scores to GPs.	- Grants to all three tiers of Panchayats as well as to areas under the 5th & 6th Schedules. -50% of the RLB grants tied to sanitation & drinking water/rainwater harvesting. -As the grants were stipulated only for one year, no performance conditions were imposed for their release.	- Grants to all three tiers of Panchayats as well as to areas under the 5th & 6th Schedules. - 60% of the Grants tied to sanitation & drinking water/rainwater harvesting & recycling - Entry level condition for availing grants: Having both provisional & audited accounts online in the public domain
Horizontal Distribution Criteria	Weights	Weights	Weights	Weights	Weights	Weights	Weights
Population (Census)	100% (1971)	40% (1971)	40% (2001)	50% (2001)	90% (2011)	90% (2011)	90% (2011)
Geographical area	-	10%	10%	10%	10%	10%	10%
Distance from highest PC	-	20%	20%	10%	-	-	-
Income	-	20%	-	15%	-	-	-
Index of decentralisation	-	-	10%	-	-	-	-
Index of deprivation	-	-	20%	-	-	-	-
Revenue effort	-	10%	20%	-	-	-	-

FC RECOMMENDATIONS FOR PRIS- SUMMARY	10th FC 1995-2000	11th FC 2000-2005	12th FC 2005-2010	13th FC 2010-2015	14th FC 2015-2020	15th FC 2020-2021	15th FC 2021-2026
Quantum of Flows/Allocation(in Rs Cr.)	4380.93 - Grant in absolute terms (Despite no ToR for local Governments grants)	8000.00 - Grant in absolute terms	20000.00 - Grant in absolute terms	65160.76 - Grant as a proportion of the divisible pool	200292.20 - Grant in absolute terms	60750.00 - Grant in absolute terms	280833.00 - Grant in absolute terms
Proportion of SC/ST in population FC LB grants utilisation index	-	-	-	10%	-	-	-
Accounts and Audit	-NA	-Recommended that the CAG should be entrusted with the responsibility of exercising control and supervision over the maintenance of accounts and audit of all tiers of rural local bodies	- Recommended that the compilation of disaggregated data in the formats suggested by CAG is necessary for SFCs to be able to assess the income & expenditure requirements of local govts.	-Recommended that while the CAG should provide technical guidance and supervision, a major portion of the actual auditing would have to be undertaken by the local fund audit departments. - Hence, all State Governments should strengthen their local fund audit departments	-Recommended that the local governments should distinctly capture income from own taxes, assigned taxes, grants from the State, Finance Commission grants and grants for any agency functions assigned by the Union & State Governments. - Technical guidance and support arrangements by the CAG should be continued and States should facilitate local bodies to compile accounts and have them audited in time.	- Mandated that availability of accounts (unaudited) for the previous year and audited accounts for the period preceding the previous year in the public domain online would be an entry-level condition for qualifying for any grant.	- States will receive grants for those rural and urban local bodies that have their provisional accounts for the previous year and audited accounts for the year before the previous, available online.
Treatment of Excluded Areas	- Mandated that grants would be distributed to even those States which are not required to have Panchayats in	- Stipulated that its award for Excluded Areas should be made available to the respective States only after the enactment of relevant legislative	- Did not indicate separate grants for normal and excluded areas and left it to the States to distribute the grants between them	- Recommended grants of Rs. 1,357 crore for the Excluded Areas after considering Parts IX and IX-A, Articles 244, 280 and 275 of the Constitution	- Did not recommend grants to the Excluded Areas	- Recommended grants for Excluded areas falling within a State, based on population and area in the ratio of 90:10.	- Recommended grants for Excluded areas (traditional bodies of Fifth and Sixth Schedule areas in States) based on population and area in the ratio of 90:10.

FC RECOMMENDATIONS FOR PRIs- SUMMARY	10th FC 1995-2000	11th FC 2000-2005	12th FC 2005-2010	13th FC 2010-2015	14th FC 2015-2020	15th FC 2020-2021	15th FC 2021-2026
Quantum of Flows/Allocation (in Rs Cr.)	4380.93 - Grant in absolute terms (Despite no ToR for local Governments grants)	8000.00 - Grant in absolute terms	20000.00 - Grant in absolute terms	65160.76 - Grant as a proportion of the divisible pool	200292.20 - Grant in absolute terms	60750.00 - Grant in absolute terms	280833.00 - Grant in absolute terms
	order to supplement the resources of similar local level representative bodies.	measures for the extension of the provisions of the 73rd & 74 th Amendments to such areas.					
Release of Grants	- Total Grant to be made available to the States in four equal instalments commencing from 1996- 97, as the local bodies were not likely to be fully functional prior to that.	- The yearly funds were united with the proviso that they should not be used for payment of salaries and wages.	- Local body grants to be released in two instalments every year- in Jan & July after submission of requisitedetails from States Govts. - Interest would be payable if delay in transferring grants from State Govts. To Local Govts. exceeds 15 days.	- Basic grant: All states eligible to draw basic grant in two instalments, by 1 July & 1 Jan of each year, subject to submission of a utilisation certificate for the previous instalment. No other documentation need be stipulated. - Performance grant: 9 conditions for availing performance grant from 2011-12 onwards	- The grants shall be released in two instalments each year in June and Oct. - 50 per cent of the basic grant for the year be released to the State as the first instalment; Remaining basic grant and full performance grant may be released as the second instalment. - Interest would be payable if delay in transferring grants from State Govts. To Local Govts. exceeds 15 days	- Grants shall be released in two equal instalments in June 2020 and October 2020. - Interest would be payable if delay in transferring grants from State Govts. to Local Govts. exceeds 10 working days.	- Grants to be released two equal instalments each year in June and Oct, after ascertaining the entry level requirements. - Interest would be payable if delay in transferring grants from State Govts. to Local Govts. exceeds 10 working days.
Release amount (In Rs Cr.)	3576.35	6601.85	18926.79	58256.63	1,83,248.54	57738.52	NA
Release as % of Allocation	81.63%	82.52%	94.63%	89.40%	91.49%	95.04%	NA

Source: Compiled in Ministry of Panchayati Raj, Govt. of India

Table 2.5 Per Capita Grants Recommendation by SFC

States	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Average of	
											2010-11 to 2014-15	2015-16 to 2019-20
1 AP (3 rd)	428.12	425.16	421.47	417.93	414.51						421.44	
2 Assam (3 rd -4 th -5 th)	323.86	99.57	107.32	139.93	170.33	201.25	487.28	484.89	487.85	494.01	168.20	431.06
3 Bihar (3 rd -4 th -5 th)	49.66	55.02	60.99	67.62	75.01	221.24	284.24	345.22	420.44	512.55	61.66	356.74
4 Chhattisgarh (1 st -2 nd)	188.99	218.10	333.22	375.07	421.51	474.02	534.15				307.38	504.08
5 Gujarat (2 nd)	433.50										433.50	
6 Haryana (3 rd -4 th -5 th)	258.90	194.58	228.02	266.02	304.51	352.58	704.52	784.55	873.90	973.68	250.40	737.84
7 HP (3 rd -4 th -5 th)	139.13	146.25	180.79	186.56	259.06	267.31	321.00	349.99	431.45	465.82	182.36	367.12
8 Karnataka (3 rd -4 th)	2340.04	2564.65	2889.90	3814.28	4452.21	4966.28	5637.60	6267.57	6516.94	7061.93	3212.22	6090.06
9 Kerala (3 rd -4 th)	900.17	1142.38	1410.02	1664.58	1909.89	2164.16	2505.53	2929.77	3418.46	3980.77	1405.41	2999.74
10 MP (4 th)						251.82	409.49	443.68	481.25	521.70		421.59
11 Maharashtra (3 rd)	1115.65	997.03	1151.25								1087.98	
12 Manipur (3 rd)	536.22	633.81	636.81	790.60	887.66	893.12	998.73	1116.24			697.02	1002.70
13 Mizoram (1 st)						113.48	129.05	146.77	166.88	189.81		149.19
14 Odisha (2 nd -3 rd -4 th)	215.05	212.24	209.45	206.70	203.98	149.76	148.25	146.76	145.29	143.84	209.48	146.78
15 Punjab (3 rd -4 th -5 th)	148.16	270.87	304.07	338.42	376.60	448.25	416.30	443.01	471.90	503.19	287.63	456.53
16 Rajasthan (3 rd -4 th)	197.42	250.43	301.86	322.98	385.79	446.94	496.86				291.69	471.90
17 Sikkim (2 nd -3 rd -4 th)	80.06	39.93	39.54	39.04	38.92	164.14	185.32	209.34	236.49	266.83	47.50	212.42
18 TN (3 rd -4 th -5 th)	584.16	659.90	933.95	1081.48	1253.16	1336.84	1467.49	1289.47	1443.97	1593.57	902.53	1426.27
19 Tripura (2 nd -3 rd)	128.92	139.44	151.53	163.84	179.45						152.64	
20 UP (3 rd -4 th)	219.89	207.51	302.68	466.05	381.65	449.53					315.55	449.53
21 Uttarakhand (2 nd -3 rd)	660.22	522.38	594.24	676.39	770.36	866.17	1157.40	1352.88	1581.43	1848.59	644.72	1361.29
22 WB (3 rd -4 th)	100.50	99.57	98.68	122.71	136.25	115.54	131.55	149.79	170.55	194.19	111.54	152.32
All State Average	490.20	506.03	602.80	667.39	728.77	794.81	1052.87	1234.77	1337.53	1478.20	599.04	1179.63
<i>Number of States</i>	2	1	1	1	1	1	1	1	1	1		
	0	9	9	8	8	8	7	5	4	4		
All State Average (without Karnataka)	374.85	365.66	447.12	422.95	440.12	486.44	603.73	653.82	737.34	832.40	410.14	662.74
Max	2340.04	2564.65	2889.90	3814.28	4452.21	4966.28	5637.60	6267.57	6516.94	7061.93	3212.22	6090.06
Min	49.66	39.93	39.54	39.04	38.92	113.48	129.05	146.76	145.29	143.84	47.50	146.78
FC Local Body Grants	70.12	106.23	153.81	179.17	208.70	237.69	381.68	433.20	492.48	652.76	144.68	442.33
Share: FC vis-a-vis SFC	14.30	20.99	25.52	26.85	28.64	29.90	36.25	35.08	36.82	44.16	24.15	37.50

Source: Chakraborty, Gupta and Singh, 2018

It is obvious that the State Finance Commission have not been uniform in their approach towards divisible or sharable pool of resources. Some SFCs have recommended devolution of a percentage of own tax revenues of the State while others have recommended a share of own revenues (*i.e.* own tax and own non-tax revenues including GST compensation). The composition, divisible pool and quantum of devolution recommended by SFCs have been summarized in table 2.6.

Table 2.6 Composition of Divisible Pool and Quantum of Devolution Recommended by SFCs

Share of Net Own Tax Revenue (net of cost of collection only)	Share of Net Own Tax Revenue (net of cost of collection and other taxes/ charges)	Share of Total Revenues Receipts	Share of Own Revenues receipts	No Specific Recommendation/ Criteria
<ul style="list-style-type: none"> • Assam (5th): 15.5% in 2015-16, 15% in 2016-17, 14.50% in 2017-18, 14% in 2018-19, and 13.5% in 2019-2020. • Jammu & Kashmir (1st): 12.5% of state's tax proceeds net of cost of collection. • Kerala (5th): 20% of the state's net OTR in 2016-17; for subsequent years increases by 1% every year • Mizoram (1st): 15% of state's own tax revenues. • Punjab (5th): 4% of net total tax revenue of the State. • Sikkim (5th): 4.5% of State's own tax revenue 2020- 2025; 0.5% of net proceeds of State's own tax 	<ul style="list-style-type: none"> • Bihar (5th): 8.5% of State's net own tax revenue in 2015- 16 and 9% in 2016- 17 to 2019-20. • Chhattisgarh (2nd): 8% of net tax revenues of the state, net of land revenue, tax on goods and passengers and other taxes on commodities and services. • Haryana (5th): 7% of State's own tax revenue net of cost of collection, VAT and 2% of Stamp duty and Registration fees collected on behalf of urban bodies. • Madhya Pradesh (4th): 1st interim report: 5% of the States net own tax revenue for 2015-16; 2nd & final interim report: 7.5% of State's net own tax 	<ul style="list-style-type: none"> • Gujarat (2nd): 10% of State's total revenue receipts. • Manipur (3rd): 10% of State's own tax revenue, non-tax revenue and share in the central taxes. 	<ul style="list-style-type: none"> • Karnataka (4th): 48% of Non-loan net Own revenue receipt (NLNORR) inclusive of GST compensation but excludes 14th FC grants • Maharashtra (4th): at least 40% of state's own tax and non-tax revenue. • Uttar Pradesh (4th): 15% of State's tax and non-tax revenues net of collection cost. 	<ul style="list-style-type: none"> • Andhra Pradesh (3rd): devolution by way of per capita grants and assignment. This works out to 6.77% of total tax and non-tax revenues of State including share of central taxes for 2004- 05 • Himachal Pradesh (5th): adopted a gap filling approach. Funds to be devolved derived by including salaries of staff, honorarium of members, office expenses, TA/DA expenses. • Goa (2nd SFC): Assignment of tax revenue to ULBs shall mainly be a percentage of land revenue and of royalties of mines and minerals. For PRIs, the assigned

Share of Net Own Tax Revenue (net of cost of collection only)	Share of Net Own Tax Revenue (net of cost of collection and other taxes/ charges)	Share of Total Revenues Receipts	Share of Own Revenues receipts	No Specific Recommendation/ Criteria
<p>revenue should be allocated for capacity building of PRIs and ULBs; 0.5% of netproceeds of State's own tax revenue should be allocated for special support to most backward PRIs and ULBs.</p> <ul style="list-style-type: none"> • Uttarakhand (4th): 11% State's net own tax revenue. • Tamil Nadu (5th): 10% of State's own tax revenue 2017-22. • West Bengal (4th): 2.5% of State's net own tax revenue. 	<p>revenues (90%) for remaining 4 years.</p> <ul style="list-style-type: none"> • Odisha (4th): 3% of net own tax revenue of the State. Net of entry tax, entertainment tax and motor vehicle tax. • Rajasthan (4th): 5% of State's net own tax revenue. Net of entry tax and land revenue. 			<p>devolution shall be 2% of States own revenues.</p> <ul style="list-style-type: none"> • Tripura (3rd SFC): Adopted a gap-filling approach. Compute the Pre-devolution gap by assessing requirement of establishment expenditure, maintenance expenditure and development expenditure of the RLBs.

Source: Chakraborty, Gupta and Singh, 2018

There are considerable variations across the States in recommended devolution as percentage of own tax revenue and own revenue receipt of State as evident from table 2.7 and 2.8 respectively. It may be seen that the share of devolution of own tax revenue and own revenue receipts varies between 7.8 to 11% and 6.6 to 9.3% respectively. The share of devolution from States to own tax revenue and own revenue receipts of most of the states is very small. Therefore, there is urgent need to enhance the devolution in higher proportion of own tax revenue and own revenue receipts of the States (Chakraborty, Gupta and Singh, 2018).

Table 2.7: Recommended Devolution as Percent of States' Own Tax

State	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
AP (3 rd)	4.68	3.96	3.53	3.29	4.92				
Assam (3 rd -4 th -5 th)	16.61	4.01	4.05	4.91	5.82	6.59	13.52	16.86	14.42
Bihar (3 rd -4 th -5 th)	4.89	4.30	3.74	3.42	3.66	9.68	13.60	12.45	15.90
Chhattisgarh (1 st -2 nd)	5.25	5.19	6.65	6.93	7.25	7.63	7.88		
Gujarat (2 nd)	7.00								
Haryana (3 rd -4 th -5 th)	3.90	2.45	2.53	2.76	2.97	3.08	5.68	4.88	5.02
HP (3 rd -4 th -5 th)	2.80	2.46	2.72	2.57	3.01	2.85	3.29	3.45	3.84
Karnataka (3 rd -4 th)	35.99	33.93	33.41	38.28	40.29	42.18	44.11	48.04	46.65
Kerala (3 rd -4 th)	13.82	14.88	15.78	17.60	18.42	18.95	20.39	20.70	20.23
MP (4 th)						4.86	7.30	7.65	7.14
Maharashtra (3 rd)	16.66	12.88	12.74						
Manipur (3 rd)	61.12	49.82	56.56	50.52	53.02	51.19	54.88	57.78	
Mizoram (1 st)						12.29	11.47	12.06	13.89
Odisha (2 nd -3 rd -4 th)	8.01	6.67	5.96	5.31	4.52	2.92	2.88	2.48	2.31
Punjab (3 rd -4 th -5 th)	2.56	4.25	4.01	4.27	4.55	4.95	4.48	3.77	3.52
Rajasthan (3 rd -4 th)	6.41	6.76	6.88	6.81	7.14	7.66	8.32		
Sikkim (2 nd -3 rd -4 th)	1.75	0.84	0.57	0.47	0.47	1.85	1.84	1.96	2.03
TN (3 rd -4 th -5 th)	8.22	7.51	8.93	10.05	10.97	12.50	12.97	10.18	10.15
Tripura (2 nd -3 rd)	7.46	5.92	5.56	5.68	5.86				
UP (3 rd -4 th)	10.60	8.00	10.75	14.69	10.97	11.87			
Uttarakhand (2 nd -3 rd)	14.81	9.33	9.42	9.48	9.65	9.91	11.54	11.08	11.80
WB (3 rd -4 th)	4.24	3.59	2.73	3.14	3.19	2.60	2.79	3.21	3.71
All States	11.04	9.00	9.24	8.41	8.84	9.47	9.15	8.15	7.81

Source: Calculated using data from SFCs reports and Finance Accounts and 2018-19 Budgets of respective states. Cited in Chakravorty, Gupta and Singh, 2018.

Table 2.8: Recommended Devolution as Percent of States' Own Revenue Receipts

State	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
AP (3 rd)	3.78	3.25	2.78	2.65	5.55				
Assam (3 rd -4 th -5 th)	11.86	2.92	3.12	3.77	4.64	5.18	9.94	10.18	8.46
Bihar (3 rd -4 th -5 th)	4.45	4.01	3.50	3.18	3.44	8.91	12.35	11.43	13.91
Chhattisgarh (1 st -2 nd)	3.68	3.77	4.91	5.11	5.51	5.85	6.06		
Gujarat (2 nd)	6.17								
Haryana (3 rd -4 th -5 th)	3.24	1.99	2.11	2.31	2.54	2.67	4.80	3.92	4.08
HP (3 rd -4 th -5 th)	1.86	1.68	2.10	1.90	2.23	2.24	2.65	2.68	3.10
Karnataka (3 rd -4 th)	33.10	31.18	31.12	35.96	37.77	39.39	41.23	44.49	42.87
Kerala (3 rd -4 th)	12.69	13.52	13.85	14.99	15.27	15.59	16.58	16.69	16.26
MP (4 th)						4.01	6.05	6.35	5.95
Maharashtra (3 rd)	15.01	11.78	11.62						
Manipur (3 rd)	29.86	26.98	33.34	32.57	39.11	40.26	42.85	41.70	
Mizoram (1 st)						6.71	6.28	7.28	8.32
Odisha (2 nd -3 rd -4 th)	5.61	4.51	3.88	3.55	3.21	2.11	2.13	1.85	1.69
Punjab (3 rd -4 th -5 th)	1.94	3.96	3.59	3.77	4.09	4.50	3.70	3.30	2.74
Rajasthan (3 rd -4 th)	4.92	4.96	4.92	4.84	5.32	6.10	6.59		
Sikkim (2 nd -3 rd -4 th)	0.34	0.18	0.20	0.19	0.20	1.07	1.09	1.17	1.25
TN (3 rd -4 th -5 th)	7.49	6.85	8.17	8.92	9.92	11.26	11.63	9.18	9.22
Tripura (2 nd -3 rd)	6.15	4.73	4.72	4.62	5.02				
UP (3 rd -4 th)	8.34	6.71	8.79	11.78	8.65	9.24			
Uttarakhand (2 nd -3 rd)	12.84	7.76	7.54	8.04	8.51	8.77	10.27	9.36	9.58
WB (3 rd -4 th)	3.81	3.41	2.58	2.97	3.07	2.49	2.62	3.00	3.45
All States	9.29	7.70	7.89	7.14	7.66	8.15	7.79	6.95	6.61

Source: Calculated using data from SFCs reports and Finance Accounts and 2018-19 Budgets of respective states. Cited in Chakravorty, Gupta and Singh, 2018

The mandate of Panchayat and aspiration of people from them need to be appreciated and with respect to these factors their share from State revenue and tax collection is very low.

2.4 Own Source Revenue as Important Component of Financial Resources

Article 243G empowers the State to endow Panchayats with such powers and authority to enable them to function as institutions of self-government; Article 243H authorizes Panchayats to levy, collect and appropriate taxes, duties, tolls and fees apart from receiving grant-in-aid from central and state government funds. Besides, Article 243-I provides for constitution of State Finance Commission (SFC) every five years to review the financial position of Panchayats and to recommend ways of implementing the provisions of Article 243H towards improving financial positions of PRIs. The SFCs are also expected to assess the revenue requirements of local governments after taking into account their roles and responsibilities and recommend sharing of States revenues with RLBs and augmentation of their Own Source Revenue (OSR).

In order to contribute towards greater fiscal freedom of RLBs, it is essential that their own resource revenue is enhanced. Improving own revenue would also strengthen the link between revenue and expenditure related decisions of Panchayats. This is essential to promote efficiency as well as accountability in services related provisions.

Revenue collected by Panchayats through tax and non-tax sources is called Own Source Revenue (OSR). Some OSRs are collected by State Govt. and shared with Panchayats. States are also empowered in their respective Panchayat Acts to suspend the levy of any tax/fee to be collected by Panchayats and to extend exemption areas of any such tax. Revenue sharing arrangement between State Government and Panchayats are not mandatory in the Constitution except for the provision for setting up of SFC at five year intervals for recommending revenue share and devolution of grants from the States to Panchayats and Municipalities. The financial power of Panchayats, depends on the empowerment by the State Government through fixing tax base, tax rates, tax administration, tax enforcement etc.

Among three tiers of Panchayats, Gram Panchayats (GP) have been given most of the taxation powers compared to the two other tiers viz. Intermediate Panchayats (IPs) and Zila Panchayats (ZPs). Own source of tax revenue of GPs normally includes (i) Land and building tax/ House tax (LBT) (ii) Profession tax although they vary from State to State.

Shared revenues (such as Entertainment Tax, Advertisement Tax etc) are the taxes, which are assigned to the state government and collected by it, but a share of revenue receipts is distributed among Panchayats. While assigned revenues are allocated to Panchayats by law; shared revenues are not formally allocated. However, both are levied and collected by the State Government and shared with Panchayats.

The details of Own Source Revenues generated by Panchayats state-wise since 2017-18 have been given in table 2.9. Though, there are some variations, it may be seen that there is increasing trend in generation of OSR in most of the States. However, some declines were observed due to Covid during 2020-21.

For Panchayats to be established as rural local government not completely dependent on funds provided by Central and State Governments, they must have substantial amount of own source revenue. However, various studies of Panchayat finance, have found that proportion of own source revenue in the total receipt of Panchayats is miniscule as compared to grants given on the recommendation of State Finance Commissions and Central Finance Commissions. But, there is a lot of scope of the augmentation of the OSR.

Table 2.9 Details of Own Source Revenue generated by Panchayats in the States since 2017-18

(Rs. in Crore)

SI No.	State	2017-18	2018-19	2019-20	2020-21	2021-22	Sources of OSR	Remarks by States
1	Andhra Pradesh	688.74	739.77	685.08	876.95	969.09	Property Tax, Private Tap fee, Building Permission Approval Fee	
2	Assam	25.98	25.63	15.25	21.22	26.65	Settlement of Haat, Settlement of Ghat and Settlement of Ferry	
3	Bihar	0	0	0	0	37.89		GPs of the State have no power to collect the tax.
4	Chhattisgarh	166.51	144.80	159.69	132.57	141.50	Obligatory Taxes (Property Tax, Lightning Tax, Profession Tax, Market, Fees, Animal Registration Fees, Cleaning Fees) Optional Tax (Water Tax, Drainage Tax, Galla License and others) Other Fees (Domicile, Caste, Income etc. Certificates, Mobile Tower)	
5	Goa	225.49	61.08	220.54	85.62	218.52		
6	Gujarat	864.10	778.30	881.46	795.14	0		For FY 2021-22 details not received
7	Haryana	50.58	108.56	83.73	71.99	60.06	House Tax, Shamilat Land, Liquor Excise Share, lease of land, ponds, shops & markets	
8	Himachal Pradesh	0.04	0.41	0.42	0.53	1.45	Property Tax, Professional Tax, Duty on transfer of property, Teh-Bazari, Service Fee, fee for registration of animals sold in sabha area, water rate where water is supplied by the Gram Panchayat and Local Rate	

Sl No.	State	2017-18	2018-19	2019-20	2020-21	2021-22	Sources of OSR	Remarks by States
9	Jharkhand	0.16	0.42	1.78	23.64	1.86	Permit Fee, Other Fees (Building Plan Approval), Penalties and Fines, Income From Investment and Interest	
10	Karnataka	385.94	552.86	671.37	715.41	812.21	Property Tax on Residential buildings, Commercial buildings, Industries, Factories, IT parks, Bio-Tech Park, Power plants Hydro Thermal, Solar, Plants, Wind Mills and Airport including connected area, etc., Vacant Land, Tax on Advertisement and hoardings, Tax on mobile Towers, Tax on wind mill, Tax on Solar Park, Fee on Entertainments, Vehicle Parking Fee, Fee on Markets and Fee on registration of Cattle.	
11	Kerala	868.62	802.84	792.05	769.94	781.28	Property Tax, Profession Tax, Entertainment tax, Factories, Trades, Entrepreneur ship Activities And Other Services, Permission for the construction of Factories and the installation of machinery, Licence to Slaughter House &, Meat Stalls, Issue of Licence of And Control of Public And Private market, Licensing of pigs And Dogs, Registration of Private, Hospitals And Private Paramedical Institutions, Registration Of Tutorial Institutions and Issue of Licence to Live stock Farms	
12	Madhya Pradesh	0	0	0	105.22	63.93	Property tax, Sanitation tax, Water tax and Other tax and fees and Other fees.	
13	Manipur	0.61	1.06	0.18	0.20	0.41		
14	Mizoram	0.04	0.04	0.06	0.09	0.04		
15	Nagaland	0	0	0	0	0		
16	Odisha	38.82	44.26	42.13	43.14	0	Leasing of Public Property, Rent on Capital Assets, Collection of User fees , License fee on small scale industries, installation of mobile tower etc.	In Odisha, OSR is being generated by GPs only.
17	Punjab	126.45	172.28	170.93	164.17	157.98		

Sl No.	State	2017-18	2018-19	2019-20	2020-21	2021-22	Sources of OSR	Remarks by States
18	Rajasthan	40.98	40.90	49.48	66.35	56.73	Fee, Meal & Weekly Haats, Auction of Bones	
19	Sikkim	1.58	1.78	2.87	0	0	Trade License, NOCs	The State has furnished OSR generated by GPs only.
20	Tamil Nadu	731.93	795.24	433.49	209.30	411.55	House Tax, Professional Tax, Water Charges, Rent on Lease building, Fishery Rental, Developmental Charges, etc.	
21	Telangana	397.54	425.66	321.02	278.25	292.98	Property tax, Tax on lands (lands not subject to agricultural assessment), Tax on building – House tax* (inclusive of land appurtenant to such buildings), Other taxes (Spl. Taxes), Licence Fee, Rent, Permit Fee, Registration Fee, Other Fees, Penalties and Fines, User charges, Income from Investment and Interest, Sales and hire charges, Market Receipts, Royalties for minerals and others, Others.	
22	Tripura	3.02	3.94	3.80	0	0		
23	Uttar Pradesh	192.89	204.27	0	229.08	246.34	Tax on land revenue, Entertainment Tax, Tax payable to animals and vehicles, hats, or melas belonging to or under the control of the concerned GP, Fees on the registration of animals sold in any market or place, Fees on the use of slaughter-houses and encamping grounds, Water rate supplied by GP, Tax for cleaning private latrines and drains payable by the owners where such cleaning is done through the agency of the GP, Tax for cleaning and lighting of streets and sanitation, Irrigation rate, Water tax, Electricity tax, Any other tax, Property tax, Licence fee, Certain other fees and Licence fees and tolls in respect of markets.	
24	Uttarakhand	14.17	15.41	14.40	13.26	16.21	Tax, License, Rents	

Sl No.	State	2017-18	2018-19	2019-20	2020-21	2021-22	sources of OSR	Remarks by States
25	West Bengal	522.63	502.88	487.23	198.43	464.66	Land & Building Tax, Building permission, Registration of running lawful trades, Registration of Vehicles (Other than registered by any other authority), Sanitary arrangements at places of worship or pilgrimages, fairs and melas, Using burning ghat under management of the GP, Selling village produces determined by means of weight measurement or by number in the village market organised by the GP, Advertisement for public display in any place, public or private, Erecting or fixing telephone tower, Using any road or bridge, Using any ferry established, Lighting arrangement on public streets and places, Clearing private latrines, urinals and cesspools, Arranging regular clearance of common drains, Plantation and selling of trees/ Selling of scrap materials, and Leasing out tanks, ponds, shops, market complex, guest house, buildings, etc.	
26	Andaman and Nicobar Islands	2.12	1.60	2.50	2.84	3.02	Tax on lands, building, Water Tax, Other taxes, Licence Fee, Rent, Permit Fee, Registration Fee, Other Fees, Penalties and Fines, User charges, Income From Investment and Interest, Sales and hire charges, Market Receipts, Royalties for minerals and others, Others	
27	Jammu & Kashmir	0	0	15.01	0	2.08		
28	Ladakh	0.28	0.07	0.09	0.04	0.05	Rent from Mobile towers	
29	Lakshadweep	0.04	0.04	0.04	0.01	0.03	Vehicle Tax, Boat Registration Tax and Professional Tax	
30	Puducherry	29.46	35.28	45.26	41.08	45.93		
	Total	5378.74	5459.38	5099.84	4844.47	4812.51		

#Source: Compiled by MoPR on the basis of the information provided by State and UT Governments

There are some variations with respect to levying of tax / non-tax by Panchayats across States. In most States, tax on house, building and land are obligatory with some exception in few States. The major variations across states are also in collection of user charges such as water rate, lighting rate, sanitation rate, drainage rate etc. Table 2.10 provides details of common tax and non-tax that are devolved to different tiers of Panchayats.

Table 2.10: Types of Taxes / Non-Taxes Devolved to PRIs

Gram Panchayat	Intermediate Panchayat	District Panchayat
Moveable/Immovable Tax		
House Tax/Building Tax		Tax on circumstances and property
Tax on Buildings and/or Lands/Property Tax		Special tax on lands and buildings
Vehicle Tax		Tax on lands benefited by Irrigation works or Development Schemes
Animal Tax	Development Tax on Agriculture Land	
Tax on professions, trades, calling etc		
Other Taxes		
Entertainment tax/Addl. Entertainment tax	Tax on theatres or public entertainment	Special tax for community services/civic purposes/public works
Tax on Advertisements	Road cess	Pilgrim Tax/Fees
Pilgrim Tax/Fees	Public work cess	
Kolagram tax/Tax on goods sold in market, hut etc.,	Education cess	
Octroi		
Special tax for community services/civic purposes/public works		
Tax on fairs, melas and other entertainment		
Surcharge/Cess on Moveable/Immovable tax		
Surcharge on house/building tax		
Land conversion cess		
Land cess/Surcharge/Cess on Land revenue/Local rate on lands		
		Additional stamp duty
Fees/Licenses		
Fee for registration of animals sold	Fee on permission of haats and markets	Fee for registration of animals sold
Fee for grazing cattle		Boat or Conveyance Registration fee
Fee for the use of Dharmsalas, Rent houses, slaughter		Fee for the use of Dharmsalas, Rent houses, slaughter
Fees at fairs, agricultural shows and industrial exhibitions		
Fee for temporary occupation of village sites roads or place		
Fee on registration of vehicles		
Tolls		
User Charges		
Sanitary cess/rate/tax		Sanitation tax
Drainage rate		Drainage fee
Conservancy tax/rate		
Lighting Tax/Rate		
Water Rate/Tax		
Fee for providing sanitary facilities		

Source: Rao and Mahendiran, 2014

2.5: Revenue Share Received from Other Panchayats

Many tax / non-tax revenue are collected by one tier of Panchayats, which may require to be shared with other Panchayats with overlapping jurisdiction. It is also rational that Panchayats with overlapping jurisdiction should not start collecting revenue independently and at the rate of their choice on the same item/activity. Many Acts empower local-bodies to charge fees/tax or give ownership on the resource to Panchayats without specifying the percentage and rates to be charged by each Panchayat *e.g.* Biological Diversity Act 2002 empowers every local body to charge fees from the individuals accessing bio-resources. Gradually, Panchayats are focusing on the OSR. Therefore, State Governments need to step in and frame subordinate legislation/guideline for authorizing one Panchayat for collecting the revenue and distributing it among other Panchayats with overlapping jurisdiction.

2.6 Receipt Under Central and State Scheme

Article 243G of the Constitution of India has mandated Panchayats for the implementation of schemes of Central and State Government for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule. Many Departments / Ministries *e.g.*, Department of Water and Sanitation, Department of Rural Development, Ministry of Micro, Small and Medium Enterprises (MSME), Ministry of Health and Family Welfare, Department of School Education and Literacy and Ministry of Agriculture and Farmer's Welfare have been implementing their schemes with support of Panchayats or the effectiveness of the schemes would be enhanced with active participation of Panchayats. In some schemes assets are created and Panchayats are expected to maintain them. Department of Rural Development is implementing schemes *e.g.* Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Pradhan Mantri Awaas Yojana– Gramin (PMAY-G), Pradhan Mantri Gram Sadak Yojana (PMGSY), Deen Dayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM), Deen Dayal Upadhyay – Gramin Kaushalya Yojana (DDU-GKY), Shyama Prasad Mukherjee Rurban Mission (SPMRM), Saansad Adarsh Gram Yojana (SAGY), National Social Assistance Programme with support from Panchayats. Department of Drinking Water and Sanitation is implementing two programs Swachh Bharat Abhiyan-Grameen (SBA-Y) and Jal Jeevan Mission with participation of Panchayats. Ministry of Health has been implementing National Health Mission with DHM (District Health Mission), which is at District Level and in many States, Zila Parishad is responsible for making the district health action plans. Department of School Education & Literacy, Ministry of Education is implementing Pradhan Mantri Poshan Shakti Nirman (PM POSHAN) with involvement of Panchayats. However, financial support under the aforesaid schemes is generally tied for Panchayats and even office contingency normally does not reach Panchayats. In some cases Panchayats are supported through human resource *e.g.* Gram Rojgar Sevak is provided under MGNREGS for the implementation of the scheme. In some schemes Panchayat can submit project to be funded by the Central/State Government *e.g.* Panchayat can prepare project for marketing and processing of medicinal plants and such projects can be supported by the National Medicinal Plants Board, Ministry of AYUSH, Govt. of India.

2.7 Donation and Contribution

Many individuals, families, industries, agencies and organisations donate to help needy people and contribute in the development of their school, village, districts etc. Panchayats particularly Gram Panchayat (GP)

have emerged as reliable units for such donation. Many persons and family like to provide development infrastructure to commemorate their relationship to the village. In many villages RO facility has been donated by individual and maintained by GP. Some families establish school or create additional educational / health facility for their village. Industries are also supporting different activities under Corporate Social Responsibility (CSR). For establishing an Animal Hostel in Akodra village in Gujarat a businessman from the village had contributed Rs. 25 Lakh to the Gram Panchayat of the village. Though this source of Panchayat finance is yet to be fully tapped to its potentiality, there is growing trend among Panchayats to attract donation and contribution.

Sixty percent of grants on the recommendations of XV Finance Commission to Panchayats are tied in nature. Further, the grants from State Government is important source of Panchayat Finance. Though present OSR remains very small, there is growing trend and hopefully, it would register accelerated growth and become critically important component of Panchayat Finance.



**Own Source
Revenue of
Panchayats**

3

Own Source Revenue of Panchayats

3

The 73rd Amendment of the Constitution of India established three tiers of Panchayats for self-governance of rural area. For any governance system, finance is critically important requisite. As mentioned in Chapter 2 Grants from Central and State Governments, own source revenue (OSR) and donation & contribution are financial resources of Panchayats. The need of OSR has been outlined in Chapter 1.5. Though at present OSR of the most of Panchayats remains very small, there is growing trend and hopefully, it would register accelerated growth and become critically important component of financial resources of Panchayats. Therefore, its perspective, historical evolution, components *e.g.* taxes, non-tax revenues etc. and importance in emerging scenario have been detailed and analysed in succeeding sections.

3.1. Perspective of OSR

The 73rd Constitutional Amendment has made provisions for transfer of political, administrative and taxation power from State Governments to Panchayats. As mentioned in Chapter 1.2 of this report, Article 243G of the Constitution of India empowers the State to endow Panchayats with such powers and authority to enable them to function as institutions of self-government. The Eleventh Schedule of the Constitution (Box 1.1) enlists the functions that may be devolved to Panchayats by State Government. Article 243H authorizes Panchayats to levy, collect and appropriate taxes, duties, tolls and fees apart from receiving grant-in-aid from Central and State Governments. Besides, Article 243-I provides for the constitution of State Finance Commission (SFC) every five years *inter-alia* to review the financial position of Panchayats and to recommend ways of implementing the provisions of the Article 243H. The SFCs are also expected to assess the revenue requirements of Panchayats after taking into account their roles and responsibilities and recommend sharing of States revenues with them and augmenting their Own Source Revenues (OSR).

Even though the responsibilities assigned to Panchayats vary among States, they are by and large responsible for delivering basic services *e.g.* sanitation, drinking water, primary health and education, street lighting, roads etc. to the rural citizens. The funding requirements for providing these basic services are enormous. Moreover, through the Article 243G the intention of Parliament underlines the achievement of economic development and social justice through Panchayats. Given the paucity of fiscal resources, Panchayats have to look constantly for enhancement of their funds for providing good quality of the basic services. The financial resources of Panchayats can be classified broadly into five categories *viz.* Grants from Central and State Governments, own source revenue and donation & contribution as listed in table 2.1. Though technically donation and contribution may not be counted in OSR, for all practical purposes they can be treated as its components. There is need to empower and encourage Panchayats to augment their OSR.

Since there are limitations of increasing grants from Central and State Government, there is need to empower and encourage Panchayats to augment their OSR.

Panchayats have also been vested with the powers to generate own source revenue through non-tax sources like license fees, fines and penalties, rents/leases etc. Different States have devolved different types of taxes and non-taxes to Panchayats with the relative importance varying across States. Most States have empowered the Gram Panchayat more than the District and Intermediate Panchayats with powers for taxation and raising non-tax revenues. Gram Panchayats are in direct contact and in service of their constituent citizens, essentially from whom maximum taxation contributions can be expected. The common tax and non-tax that are devolved to different tiers of Panchayats have been given in table 2.10. The details of taxes, non-tax, and other revenue have been provided in Chapters 3.3.1, 3.3.2 and 3.3.3 respectively.

Article 243G has left it to the discretion of the States regarding the scope of extent of powers of devolution for taxation, the State Finance Commissions (SFCs) are expected to bridge any gap in such devolutions through analyzing the expected roles and responsibilities of Panchayats and suggest various means for meeting these expectations. Financial autonomy of Panchayats may be a game changer for rural development. One of the quantitative measurements of the financial autonomy of Panchayats is derived from the ratio of their own source revenue to their total income. State - wise comparative analysis of expenditure and OSR of Panchayats has been given in table 3.1. It may be inferred that the OSR of Panchayats is still at very low, but steadily improving in the recent years. From a low figure of about 4-5 % in the 1990s', the present value of this ratio for the PRIs on an average has improved to around 6-10%. There is further imperative need to augment OSR substantially to take the rate at least 25% at the earliest so that the potentiality of Panchayats can be utilized for economic development along with ensuring social justice in rural areas.

3.2 Historical Evolution of OSR

Panchayats have been integral part of Indian culture and civilization. From the Indus valley civilization to the earliest Vedic period, history has recorded the traces of local governance, where common people took part in the decision-making process. The proofs of democratic decentralization in ancient India are available in the scriptures from the Rig Veda, where the words 'Sabha' and 'Samiti' were used frequently. Also, in the Manu Smriti the word 'Gram' was used. The Arthashastra, written by Kautilya, also mentioned about the division of the power structure in the State, where local bodies were established to control the administration and finances of the smallest unit of the governance. The Mauryan and the Gupta periods were examples of the prestige of these local self-governance bodies, where the disputes were settled through the processes of adjudication and mediation. Besides, these adjudicatory powers, the village bodies were given precise regulatory and taxation powers in this period.

During freedom struggle democratic decentralisation and establishment of Panchayats were being emphasized. After independence new Constitution was adopted. The Article 40 under Directive Principles of State Policy provided as follows:

“40. Organisation of Village Panchayat - The State shall take steps to organise village Panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government.”

Table 3.1 : State - wise Comparative Analysis of Expenditure and OSR levels of Panchayats

Sl. No.	State	2012-13 to 2017-18				2012-13 to 2017-18				2019-20				Rural Population in crore (as per JMM)	Per Capita Expenditure in Rs.	Per capita OSR in Rs.	% OSR/Expenditure
		Expenditure (Rs. Crore)				OSR (Rs. Crore)				Expenditure (Rs. Crore)							
		DPs	BPs	GPs	Total	DPs	BPs	GPs	Total	DPs	BPs	GPs	Total				
1	Andhra Pradesh	300.8	5210.7	465.4	5976.9	61.7	18.3	326	406	232.26	4058.47	1491.93	5782.66	3.81	440.93	40.91	9.28
2	Bihar	Not Available								24	167.33	7207.35	7398.68	9.56	773.92		
3	Chhattisgarh	5256.2	1433.5	787.4	7477.1	0.1	2.9	44.5	47.5	2147.73	3430.11	1415.49	6993.33	2.26	914.69	13.10	1.43
4	Gujarat	6532.3	8601.1	1304.7	16438.1	701.9	68	312.6	1082.5					4.39	624.07	41.10	6.59
5	Goa			134.4	134.4									0.11	244.36		
6	Haryana	62.2	72.6	1398.4	1533.2			246.8	246.8					1.81	141.18	22.73	16.10
7	Jharkhand	234.6	151.8	383.1	769.5	28.8	4.9	8.8	42.5					3.16	40.59	2.24	5.52
8	Kerala	701.6	1345.5	4688.9	6736	181.5	16.2	390.8	588.5	459.27	645.63	4386.51	5491.41	2.89	705.16	68.24	9.68
9	Karnataka	9238.3	11864.2	5164.2	26266.7			454.2	454.2	12104.59	21126.99	4801.78	38033.36	4.45	2064.21	36.13	1.75
10	Madhya Pradesh	Not Available												6.04			
11	Maharashtra	32550	272.7	3773.1	36595.8	6192.1	148.1	1205.9	7546.1					6.86	889.11	183.34	20.62
12	Odisha	283.8	819.3	2809.7	3912.8			29.2	29.2					3.84	169.83	2.65	1.56
13	Punjab	21.3	114.5	468.3	604.1	30.6	72.4	306.4	409.4					1.82	55.32	37.49	67.77
14	Rajasthan	Not Available												5.85			
15	Tamil Nadu	232.8	1384.2	3499.6	5116.6	1.1	183.8	642.7	827.6	408.09	2138.86	4232.67	6779.62	4.93	344.72	36.54	10.60
16	Telangana							1762.48	1762.48	106.99	298.4	2148.03	2553.42	2.07	1233.54	143.79	11.66
17	Uttar Pradesh	1096.5	379.1	3690.6	5166.2	1226.9		12.4	1239.3					16.97	50.74	12.17	23.99
18	West Bengal	2225.7	3688.2	7582.8	13496.7	400.6	54.1	178.1	632.8	2035.76	13710.14	8662.48	24408.38	7.51	721.04	21.31	2.95

Sl. No.	State	2012-13 to 2017-18				2012-13 to 2017-18				2019-20				Rural Population in crore (as per JJM)	Per Capita Expenditure in Rs.	Per capita OSR in Rs.	% OSR/Expenditure
		DPs	BPs	GPs	Total	DPs	BPs	GPs	Total	DPs	BPs	GPs	Total				
North Eastern - Hill States																	
19	Arunachal Pradesh	Not Available															
20	Assam	808.3	360.1	1877.4	3045.8	41.3	1.7	3.2	46.2	82.93	20.12	400.5	503.55	7.91	3.23	4.1	15.24
21	Himachal Pradesh	19	43.2	56.7	118.9	3.3	0.4	8	11.7								
22	Jammu & Kashmir			80.1	80.1			1.7	1.7								
23	Manipur	3.5		35.7	39.2											0.17	0.17
24	Meghalaya	97.3		97.3	97.3												
25	Mizoram			11.8	11.8			0.1	0.1								
26	Nagaland			7	7												
27	Sikkim	11.5		125.9	137.4			1.1	1.1								
28	Tripura	29.6	23.5	70	123.1	4.1	1	1.7	6.8		10.07	4.98	15.05	0.05	0.28	3.46	3.79
29	Uttarakhand	142	55.3	247.8	445.1	139		3.1	142.1								

Source: IIPA report on Design of Inter-governmental transfers in India for rural local governments (for period 2012-13 to 2017-18) and compiled information by MoPR based on State supplied data (for years 2018-19 & 2019-20)

In order to officially recognize the efforts of the government regarding the democratic decentralization, a committee under the chairmanship of Shri Balwant Rai Mehta was constituted in 1956. The Committee made various suggestions regarding establishment of Panchayati Raj System in the country including assigning various sources of own income like apportioning percentage of land revenue collected within the block, cess on land revenue, tax on professions, surcharge of duty on transfer of immovable property, rent and profit accruing from property, net proceeds of tolls and leases, pilgrim tax, tax on entertainment, primary education cess, proceeds from fairs and markets, share of motor vehicle tax etc. to Panchayats. The Santhanam Committee constituted in 1963 recommended various quantum of taxes that can be imposed by the PRIs. Ashok Mehta Committee, which submitted its report in 1978, emphasized much strongly on the need for the Panchayats to mobilise resources of their own, by pointing out that no democratic institution can continue to maintain its operational vitality by depending upon external resources. It was pointed out that “No taxation, only representation” should be discouraged. For this purpose, it advocated that all Panchayati Raj Institutions should have compulsory powers of taxation, which might be obligatory and optional. It suggested that certain taxes like house tax, profession tax, entertainment tax, special taxes on ‘land and buildings’ should be levied compulsorily by the PRIs at appropriate level.

The 73rd Constitutional Amendment, which came into effect on 24.4.1993 provided specific articles, which defined the devolution of powers to Panchayats in respect of generation of their own revenues. Emanating from the Central Acts, various State Panchayat Acts had also made enabling provisions covering scope and nature of taxation powers of the PRIs in their respective jurisdictions. Based on the provisions of these Acts and enabling rules/instructions, Panchayats in the country have been involved in generating OSR through efforts of taxation and non-tax measures.

The Central Finance Commissions which had been mandated by the Constitution to suggest measures for augmentation of Panchayat revenues have also been emphasizing on the need for increase in OSR of Panchayats. The Eleventh Finance Commission exhorted States to augment their consolidated funds through the mechanisms of land taxes, surcharge/cess on State taxes and Profession Tax. It also emphasized the need for bringing in reforms in House tax, Octroi/entry tax and various user charges for the services. The Twelfth Finance Commission while recommending for transfer of assets of basic infrastructure like water supply to Panchayats, emphasized that at least 50% of their operational/maintenance costs are to be recovered through user charges. The Thirteenth Finance Commission while reiterating the recommendations of its predecessors, also made the additional suggestions on allowing Panchayats to make service charges on the Central and State Government establishments situated in their areas and the need for the State Governments to share part of the royalties, which they earn from mining of minerals. The Fourteenth Finance Commission formed a separate category of “Performance Grants” for Gram Panchayats and specified the eligibility criteria for the same as improvement in OSR on a year-to-year basis.

The Fifteenth Finance Commission has estimated potential for house tax collection amounting to Rs. 42,160 Crore for rural areas. The estimated State-wise house tax potential in 2019 for rural areas is given in table 3.2

Table 3.2 State-wise Potential House Tax collection in Rural Areas

Name of State	Potential House Tax in Rural Areas (Rs. In Crore)
Andhra Pradesh	1368
Arunachal Pradesh	52
Assam	1766
Bihar	4256
Chhattisgarh	1325
Goa	72
Gujarat	1793
Haryana	1179
Himachal Pradesh	582
Jharkhand	1159
Karnataka	2232
Kerala	2300
Madhya Pradesh	2322
Maharashtra	3067
Manipur	163
Meghalaya	134
Mizoram	42
Nagaland	87
Odisha	1146
Punjab	1652
Rajasthan	2784
Sikkim	35
Tamil Nadu	2114
Telangana	950
Tripura	155
Uttarakhand	510
Uttar Pradesh	6494
West Bengal	2420
All States	42160

Note : Differences in the quality and type of houses could not be accounted for in the calculations above; hence estimates may be termed as indicative.

Source : FC, 2021

In context of profession tax XV Finance Commission categorically stated that “Since the ceiling for professions tax has not been revised for the last three decades, it is time that the relevant amendment to the Constitution is carried out on a priority basis”.

Further, they have recommended that “In Article 276 of the Constitution, after clause (2), the following provisions shall be inserted :

“Provided that no Bill or amendment which imposes or varies the amount shall be introduced or moved in either House of Parliament except on the recommendation of the President made in pursuance of a recommendation of the Finance Commission to this effect.”

“Provided further that nothing contained in clause (2) shall be construed to give Parliament the power to prescribe different limits on the amount payable as tax on professions, trades, callings and employment for different States”.

Past initiatives for enhancing OSR have been described in Chapter 1.7. Ministry of Panchayati Raj, Govt. of India (MoPR), having recognised the importance of OSR for strengthening Panchayats and their autonomy, has been making specific advocacy efforts to improve awareness of the stakeholders. MoPR organised a special workshop on the subject in 2017 at Chitrakoot wherein the various OSR efforts of States were deliberated upon. During the observance of Azadi ka Amrit Mahotsav celebrations to commemorate the 75th year of independence, a one-day interactive session with beacon Panchayats was organised in October, 2021, wherein the best practices of Panchayats in OSR were deliberated. This was followed by a one day National Conference in April, 2022 during the ‘iconic week’, wherein all facets of augmentation of OSR was discussed and best practices in the States were presented for the benefit of stakeholders. A specific study to identify ways and means for the improvement in OSR of Gram Panchayats was conducted by NCAER, Delhi in 2021. The study was sponsored by the Ministry of Panchayati Raj, Government of India. The study has been shared with all stakeholders for the augmentation of OSR of GPs.

3.3 Components of OSR

The component of own source revenue may be categorised into tax, non tax and other own source revenue. On the basis of property rights and type of resources, there may be four types of resources viz. Public, Private, Common and Club Resources as shown schematically in diagram 3.1. Among them the common property resources (CPR) are non-exclusive and rivalrous in nature. Thus, they are accessible to all members of the community but no one has exclusive right. Major common property resources are given at table 3.3 (NCAER, 2021).

Diagram 3.1: Types of Resources

	Excludable	Non-Excludable
Rival	Private Resource	Common Resource
	Club Resource	Public Resource

Source : NCAER 2021

Table 3.3 : Major Common Property Resources

Sl.No.	Common Property Resources (CPRs)	Description
1	Pasture and grazing lands	Pastures and grazing lands are fields used to graze cattle, horses and other animals. It can also include woodlands, native pastures and croplands.
2	Community Forest	Community forestry is an evolving branch of forestry whereby the local community plays a significant role in forest management and land-use decision making by themselves in facilitating support of the government as well as change agents.
3	Fisheries and Ponds	It can be a pond, lake or reservoir which is stocked with fishes, used for fish farming. It can also be used for recreational fishing or ornamental fishing.
4	Animal Markets	Animal markets are for the purpose of buying and selling livestock / animals. These markets have proper facilities to keep and feed animals before sale.
5	Commercial Complex, Storage/Godowns	Commercial Complex, Storage/Godowns are used for storage of goods.
6	Animal Ponds	Animal markets are to buy and sell livestock/animals. These markets have proper facilities to keep and feed animals before the sale.
7	Tube Wells	A pipe with holes near the end, that is put deep into the ground to bring up water from under the ground by using a pump operated by hand
8	Well	A well is an excavation or structure created in the ground by digging, driving, or drilling to access liquid resources, usually water
9	Burial grounds, Crematoriums & Incineration Sites	An area of ground set aside for the burying of human bodies
10	Recycling Units	Recycling units provides complete maintenance and servicing of components to completely recycle and sort any particular product. It could be any kinds such as glass, paper, cardboard, metal, plastic, tires, textiles, batteries, and electronics.
11	Solid waste management plant	Recycling units provide complete maintenance and servicing of components to completely recycle and sort any particular product. It could be any kind such as glass, paper, cardboard, metal, plastic, tires, textiles, batteries, and electronics.
12	Compost pits/ NADEP pits	A compost pit is the dumping of biodegradable substances in a pit for decaying due to which manures and fertile substances for soil are produced
13	Panchayat Roads	A way between places, with a hard surface which cars, buses etc. can drive along

Source: NCAER, 2021

Table 3.4; Tax on moveable/immoveable property at different tiers of Panchayats

(V = Gram Panchayat ; I = Intermediate Panchayat and D = District Panchayat) 23																										
No.	Tax/Rate/Cess	AP	ArP	Ass	Bih	Ch	Goa	Guj	Har	HP	J&K	Jhar	Kar	Ker	MP	Mah	Mant	Ori	Pun	Raj	Sik	Tri	TN	UP	UK	WB
1	House /Building Tax	V	V	V			V		V	V										V	V	V	V			
2	Tax on Buildings and/or Lands/Property				V	V	V	V		V		V	V	V	V	V	V		V							V
3	Tax on cultivable landlying fallow			V																						
4	Tax on Agricultural land for specific purpose	V																								
5	Betterment tax on lands															V ²⁴										
6	Tax on commercial crops																		V							
7	Vehicle Tax/Fees	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V
8	Animal Tax					V		V			V				V	V		V								V, I, D
9	Tax on Factory Areas/ Lump sum Contribution													V												
10	Development Tax on Agriculture Land					I									I	D										
11	Tax on circumstances and property																							D	D	
12	Special tax on lands and Buildings															D										
13	Taxon public institutions								D																	

AP = Andhra Pradesh ; ArP = Arunachal Pradesh ; Ass = Assam ; Bih = Bihar ; Ch = Chattisgarh; Guj = Gujarat ; Har = Haryana ; HP = Himachal Pradesh ; J&K = Jammu and Kashmir ; Kar = Karnataka ; Ker = Kerala ; MP = Madhya Pradesh ; Mah = Maharashtra ; Mani = Manipur ; Ori = Odisha ; Pun = Punjab ; Raj = Rajasthan ; Sik = Sikkim; Tri = Tripura ; TN = Tamil Nadu ; UP = Uttar Pradesh; UK = Uttarakhand and WB = West Bengal

*Sources: The Andhra Pradesh Panchayat Raj Act, 1994; Arunachal Pradesh Panchayat Raj Act 1997; Assam Panchayat Act 1994; Panchayat Raj Act 2006 (amended up to 2011); Goa Panchayat Raj Act 1994 and Rules; Gujarat Panchayat Act 1961; Haryana Panchayat Raj Act 1994; Himachal Pradesh Panchayat Raj Act 1994; J&K Panchayat Raj Act 1989 (amended up to 2011); Jharkhand Panchayat Raj Act 2001; Kerala Panchayat Raj (Amendment) bill 2009; The Madhya Pradesh Zilla Yojana Samiti Adhiniyam 1995; Manipur Panchayat Raj Act 1994; Orissa Gram Panchayat Act 1964; Orissa Panchayat Samiti Act 1960; Orissa Zilla Parishad Act 1991; Punjab Panchayat Raj Act; Rajasthan Panchayat Raj Act; Sikkim Panchayat Act 1993; Tamil Nadu Panchayat Act 1994 (updated till 2008); Tripura Panchayats Act 1993 (amended up to 1998); Uttarakhand Panchayat Act (amended 2005); Uttar Pradesh Panchayat Raj Act 1947; West Bengal Panchayat Act 1973 Lands which have benefited from schemes of Panchayat spent out of village fund.

Source: Rao and Mahendiran 2014

3.3.1. Taxes

World Bank had commissioned a study on OSR. The study reviewed various legislations of the State and identified as many as 78 statutory provisions for Panchayats to make OSR, which comprised of 13 types of taxes on moveable and immovable property, 14 other types of taxes and 10 number of cess and surcharges (Rao and Mahendiran, 2014). Table 2.10 has summarised taxes devolved to three tiers of Panchayats. Table 3.4 and 3.5 gives taxes on immovable/movable property and other taxes respectively at different tiers of Panchayats. The tax on moveable/immovable property includes house /building tax, tax on buildings and/or lands/property, tax on cultivable land lying fallow, tax on agricultural land for specific purpose, betterment tax on lands, tax on commercial crops, vehicle tax/fees, animal tax, tax on factory areas/ lumpsum contribution, development tax on agricultural land, tax on circumstances and property, special tax on lands and buildings and tax on public institutions are taxes, which were devolved to Panchayats in some States. Other taxes include tax on professions, trades, calling etc., entertainment tax/addl. entertainment tax, pilgrim tax/fees, tax on advertisements, kolagaram tax / tax on goods sold in market, hut etc. tax on hawkers and pheriwalas, tax on sale of firewood and thatch, conservancy and slaughter houses, tax/fee on gharats, rice husking mills, brick kilns and oil mills, tax on fairs, melas and other entertainment, tax on private hat and private fisheries, special tax for community services/civic purposes/public works, tax/addl. tax on GP taxes, tax on shops, pharmacies and repair shops, octroi. Table 3.6 gives basis and purpose for different taxes collected by Panchayats (Rao and Mahendiran, 2014).

In the Goods and Services Tax many taxes, which used to be collected by Panchayats such as octroi, entry tax, etc. has been subsumed. For this loss of revenue to Panchayats provision had been made that States would be compensated by way of Revenue Neutral Rates. States were accordingly required to share with Panchayats for the taxes subsumed in the Goods and Services Tax. This aspect has to be looked after by the State Finance Commissions. Despite existence of large number of tax handles, in actual practice, the Panchayats derive their OSR through limited means of land/building (property) tax, entry tax (which has been subsumed in GST), professions tax, entertainment tax and advertisement tax. Property tax forms the major proportion of the OSR Tax revenues in most of the States. Operationalisation of financial powers of Panchayats depends on enabling framework, tax base, tax rates etc. by the States. Some States categorise taxes in optional, mandatory or exempt categories.

Table 3.5: Other Taxes at different tiers of Panchayat

		(V = Gram Panchayat ; I = Intermediate Panchayat and D = District Panchayat) ²⁵																								
No.	Tax/Rate/Cess	AP	ArP	Ass	Bih	Ch	Goa	Guj	Har	HP	J&K	Jhar	Kar	Ker	MP	Mah	Mami	Ori	Pun	Raj	Sik	Tri	TN	UP	UK	WB
1	Tax on professions, trades, calling etc			V,I	V,D	V	V	D26		V	V	V		V	V	V			V	I						
2	Entertainment tax/Addl. Entertainment tax					V	V	V			V	V	V	V	V				V	V		V		V	V	V
3	Pilgrim Tax/Fees						V	V			V		V			V,D				V						
4	Tax on Advertisements	V					V						V	V									V			
5	Kolagaram Tax / Tax on goods sold in market, hut etc.	V						V		V	V							V						V	V	
6	Tax on hawkers and Pheriwalas																									
7	Tax on Sale of firewood and thatch, conservancy and slaughter houses			V																						
8	Tax/Fee on gharats, rice husking mills, brick kilns and oil mills			V							V															
9	Tax on fairs, melas and other Entertainment			D	I,D				I			D								I,D	V,D	D				V,I,D
10	Tax on Private Hat and Private fisheries			V																						
11	Special Tax for Community services/ civic purposes/Public works					V		V	V	V					V					V	V,D					
12	Tax/Addl. Tax on GP Taxes							D																		

(V = Gram Panchayat ; I = Intermediate Panchayat and D = District Panchayat)²⁵

No.	Tax/Rate/Cess	AP	ArP	Ass	Bih	Ch	Goa	Guj	Har	HP	J&K	Jhar	Kar	Ker	MP	Mah	Mani	Ori	Pun	Raj	Sik	Tri	TN	UP	UK	WB
13	Tax on Shops, Pharmacies and Repair Shops			V																						
14	Octroi						V	V								V				V						

AP = Andhra Pradesh; ArP = Arunachal Pradesh; Ass = Assam; Bih = Bihar; Ch = Chattisgarh; Guj = Gujarat; Har = Haryana; HP = Himachal Pradesh, J&K = Jammu and Kashmir; Kar = Karnataka; Ker = Kerala; MP = Madhya Pradesh; Mah = Maharashtra; Mani = Manipur; Ori = Odisha; Pun = Punjab; Raj = Rajasthan; Sik = Sikkim; Tri = Tripura; TN = Tamil Nadu; UP = Uttar Pradesh; UK = Uttarkhand and WB = West Bengal

*Sources: The Andhra Pradesh Panchayat Raj Act, 1994; Arunachal Pradesh Panchayat Raj Act 1997; Assam Panchayat Raj Act 2006 (amended up to 2011); Goa Panchayat Raj Act 1994 and Rules; Gujarat Panchayat Raj Act 1961; Haryana Panchayat Raj Act 1994; Himachal Pradesh Panchayat Raj Act 1994; J&K Panchayat Raj Act 1989 (amended up to 2011); Jharkhand Panchayat Raj Act 2001; Kerala Panchayat Raj (Amendment) bill 2009; The Madhya Pradesh Zila Yojana Samiti Adhiniyam 1995; Manipur Panchayat Raj Act 1994; Orissa Gram Panchayat Act 1964; Orissa Panchayati Samiti Act 1960; Orissa Zilla Parishad Act 1991; Punjab Panchayat Raj Act; Rajasthan Panchayat Raj Act; Sikkim Panchayat Act 1993; Tamil Nadu Panchayat Act 1994 (updated till 2008); Tripura Panchayats Act 1993 (amended up to 1998); Uttarkhand Panchayat Act (amended 2005); Uttar Pradesh Panchayat Raj Act 1947; West Bengal Panchayat Act 1973

The tax is levied by the Zilla Parishad and to be collected by gram Panchayat.

Source: Rao and Mahendiran 2014

Table 3.6 State wise Basis and Purpose of Different Taxes Collected by Panchayats

Tax	States	Method	Objective	Remarks
Tax on House / Building	AP Arunachal Pradesh Assam Goa Haryana HP Rajasthan Sikkim TN	Annual Rental Value ARV system uses multiple criteria such as the road width for the access to property, type of floor and roof, the use of property (self occupied or rented out; or residential, commercial or industrial) and so on with unit areas as the base.	Tax on income generated from property	ARV requires periodic revision of schedule of rates and is a little complex to administer
		Capital Value Method The capital value is largely based on the value of land (provided by the registration department) which is indicative of the land value rather than the investment made on developing the land or use it is put to.	Tax on wealth	Easy to administer
		Hybrid of Capital Value and ARV ARV is arrived at as a percentage of capital value (e.g. West Bengal ARV is taken as 6 percent of capital value)	Tax on income	Easy to administer
Tax on land and buildings	Bihar, Chhattisgarh Gujarat Jharkhand Karnataka Kerala Maharashtra MP Manipur Punjab Tripura WB	The land appurtenant to the buildings is also subjected to tax. The tax rate is generally lower than that of tax on the building. The calculation is based on ARV or Capital value as discussed above.	Tax on income (ARV) and wealth (capital value of land)	
Tax on (vacant) land	AP Assam Chhattisgarh Goa HP Kerala Maharashtra	Taxing the fallow land, tax on vacant land not subjected to agricultural assessment, tax on lands developed by Panchayat funds, etc	To encourage use of property and is levied in few states which demarcate village residential area from agricultural areas by a notification	
	MP Rajasthan UP Uttarakhand			

Tax	States	Method	Objective	Remarks
Additional stamp duty or surcharge on stamp duty	Arunachal Pradesh Chhattisgarh Gujarat Maharashtra MPAP Assam Haryana, HP Karnataka Kerala Punjab, Rajasthan TN, WB	Stamp Duty is a state government tax on registration of property transactions viz. sale, lease, gift, etc. based on the transaction value. Additional stamp duty / surcharge is an add-on duty on base stamp duty.	Fee on registering the transactions for making them legally enforceable. In the process it captures the appreciation in value and benefits from such appreciation. ³⁰	The guidance values are set by the government and used for the purpose of registering the transactions which undergo periodic revisions.
Land revenue and cess thereon	AP Assam Chhattisgarh Gujarat HP Maharashtra MP Punjab Rajasthan TN UP Uttarakhand	Land Revenue is levied and collected by the State government. It is a flat rate based on either area or produce (commercial crops). It is shared with Panchayats in some states. Land revenue cess is levied by GPs and is collected by the State along with the land revenue	Tax on income generated from use of farm land / farming	Land revenue is levied at a very low rate. In reality income earned by the way of land revenue is itself very small and states are not making effort to collect it.
Tax on Circumstances and Property	UP and Uttarakhand	The income earned from the property is estimated along with income from other sources. A maximum of 3 percent is levied as C&P tax subject to a maximum of Rs. 6000 per annum. This is levied by Zilla Parishad (District Panchayat)	Tax on income derived from property , profession business etc together	No clarity on the assessment procedure.
No property tax	Jammu and Kashmir Odisha			

Note : Additional stamp duty has great potential in cases of semi-urban areas which still fall under the ambit of PRIs. It can become one of the major sources of income if the non-agricultural activities pick up, along with the property value and land conversion frequency. However, Rajaraman et al (1996) point out that the tax evasion is a major problem with respect to this revenue source. In addition, the state should preferably transfer the actual duty collected by a Panchayat in order to incentivize the collection instead of sharing it on the basis on population or such other criteria

Source: Rao and Mahendiran 2014

Table 3.7 : Surcharge /cess at different tiers of Panchayats

(V = Gram Panchayat ; I = Intermediate Panchayat and D = District Panchayat) ²⁷																										
No.	Tax/Rate/Cess	AP	ArP	Ass	Bih	Ch	Goa	Guj	Har	HP	J&K	Jhar	Kar	Ker	MP	Mah	Mani	Ori	Pun	Raj	Sik	Tri	TN	UP	UK	WB
1	Land Cess/ Surcharge/ Local Rate on Lands	V		I		V		V		V					V	I				I			V	V	V	
2	Land Conversion Cess													V												
3	Surtax on Addl. Stamp Duty/ Duty on transfer of property	V		V					V	V		V		V					V	D			V			V
4	Addl Stamp Duty		V			I		I,D							I	D				D						
5	Public work cess																D									
6	Education cess							I												I						
7	Surcharge on any Tax imposed by GPs	I						I						V						I						I
8	Road Cess																									
9	Surcharge on Market fee																									D
10	Surcharge on seniorage, minerals other than minerals and minor minerals			V																						

AP = Andhra Pradesh ; ArP = Arunachal Pradesh ; Ass = Assam ; Bih = Bihar ; Ch = Chhattisgarh; Guj = Gujarat ; Har = Haryana ; HP = Himachal Pradesh ; J&K = Jammu and Kashmir ; Kar = Karnataka ; Ker = Kerala ; MP = Madhya Pradesh ; Mah = Maharashtra ; Mani = Manipur ; Ori = Odisha ; Pun = Punjab ; Raj = Rajasthan ; Sik = Sikkim; Tri = Tripura ; TN = Tamil Nadu ; UP = Uttar Pradesh; UK = Uttarakhand and WB = West Bengal

*Sources: The Andhra Pradesh Panchayat Raj Act, 1994 ; Arunachal Pradesh Panchayat Raj Act 1997 ; Assam Panchayat Raj Act 1994 ; Bihar Panchayat Raj Act 2006 (amended up to 2011) ; Goa Panchayat Raj Act 1994 and Rules ; Gujarat Panchayat Act 1961 ; Haryana Panchayat Raj Act 1994 ; Himachal Pradesh Panchayat Raj Act 1994 ; J&K Panchayat Raj Act 1989 (amended up to 2011) ; Jharkhand Panchayat Raj Act 2001 ; Kerala Panchayat Raj (Amendment) bill 2009 ; The Madhya Pradesh Zila Yojana Samiti Adhiniyam 1995 ; Manipur Panchayat Raj Act 1994 ; Orissa Gram Panchayat Act 1964 ; Orissa Panchayat

Samiti Act 1960 ; Orissa Zilla Parishad Act 1991 ; Punjab Panchayati Raj Act ; Rajasthan Panchayati Raj Act ; Sikkim Panchayat Act 1993 ; Tamil Nadu Panchayat Act 1994 (updated till 2008) ; Tripura Panchayats Act 1993 (amended up to 1998) ; Uttar Pradesh Panchayat Act (amended 2005) ; Uttar Pradesh Panchayat Raj Act 1947 ; West Bengal Panchayat Act 1973

Source: Rao and Mahendiran 2014

Table 3.8: Fee/Licences at different tiers of Panchayats

		(V = Gram Panchayat ; I = Intermediate Panchayat and D = District Panchayat) ²⁷																									
No.	Tax/Rate/Cess	AP	ArP	Ass	Bih	Ch	Goa	Guj	Har	HP	J&K	Jhar	Kar	Ker	MP	Mah	Mani	Ori	Pun	Raj	Sik	Tri	TN	UP	UK	WB	
1	Adda Fee									V																	
2	Fee on cattle pounds										V																
3	Fee on tongas					V					V																
4	Fees for the use of slaughter houses and encamping grounds							V			V							V						V		V	
5	Fee for registration of animals sold			V		V	V		V	V		V			V	V						V, D		V		V	
6	Fee for use of any building or structures, shops, stalls, pens or stands in the market												V					V									
7	Fee for grazing cattle					V	V	V	V	V	V	V	V		V	V						V					V
8	Market Fee					V	V	V	V	V	V	I	V		V	V		V				V, D	I				
9	Fee on bus stand taxi stands/ auto stands/ cart stand/tonga stand					V	V	V	V	V	V	V	V		V	V											
10	Fee for every notice of demand issued						V																				
11	Fee for every Distraint						V																				
12	Fee for the cost of maintaining any live stock seized						V																				
13	Fee for extraction of sand/laterite stones/ other stone						V																				
14	Fee for putting up any projection					V	V	V							V	V											V
15	Fees for temporary occupation of village sites, roads and other similar public places	V				I	V	V			V				I	V									V	V, D	
16	Fee on Application for creation or re-creation of Building										V																
17	Fee for use of or benefits derived from public hospitals, dispensaries, schools, sarais, markets, rest houses and other public institutions								I, D																		

(V = Gram Panchayat ; I = Intermediate Panchayat and D = District Panchayat) ²⁷																											
No.	Tax/Rate/Cess	AP	ArP	Ass	Bih	Ch	Goa	Guj	Har	HP	J&K	Jhar	Kar	Ker	MP	Mah	Mani	Ori	Pun	Raj	Sik	Tri	TN	UP	UK	WB	
18	Fee for the use of or benefits derived from the supply, storage and preservation of water for drinking, bathing and agricultural purposes								I,D										V								
19	Fee on registration of vehicles									V,I		V,I							V,I			V,I, D					V
20	Fees at fairs, agricultural shows and industrial exhibitions								I,D			D						D									
21	Boat or Conveyance Registration fee				D							D						D				D					
22	Fee for the use of Dharmasalas, Rent houses, Slaughter houses and encamping grounds	V				V				V					V			V				V, D					
23	Licence for restaurants, hotel, sweet, meat stall			V																							
24	Licence fee on brokers, commission agents, weighman etc.					V								V				V									
25	Fee for use of common lands	V																									
26	Fee for use or benefits derived from preservation and reclamation of soil and drainage and reclamation of swamps								I,D																		
27	Fee on registration for running trade or wholesale or retail																										V
28	Fee on registration for motor driven pump sets and installed for irrigation and commercial purposes																										V
29	Tolls	V	V	I,D	I,D		V					I,D					D		I			V,I,D	V			V,I,D	

Source: Rao and Mahendiran, 2014

3.3.2 Non-Taxes

The World Bank commissioned study also documented various non-taxes in the form of fees/licenses and user charges, which can be levied by Panchayats as per provisions in the respective state legislations. The study identified 29 such licenses/fees and 12 types of user charges. Table 3.7 and Table 3.8 give surcharge/sales and fees/licences at different tiers of Panchayats respectively. The surcharge/cess include land cess/surcharge/local rate on lands, land conversion cess, surtax on addl. stamp duty/duty on transfer of property, addl stamp duty, public works cess, education cess, surcharge on any tax imposed by GPs, road cess, surcharge on market fee, surcharge on senior age, minerals other than minerals and minor minerals. Fee licences include adda fee, fee on cattle pounds, fee on tongs, fees for the use of slaughter houses and encamping grounds, fee for registration of animals sold, fee for use of any building or structures, shops stalls, pens or stands in the market, fee for grazing cattle, market fee, fee on bus stand/taxi stands/ auto stands / cart stand / tonga stand, fee for every notice of demand issued, fee for every distraint, fee for the cost of maintaining any live stock seized, fee for extraction of sand/laterite stones/ other stone, fee for putting up any projection, fees for temporary occupation of village sites, roads and other similar public places, fee on application for creation or recreation of building, fee for use of or benefits derived from public hospitals, dispensaries, schools, sarais, markets, rest houses and other public institutions, fee for the use of or benefits derived from the supply storage and preservation of water for drinking bathing and agricultural purposes, fee on registration of vehicles, fees at fairs, agricultural shows and industrial exhibitions, boat or conveyance registration fee, fee for the use of dharmasalas, rent houses, slaughter houses and encamping grounds, licence for restaurants, hotel, sweet, meat stall, licence fee on brokers, commission agents, weighman etc., fee for use of common lands, fee for use or benefits derived from preservation and reclamation of soil and drainage and reclamation of swamps, fee on registration for running trade or wholesale or retail, fee on registration for motor driven pump sets and installed for irrigation and commercial purposes and tolls (Rao and Mahendiran 2014). The collection of user charges, water rate, sanitary rate and drainage rate varies across States.

It may be seen from table 3.9 that Gram Panchayat is empowered to levy the most number of taxes and non-taxes within jurisdiction as compared to other Panchayat with intermediate and District Panchayat.

Table 3.9: Number of taxes/fees/cess levied at different tiers of Panchayats

States	Gram Panchayat	Intermediate Panchayat	District Panchayat
Andhra Pradesh	13	1	0
Arunachal Pradesh	5	0	0
Assam	15	5	5
Bihar	4	4	5
Chhattisgarh	15	2	0
Goa	21	0	0
Gujarat	18	3	3
Haryana	8	6	5
Himachal Pradesh	15	0	0
J&K	17	0	0

States	Gram Panchayat	Intermediate Panchayat	District Panchayat
Jharkhand	6	6	6
Karnataka	12	0	0
Kerala	7	0	0
Madhya Pradesh	15	2	0
Maharashtra	15	2	5
Manipur	4	0	6
Odisha	12	0	0
Punjab	10	6	0
Rajasthan	9	5	5
Sikkim	9	0	9
Tripura	7	5	7
Tamil Nadu	4	1	0
Uttar Pradesh	9	2	3
Uttarakhand	9	2	3
West Bengal	13	5	4
Average	11	2	3

The values provide an indication of taxation powers at each tier of local government and not the actual taxes/fees/cess that is levied at the local level.

Source: Rao and Mahendiran, 2014

3.3.3 Innovative OSR

Many Panchayats have been developing innovative means of generating OSR. Some of them are described briefly as follows:

Renewable Energy Projects: Odanthurai Gram Panchayat in Tamil Nadu established a 350 KW windmill for electricity generation and by connecting the same to the grid could earn revenue from the State DISCOM. Recently, Palli Gram Panchayat in Jammu had installed 500 KW solar panels for electricity generation. This would be the first step in many initiatives towards becoming carbon neutral. MoPR is facilitating adoption of renewable energy projects in large scale by Panchayats in its effort to fulfill the national commitment for climate change management.

Charge on Mobile Towers: The telecommunication revolution based on cell phone technology has resulted in large number of installations of mobile towers in the rural parts of the country. In many States, the PRIs have been authorised to levy annual charges for such installations, which can contribute to their OSR.

Innovative Commercial Ventures: Some Gram Panchayats are also venturing into commercial means of assets acquisition and leveraging them for making regular income for OSR. For example, the Baghjap GP in Assam, acquired a number of e-rickshaws from the grants of Central Finance Commission and leased them out to local youth on rent. Leasing out of various Panchayat owned commercial assets like

community halls, market complex/ shopping centres, fishing ponds, tourist spots etc are also being resorted for generating OSR. Some Panchayats also own compost units, plastic recycling plants which provide regular income as OSR.

CSR Projects: Government has mandated Companies to spend 2% of their profit towards Corporate Social Responsibility (CSR) activities. Some PRIs have been able to attract such CSR projects for the benefits of their citizens and also derive OSR out of the sale proceeds of the products/services of such CSR projects.

Donations: Last but not the least, PRIs can also seek and obtain donations from charitable organizations, family and individuals to augment their finances.

3.4 High Potential of OSR for Panchayats in Peri-Urban and near to National and State Highways

Peri-urban areas are transitional areas in between rural and urban areas. They possess the features of both rural and urban character. They are, in many cases, identified by continuous exchange of people, products, finances, work force and other utilities moving outward from the urban area into the rural areas. They are attributed to progress of rural area to a developed urban area meaning that peri-urban of present is bound to manifest in the urban of future (Tiwari, 2019).

Large number of gated communities have sprung up in peri-urban Gram Panchayat area during the last two decades especially in those which are well connected by road. It has been found that builders purchase agricultural lands in Gram Panchayat at low prices from the villagers, get land use changed into non-agricultural land and construct multi-storey flats which are sold at the premium prices. Sometimes even commercial establishments also come up in the Panchayat area. Panchayats near to national and state highway have comparative advantage and thereby good potential for commercial and industrial activities. In this context there is need to leverage facilities provided to the builders of residential / commercial / industrial units monetarily. Panchayats may also leverage the facilities like water, electricity, road for getting OSR from these modern housing and commercial / industrial units from the area. Even non-monetary OSR like employment of local people may be taken up by Panchayats with the builders of modern complexes. Further, there is need to have differential rate of housing tax in case of independent houses and multi-storey flats. Moreover, there should be differential rates of property tax of house and commercial & industrial units. Therefore, Panchayats in peri-urban and/or near to national and state highways have good potential for accelerated augmentation of the OSR.

3.5 Importance of OSR in Emerging Scenario

Panchayati Raj System of India is unique system of local self-governance. Article 243G of Constitution of India categorically mandates Panchayats for local governance, achieving economic development and social justice and implementation of the schemes entrusted to them including those in relations to matters listed in the Eleventh Schedule.

There is growing expectations of people from Panchayats. Further, they are also supposed to maintain assets created under Central and State Government's schemes. Panchayats have to come forward for catering the important roles assigned to them under any national initiative including important schemes of different

Ministries as outlined in Chapter 2.6. Chapter 1.5 details the need of OSR, which is very important in the emerging scenario both for economic development and social justice and meeting commitment of Government of India at international level. For example Sustainable Developmental Goals (SDGs) are to be achieved by India by 2030 and therefore, SDGs are also to be achieved in each and every village and Panchayats have to make contribution in this national commitment. Similarly, Panchayats have to contribute in meeting the targets incorporated in India's Nationally Determined Contributions (NDC) 2022 and Panchamrit announced by Hon'ble Prime Minister in Glasgow Climate Summit. Furthermore, Panchayats also have to play important role in achieving national commitment under Sendai Framework on Disaster Risk Reduction.

It has also been observed that the rural economy in the country is bound to get much expected boost, with Hon'ble Prime Minister's vision to double up agricultural farmers' income and jack up the National economic output to 5 Trillion Dollars in the coming years. Citizens, who would be involved in this transformation process, would be not just beneficiaries but also have to be willing contributors to the process. Hence, the desire of the rural citizens to expect quality basic services and infrastructure and their willingness to pay for such services need to be appreciated.

With the constant prodding of the Central and State Finance Commissions and the general trend towards increasing transparency and accountability requirements, the information system in respect of Panchayat finances are gradually improving. The effort of MoPR to facilitate digital capturing of all the financial transactions through the central portal of eGramSwaraj is an enabling step in this direction. The accounting and audit system (audit online) of the PRIs would comply with national and international standards and this would also enable them to look towards hitherto unconventional sources of funds like commercial and market borrowings. Even the multi-lateral aid institutions would be interested to provide long term assistance for the development of PRIs. But, such desirable future scenario would invariably hinge upon the ability of Panchayats to collect taxes and user charges from the beneficiaries of the services rendered to them as this would be the prime determinant of such large scale lending of these institutions. Hence, substantial improvement in the OSR would be *sine-qua-non* towards such expectations.

As an element of emerging economic scenario, it can be seen that the Central and State Governments are being constantly subjected to statutory means of fiscal discipline and they are subjected to mandatory requirements of managing the fiscal deficits within controllable limits. The extension of similar logic to the third-tier governments is also bound to emerge in the future, with more and more devolution of functions and functionaries towards governance at the grassroot levels. Hence, it can be visualised that substantial augmentation of the OSR would become an inherent requirement towards maintaining fiscal discipline for the Panchayats in future. Moving along with the emerging scenario, Panchayats would also have to identify and put in practice innovative ways of generating OSR, which would provide them with higher quantum of finances on larger scope and regular flow of funds. In this regard, requirement to upgrade their infrastructure and logistics, would become necessary for catering to the needs of people utilising outsourced services in rural areas. Therefore, involving skilled human resources and advanced technology would be required and for these there is urgent need for substantial augmentation of the OSR.

As described above the OSR of Panchayats is critically important for them for achieving their mandate assigned through the Constitution of India. There is a growing appreciation of role of Panchayats as well as OSR. Hopefully, with appropriate legal framework and recommendation of State Finance Commission, Panchayat would achieve their mandates in larger interest of people of India in general and rural people in particular.

**Legal Framework
and State Finance
Commission**

4

Legal Framework and State Finance Commission

4

The 73rd Amendment of Constitution of India has established well-structured and robust self-governance system in rural areas. It also brought in the legal framework for the Panchayati Raj Institutions and State Finance Commissions. There is need to analyze the system so that appropriate recommendation may be made by the Committee. In this chapter important features of the legal framework and functioning of State Finance Commission have been discussed and analysed.

4.1 Constitutional Provision Regarding OSR

In contemporary analysis of devolution, reference is frequently made to the three Fs, namely, functions, finances and functionaries. There is need to ascertain the degree of autonomy with which these three components are made available to Panchayats. By implication the success of decentralization is dependent on whether Panchayats have access to adequate resources as well as the staff, who are required to carry out the functions assigned to each tier of Panchayats. Article 243G of the Constitution of India has been discussed in Chapter 1.2. The Article provides powers, authority and responsibility of Panchayats. Accordingly, three tiers of Panchayats are the institutions of self-Government with devolved powers and responsibilities. Further, the preparations of Plans of economic development and social justice and implementation of schemes for economic development and social justice may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule of the Constitution.

Article 243H gives powers to the three tiers of Panchayats to impose taxes as authorized by State Government. In addition Article 243-I makes it incumbent upon States to constitute a quinquennial Finance Commission to review the financial position of Panchayats and to recommend about the proceeds of taxes etc. “*which may be divided between the States and Panchayats*”. This results from the fact that the Constitution does not provide for taxes etc. which are to be compulsorily shared between the States and Panchayats. Articles 243H and 243-I are being reproduced below for easy reference.

“Article 243H. Powers to impose taxes by, and Funds of, Panchayats . - The Legislature of a State may, by law,—

- (a) *authorise a Panchayat to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits;*
- (b) *assign to a Panchayat such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits;*
- (c) *provide for making such grants-in-aid to Panchayats from the Consolidated Fund of the State; and*
- (d) *provide for constitution of such Funds for crediting all moneys received, respectively, by or on behalf of Panchayats and also for the withdrawal of such moneys therefrom,*

as may be specified in the law.”

“243-I. Constitution of finance Commissions to review financial position. - (1) *The Governor of a State shall, as soon as may be within one year from the commencement of the Constitution (Seventy-third Amendment) Act, 1992, and thereafter at the expiration of every fifth year, constitute a Finance Commission to review the financial position of Panchayats and to make recommendations to the Governor as to—*

Legal Framework and State Finance Commission

- (a) *the principles which should govern—*
 - (i) *the distribution between the State and Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under this Part and the allocation between Panchayats at all levels of their respective shares of such proceeds;*
 - (ii) *the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, Panchayats;*
 - (iii) *the grants-in-aid to Panchayats from the Consolidated Fund of the State;*
- (b) *the measures needed to improve the financial position of Panchayats;*
- (c) *any other matter referred to the Finance Commission by the Governor in the interests of sound finance of Panchayats.*
- (2) *The Legislature of a State may, by law, provide for the composition of the Commission, the qualifications which shall be requisite for appointment as members thereof and the manner in which they shall be selected.*
- (3) *The Commission shall determine their procedure and shall have such powers in the performance of their functions as the Legislature of the State may, by law, confer on them,*
- (4) *The Governor shall cause every recommendation made by the Commission under this article together with an explanatory memorandum as to the action taken thereon to be laid before the Legislature of the State.”*

4.2 State Legislations for OSR

States enacted/amended the respective State Panchayati Raj Acts in order to comply with the provisions of the 73rd Constitutional Amendment. State Acts included various clauses to fulfill the stipulation in the Article 243H of the Constitution, which mandates the legislature of State to assign to Panchayats such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits. An analysis of the provisions related to the OSR of Panchayats in State Acts reveals that specific clauses in them have been incorporated towards tax and non-tax sources that can be

utilized by Panchayats to generate their own sources of revenues. A large variety of taxes and non-taxes have been devolved to different tiers of Panchayats. The nomenclature used to designate these tax and non-tax resources have large variations across the States including the nature of categorization of a particular source of revenue as to belonging to tax and non-tax category. It has been generally observed that Gram Panchayats have been provided with most of the taxation and non-taxation powers compared to Intermediate and District Panchayats. Some clauses in State Acts also have gone into much specifics as to categorizing a particular provision of tax /non-tax resources as obligatory or optional and also specifying the rates at which these taxes / non-taxes are to be imposed and mentioning overriding conditions.

The legal provisions and the concerned terminologies used in State Acts with respect to the Own Source Revenue of Panchayats and narrating them in their entirety would be very exhaustive and beyond the scope of this report. However, a broad summary of the various tax and non-tax sources of Panchayats, specified in the various State Acts have been prepared and given in table 4.1 and table 4.2 respectively. Despite the availability of such large varieties of tax and non-tax possibilities, in actual practice, Panchayats in most of the States have been able to utilise very few of them. Property tax, cess on land revenue, surcharge on additional stamp duty, tolls, tax on professions, tax on advertisements, non-motor vehicle tax, user charges for water, sanitation, lighting etc form the OSR from which Panchayats derive maximum revenues.

Assigned revenues, which are levied and collected by the State Government and then passed on to Panchayats with or without collection charges, are an effective way of augmenting OSR of the Panchayats in some States, as the administrative efforts for them lie with the State Government. However, practices in assigning revenues are marked by large inter-state variations. Surcharge on stamp duty, cess or additional tax on land revenue, tax on profession, and entertainment tax are examples of assigned revenues. It is noteworthy that some of these surcharges levied are shared with the Intermediate and District Panchayats in few States. Further, in lieu of powers of taxation to raise their own sources, Intermediate and District Panchayats in some States are endowed with resources under other heads like development grant etc.

A brief review of the overall provisions in the State Acts reveals that the number of taxes and non-taxes have been provided for Panchayats, since long time back. But, they have mostly remained untapped in the absence of proper enabling framework towards their operationalization. This would have required preparation of detailed operationalization guidelines clearly elaborating each tax and non-tax sources. Further, the ensuing financial rules/ instructions may contain the following features:

- **Determination of tax/non-tax base**
- **Fixing tax/non-tax rates**
- **Provision for periodical revision of tax / non-tax rates**
- **Exemption areas**
- **Requirement of tax administration and tax enforcement**

Some States have detailed guidelines on fixing OSR rates. In many instances across the States, it has been observed that much more efforts need to be made towards fulfillment of these requirements. Financial Rules related to OSR generation, were prepared long ago in States, and hence have been suffering from various deficiencies like use of incomprehensible legal jargons, lack of updating etc. A detailed exercise may be required in almost all States to rectify such deficiencies.

Table 4.1 : Tax Sources of Rural Local Bodies in States

Sl. No.	Tax Handle	A.P.	Arunachal Pradesh	Assam	Bihar	Chattisgarh	Goa	Gujarat	Haryana	Jharkhand	J&K	H.P.	Karnataka	M.P.	Maharashtra	Manipur	Odisha	Punjab	Rajasthan	Sikkim	Tamil Nadu	Telangana	Tripura	Uttar Pradesh	Uttarakhand	West Bengal
1	Agricultural land tax/Cess	Y																				Y				
2	House Tax / Land & Buildings/Property Tax	Y	Y	Y		Y	Y	Y	Y			Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Vehicle Tax	Y																								
4	Transfer Duty for properties	Y	Y			Y		Y	Y			Y	Y	Y				Y	Y				Y		Y	Y
5	Land Cess / Tax	Y		Y									Y													
6	Tolls and Taxes	Y	Y	Y																	Y					
7	Entertainment Tax	Y	Y			Y	Y	Y						Y				Y	Y	Y	Y		Y	Y	Y	Y
8	Education Tax/Cess	Y											Y							Y		Y				
9	Ferry Toll			Y		Y																				
10	Tax on Professions, Trade, Callings		Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y				Y								
11	Tax on sale of firewood, tatch conservancy & slaughter house			Y																						
12	Tax/ Surcharge on private Hat and fisheries			Y														Y								
13	Water Tax			Y													Y		Y						Y	
14	Lighting Tax			Y		Y	Y																			
15	Tax /Cess on carts, carriages, bicycles etc			Y		Y								Y												
16	Tax on occupants of Holdings			Y					Y																	
17	Development/Betterment Tax					Y										Y										
18	Temporary Tax for spl works of Public Utility				Y																					
19	Tax on Private Latrines				Y									Y										Y		
20	Animal Tax					Y					Y			Y												Y

Sl. No.	Tax Handle	A.P.	Arunachal Pradesh	Assam	Bihar	Chattisgarh	Goa	Gujarat	Haryana	Jharkhand	J&K	H.P.	Karnataka	M.P.	MahaRashtra	Manipur	Odisha	Punjab	Rajasthan	Sikkim	Tamil Nadu	Telangana	Tripura	Utar Pradesh	Uttarakhand	West Bengal
21	Garbage Disposal Tax						Y									Y			Y				Y			
22	Conservancy /Sanitation /Drainage/Cleanliness Tax					Y								Y		Y							Y			
23	Tax on Vehicles						Y	Y			Y		Y	Y			Y		Y							
24	Pilgrim Tax							Y			Y															
25	Teh- Bazari								Y																	
26	Tax on gharats/rice mills/ brick kilns/oil mills									Y																
27	Tax on hawkers / pheriwalas									Y																
28	Tax on Boats										Y															
29	Special Tax on Community Service / Public Utility											Y							Y							
30	Local Cess												Y													
31	Local Panchayat Tax													Y												
32	Tolls on persons, vehicles or animals															Y										
33	Tax on Commerical Crops																		Y							
34	Tax on Fair/ Mela																		Y							
35	Kolgaram/Katarusum																				Y					
36	Special Taxes																					Y				
37	Road Cess																					Y				
38	Public Work Cess																					Y				
39	Commercial tax other than agriculture																							Y		
40	Tax on sale of liquor																								Y	

Source: Compiled in MoPR, 2022

Table 4.2: Non -Tax Sources of Rural Local Bodies in States

Sl. No.	Tax Handle	A.P.	Arunachal Pradesh	Assam	Bihar	Chattisgarh	Goa	Gujarat	Haryana	Jharkhand	J&K	H.P.	Karnataka	M.P.	Maharashtra	Mampur	Odisha	Punjab	Rajasthan	Sikkim	Tamil Nadu	Telangana	Tripura	Uttar Pradesh	Uttarakhand	West Bengal	
1	Seigniorage Surcharge fees	Y																									
2	Building Occupation Fees	Y									Y											Y					
3	Community Land usage fees	Y							Y				Y					Y			Y	Y					
4	Market Fees (entry, display, sale, permit, lease charges etc.)	Y		Y	Y		Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y		Y	Y		Y			Y	
5	Fees for Temp occupation of public place	Y				Y								Y	Y						Y	Y					
6	Endowment and Trust income	Y											Y					Y									
7	Maintenance of Cattle Pounds	Y									Y																
8	Income from fisheries	Y											Y					Y									
9	Inam Assessment	Y																									
10	Income from ferries	Y																				Y					
11	Lease of Govt properties	Y																									
12	Fines / Compensation/ Penalty	Y						Y																			
13	Income from investments	Y											Y				Y										
14	Slaughter House Charges	Y												Y										Y			Y
15	License / Registration Fees	Y											Y											Y			Y

Sl. No.	Tax Handle	A.P.	Arunachal Pradesh	Assam	Bihar	Chattisgarh	Goa	Gujarat	Haryana	Jharkhand	J&K	H.P.	Karnataka	M.P.	Maharashtra	Manipur	Odisha	Punjab	Rajasthan	Sikkim	Tamil Nadu	Telangana	Tripura	Uttar Pradesh	Uttarakhand	West Bengal	
16	Sanitation rate /Fees		Y	Y	Y			Y	Y	Y	Y					Y		Y					Y			Y	
17	Water rate /Charges		Y	Y	Y	Y		Y	Y	Y		Y		Y	Y	Y	Y	Y	Y	Y			Y				Y
18	Lighting rate / Fees		Y	Y	Y				Y	Y	Y			Y	Y	Y	Y	Y	Y					Y			Y
19	Conservancy/Drainage Fees		Y	Y	Y					Y				Y	Y	Y	Y	Y	Y	Y							Y
20	Surcharge on land revenue			Y		Y																					
21	Fee on vehicles									Y				Y				Y							Y		
22	Fees on Grazing Cattle						Y				Y				Y		Y			Y							
23	Pilgrim Fee						Y																				
24	Fee for institution of suits & cases							Y																		Y	
25	Road / Bridge Tolls/Cess							Y								Y							Y			Y	
26	Preservation Fees								Y																		
27	Ferry Fees									Y						Y		Y									Y
28	Adda Fees										Y																
29	Tonga Fees										Y																
30	Service Fees												Y														
31	Fair / Meal Fees																										
32	Encroachment Fee																										
33	User Charges																										
34	Irrigation rate /fees																										
35	Ghat Fees																										
36	Dangerous Trade Fees																										

Source : Compiled in MoPR, 2022

4.3 State Finance Commission

The 73rd and 74th Constitutional Amendments have mandated constitution of State Finance Commission (SFC) through Article 243-I and 243-Y respectively. Accordingly SFCs are required to review the financial position of Panchayats and Municipalities. SFCs may make recommendations to the respective State Government with respect to the Panchayat as follows (Chakraborty, Gupta and Singh, 2018):

- a) **The principles which should govern**
 - i. **The distribution between the State and Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State, and their inter se distribution between Panchayats at all levels for such proceeds;**
 - ii. **The determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, Panchayats;**
 - iii. **The grants-in-aid to Panchayats from the consolidated fund of the State;**
- b) **The measures needed to improve the financial position of local bodies; and**
- c) **Any other matter referred to the Finance Commission by the Governor in the interests of sound finance of the local level governments.**

SFCs are the Constitutional counter-part of Central Finance Commission in the respective State. They are mandated to advise the State Government on the principles to be applied in determining the allocation of funds to Panchayats and range of taxes and non-taxes to be devolved to them. With few exceptions States have been constituting SFCs with the requisite mandates. However, there have been variations in the approach, methodology and the recommendations of the SFCs in time. Moreover, there are different numbered SFCs are functioning in the States as given in table 4.3, which indicates there has been delay in the constitution of SFC.

Table 4.3: Status of Constitution of State Finance Commissions

State	Last SFC Constituted
Assam, Bihar, Punjab, Rajasthan	VI
Haryana, Himachal Pradesh, Kerala, Madhya Pradesh, Maharashtra, Odisha, Sikkim, Tamil Nadu, Tripura, Uttarakhand and Uttar Pradesh (UP)	V
Andhra Pradesh, Karnataka and West Bengal	IV
Chhattisgarh, Goa, Gujarat, Jharkhand and Manipur	III
Arunachal Pradesh, Mizoram	II
Erstwhile Jammu and Kashmir, Telangana	I

Source: FC, 2021

In a study conducted by National Institute of Public Finance and Policy covering twenty five States it was found that only in one case UP, SFC submitted its report in time. For others the delay was found in submission of report from one month to sixty months. The average delay was approximately sixteen months for all SFCs considered in the report (Chakraborty, Gupta and Singh, 2018). Many SFCs face the

problem of space, technical staff and basic facilities. In addition to delay in appointment of Chair-persons/ Members they face the problem regarding non availability of data relating to local governments. Further, there was delay in taking action taken report by the State Governments. Combining the delay of submission of the report of the SFC and ATR by State Government, in many cases there were very little time left for the implementation of the recommendation of SFCs. Out of twenty five States only three States, the SFC report and ATR was submitted before the start of their respective award period. Furthermore, the approach of SFCs varies even in the definition of the sharable pool of resources. Not only the amount of devolution varied widely but also per capita devolution across the State was recommended with very high degree of variation (Chakraborty, Gupta and Singh 2018).

4.3.1 Broad Recommendations of SFCs for OSR

The report of SFCs by and large includes separate sections on mobilising OSR. Their Broad recommendations include streamlining procedures for OSR. New areas of mobilising OSR have also been suggested by them. An analysis of reports of latest SFCs confirmed wide variety of revenue sources being assigned to Panchayats. The devolution as percent of State's own tax recommended by SFC has been given in table 2.7 of this report. Apart from transferring certain percentage of State revenue to Panchayats, many SFCs also provide grant-in-aid from the Consolidated fund of the State to augment the fund of Panchayats. Sometimes grants-in-aid are also given for specific purposes or to incentivise local bodies to collect more own source of revenue. A wide variety of grant being recommended by SFCs including those for maintenance of assets (Andhra Pradesh, Gujarat, Madhya Pradesh, Odisha and Tamil Nadu) *e.g.* per capita grants to Panchayats. Some SFCs have also recommended lump sum grants, one time grants, adhoc grants, specific need grants, special purpose grants etc. Few SFCs *e.g.* Bihar, Madhya Pradesh, Karnataka and Punjab, also recommended grants to Intermediate and District Panchayats. The details of grants-in-aid by various SFCs is given in table 2.5 and 2.6 in Chapter 2 of this report (Chakraborty, Gupta and Singh, 2018).

The sharing of funds recommended by SFCs between Panchayats and ULBs in most States on the basis of rural and urban population or on composite index comprising of various factors *e.g.* population, SC/ST population, density of population, area, percentage of illiterate, percentage of people below poverty line etc. The share of Panchayats is more than 65% in most States except Gujarat, Maharashtra and Tamil Nadu. Table 4.4 gives vertical distribution across different tiers of local Government. Population, area, ST/SC population, slum population, revenue effort, index of infrastructure, number of BPL families, backwardness etc. are the factors used for the distribution of fund by States (Chakraborty, Gupta and Singh, 2018).

4.3.2 Implementation of Recommendations of SFCs for OSR

The composition of divisible pool and quantum of devolution recommended by SFC are given in table 2.6 of this report. During the period 2010-11 to 2014-15, the average per capita devolution varied between Rs. 47.50 in Sikkim to Rs. 3112.22 in Karnataka. All State average being Rs. 599.04. During the five-year period from 2015-16 to 2019-20, the average per capita devolution varied between Rs. 146.78 in Odisha to Rs. 6090.06 for Karnataka and all State average per capita devolution being Rs.1179.63. It is obvious from the analysis of state-wise recommended per capita devolution numbers that during the period 2010-11 and 2015-16, per capita devolution recommended by the 4th SFC of Bihar was lowest in 2010-11 and the remaining four years from 2011-12 to 2014-15, per capita devolution recommended by the 3rd SFC of Sikkim was the lowest. Share of all state devolution in all state own tax revenues and own revenue

Table 4.4 : Distribution Across Different Tiers of Local Government (Rural and Urban) (in %)

States	PRIs					ULBs						
	ZP	PS	GP	Criteria/Description	Municipal Corporation	Municipalities	Nagar Panchayat	Criteria/Description	Weights (%)			
1 Andhra Pradesh (3 rd)	—	—	—	Per capita grants; no specific criteria	—	—	—	Per capita grants; no specific criteria	Inter ULBs	MC	N	N
2 Assam (5 th)	30	30	40	<p>Stage 1: Allocation to PRIs in different districts in Normal Areas on the basis of a weighted average of (i) Population (50%), (ii) Geographical Area (25%) and (iii) Inverse Per Capita Rural District Domestic Product (25%).</p> <p>Stage 2: share among the 3 tiers i.e., ZPs, APs and GPs shall be in the ratio of 30:30:40.</p> <p>Stage 3: Share of AP and GP in a district determined on the basis of their respective 2011 census population.</p>	—	—	Allocation based on Population (50%); Area (25%); index of infrastructure (12.5%); per capita tax collection (12.5%).	70%	1.5	1.3	1.0	1.0
3 Bihar (5 th)	20	10	70	<p>Criterion</p> <p>Population 50 Area 10 Under Development Index 40</p> <p>Weights (%)</p> <p>ZP 50 BP 50 GP 0</p> <p>Each GP falling within a Block would get equal share of amount available to all GPs in that Block based on Block's UDI and Population</p>	—	—	—	20%	1.0	1.0	1.0	1.0

States	PRIs						ULBs		
	ZP	PS	GP	Criteria/Description	Municipal Corporation	Municipalities	Nagar Panchayat	Criteria/Description	
4 Chhattisgarh (2 nd)	5	10	85	<p>Stage 1: distribution broadly based on statutory functions and other responsibilities</p> <p>Stage 2: (i) For ZPs: distribution based on Population (60%), Area (20%), SC/ST Population (10%); BPL Households (10%).</p> <p>(ii) For BP and GP: distribution based on population.</p>	78	22	<p>Stage 1: Urban Population</p> <p>Stage 2: (i) Municipal Corporations and Municipal Councils: Population (70%); Area (10%); Slum population (10%); revenue effort (10%); (ii) Nagar Panchayats: Population (80%); Area (10%); revenue effort (10%).</p>		
5 Gujarat (2 nd)	25	25	50	<p>No broad Criteria Distribution for (i) DP & TP: based on 60% for those in backward Districts/ Talukas and 40% for those in developed Districts/Talukas and then on the basis of population;</p> <p>(ii) For GPs: based on 60% for GPs and 40% for developed GPs</p>	49.06	50.94	<p>Urban Population Distribution for (i) Municipal Corporation: based on share of General, SC & ST population in the MCs</p> <p>(ii) Municipalities: 60% for municipalities in backward Talukas and 40% for those in developed talukas and then on the basis of population</p>		
6 Haryana (5 th)	10	15	75	No specific criteria	—	—	No specific criteria		
7 Himachal Pradesh (5 th)	—	—	—	No specific criteria	—	—	No specific criteria		
8 Karnataka (4 th)	38.61	53.64	7.76	Based on the average transfer of funds (for PRIs) for five years, i.e., 2012-13 to 2016-17 under all heads to each tier of PRI.	—	—	<p>Devolution of funds to ULBs, class-wise: 28.97 for BBMP, 21.88 for 10MCs, 21.80 for 57 CMCs, 17.64 for 114 TMCs, 9.287 for 89 TPs and 0.411 for 4 NACs. This is based on a scale of weights of 100 assigned as: population (40%), area (20%), level of illiteracy (20%), and SC/ST population (20%)</p>		

	PRIs						ULBs		
	States	ZP	PS	GP	Criteria/Description	Municipal Corporation	Municipalities	Nagar Panchayat	Criteria/Description
9	Kerala (5 th)	—	—	—	No specific criteria	—	—	—	No specific criteria. However, distribution is based on different percentages of funds allocated for General Purpose (3.5%), Development Purpose (11%) and Maintenance Purpose (5.5%) for local bodies based on the projections of SOTR by Commission.
10	Madhya Pradesh (4 th)	0	0	100	Based on population of GPs, classified into various class-sizes.	5+10*	40	45	No specific criteria
11	Maharashtra (4 th)	30	20	50	No specific criteria	40	60	—	Distribution based on population
12	Manipur (3 rd)	1510	010	8580	Existing criteria based on Population should continue till Block Panchayats are created in the State. As and when the Block level Panchayats are created, then the criteria of shares of each unit of PIRs will be in the given ratio. Share of each GP in the total share of GPs, and share of each ZP in the total share of ZPs determined on the basis of Population (75%), area (10%), No. of illiterates (5%), population without piped water supply (5%) and population without electricity (5%)	—	—	—	Share of each Nagar Panchayat in total share of nagar Panchayats determined on the basis of Population (75%), area (10%), No. of illiterates (5%), population without piped water supply (5%) and population without electricity (5%)
13	Mizoram (1 st)	—	—	—	No specific criteria	—	—	—	No specific criteria

States	PRI						ULBs			
	ZP	PS	GP	Criteria/Description	Municipal Corporation	Municipalities	Nagar Panchayat	Criteria/Description		
14 Odisha (4 th)	5	20	75	Sharing ratio determined considering different nature of functions carried out by each tier. <i>Inter-se</i> distribution among 3 tiers of PRIs based on population, category number of units like number of GPs, PSs etc.	—	—	—	Sharing based on Population (2011 Census); <i>Inter-se</i> distribution amongst categories of ULBs is based on population.		
15 Punjab (5 th)	—	—	—	80% share in tax revenue to be disbursed among all Panchayats in proportion to individual Panchayat's population as per 2011 census. Remaining 20% be given as additional grant for poor Panchayats. Payments to Panchayats be routed through ZPs. Both 80% and 20% of grants be transferred to ZPs in proportion to rural population of the district and population of poor Panchayats of the district respectively.	—	—	—	80% share in tax revenue be disbursed among ULBs in proportion to 2011 population of each ULB. Remaining 20% be given as additional allocation to poor ULBs, to be distributed in proportion to population. Poor ULB are those whose per capita tax income is lower than the average of per capita tax revenue of all ULBs.		
16 Rajasthan (4 th)	3	12	85	District-wise distribution based on Rural Population (40%); Area (15%); No of BPL families (5%); SC population (5%); ST Population (5%); child sexratio (0-6 yrs.) (5%); IMR; (5%); Girls Education (5%); Own Revenue Mobilization (10%); Decline in decadal population growth rate (5%) <i>Inter-se</i> distribution among PSs and GPs based on latest population.	—	—	—	Distribution based on Population (50%); Area (10%); Average Revenue Mobilisation (10%); Population among Municipalities (30%).		

States	PRIs							ULBs		
	ZP	PS	GP	Criteria/Description	Municipal Corporation	Municipalities	Nagar Panchayat	Criteria/Description		
17 Tamil Nadu (5 th)	8	37	55	Population as per 2011 Census (60%); Area (15%); SC/ST Population (15%); Per Capita Consumption Expenditure Distance (10%)	40	29	31	Sharing based on Population (Census 2011) (65%); Area (15%); Per Capita Consumption Expenditure Distance (10%); Proportion of Slum Population (10%)		
18 Tripura	—	—	—	Distribution among RLBs under Panchayat areas and 6 th Schedule areas based on (i) Establishment expenses both under Panchayat areas and Sixth Schedule areas, (ii) Development fund per capita ratio of 4:5 between Panchayat areas and ADC areas, and (iii) Among PRIs and RLBs in 6 th Schedule areas based on population.	—	—	—	No criteria given.		
19 Sikkim (5 th)	35	—	65	Population figures of Census 2011	—	—	—	No specific criteria		
20 Uttar Pradesh (4 th)	15	10	75	(i) District-wise distribution based on population (50%); Area (10%); SC/ST population (10%); backwardness index (30%) (ii) PSs and GPs: Population (80%); SC/ST population (20%).	42	38	20	(i) Shares obtained on the basis of Population (90%); Area (10%) (ii) Inter-se distribution amongst each of the 3 tiers of ULBs based on Population (40%); Area (5%); SC/ST population (10%); Average per capita income of own resources (15%); backwardness index (access to wealth) (10%); Overall backwardness index (20%).		

States	PRIs						ULBs		
	ZP	PS	GP	Criteria/Description	Municipal Corporation	Municipalities	Nagar Panchayat	Criteria/Description	
21	Uttarakhand (4 th)	35	30	35	(i) Devolution to each tier of PRI based on separate criteria based on Population, Area, Remoteness and Tax effort (ii) ZPs:KPs:GPs distribution based on Population (50:50:60), Area (20:30:20), Tax effort (15:00:00), Remoteness (15:20:20) respectively	40	45	15	(i) Devolution to each tier of PRIs based on separate criteria based on Population, Area, Tax effort and Centrality Index as a proxy for floating population (for NNs and NPPs only) (ii) NNs:NPPs:NP distribution based on Population (50:60:60), Area (20:10:20), Tax effort (20:20:20), Centrality index(10:10:00) respectively
22	West Bengal (4 th)	10	12	78	Focus on Developmental Activities. Horizontal distribution across PRIs on the basis of Index based on Population (50%), Area (10%), Backwardness (30%), proportion of Urban Population (10%) in rural areas to arrive at figures pertaining to horizontal devolution.	—	—	—	Proposed index for horizontal distribution across ULBs based on Population, Area and Backwardness (one-third weight to each of the criteria)

Note: * Madhya Pradesh: 10 percent funds goes to Municipal Corporation that have not received any funds under JNNURM and 5 percent to Municipal Corporations that received such funds; The 3rd SFC of Andhra Pradesh provided per capita grants to local bodies. Here, BP stands for Block Panchayats, AP stands for Anchalik Panchayats, PU stands for Panchayat Unions and KP stands for Kshetra Panchayats

Source: Chakraborty, Gupta and Singh, 2018

receipts varied between 7.8 to 11 percent and between 6.6 to 9.3 percent respectively (Chakraborty, Gupta and Singh, 2018).

The details of composition of devolution pool across State is given in table 4.5.

Table 4.5 : Sharing of Resources: Devolution

States	Sharing of Revenues
1 Andhra Pradesh (3 rd)	Devolution to local bodies is by way of <i>Grants and assignments</i> . 6.77% of the <i>Total Tax and Non-Tax Revenues of the State</i> including the share of Central Taxes for the year 2004-05.
2 Assam (5 th)	The Commission recommended devolution of the <i>Net proceeds of State taxes</i> to local bodies at the following rates: 15.5% in 2015-16, 15% in 2016-17, 14.50% in 2017-18, 14% in 2018-19, and 13.5% in 2019-2020. Net proceeds of State taxes are obtained by netting out cost of collection which is assumed 10% of the gross collection.
3 Bihar (5 th)	8.5% of the <i>State's own tax revenue net of collection costs</i> should be devolved on the local bodies; 2.75% of the State's previous year total revenue in way of devolution and grant to the local bodies for each financial year starting from 2015-16 to 2019-20.
4 Chhattisgarh (2 nd)	8% of <i>Net tax revenues of the State</i> to be shared with the local bodies. Net Tax Revenues of the State comprises of deducting the proceeds of three taxes i.e., Land Revenue, Tax on Goods and passengers and Other taxes on commodities and services and also the cost of collection. Cost of collection is assumed to be 2 percent of the States Own Tax Revenue
5 Gujarat (2 nd)	The Commission recommended devolution of additional 10% of <i>State's total revenue receipts</i> . At present the State Government shares 21.15% of its total gross revenue receipts with the local bodies.
6 Haryana (5 th)	The Commission recommended devolution of 7% of the <i>State's own tax revenue</i> to LBs and <i>Stamp duty</i> of 2% over and above the recommended devolution.
7 Jammu & Kashmir (1 st)	The Commission recommended 12.5% of divisible pool, i.e., <i>State's tax proceeds net of the cost of collection of 10%</i> to be devolved upon the ULBs, and 7% of <i>identified tax proceeds net of tax collection charges (less by 10%)</i> for PRIs during the award period, 2007-08 to 2011-12.
8 Karnataka (4 th)	The Commission recommended devolution based on the <i>Non Loan Net Own Revenue Receipts (NLNORR)</i> and thereafter every year, with a four-stage revenue sharing formula.
9 Kerala (5 th)	The Commission recommended 20% of the <i>Net proceeds of annual SOTR</i> to Local governments as total devolution on (t) basis. Devolution comprises of Development Funds; Maintenance Funds and General Purpose Funds. Under the General Purpose fund, it recommended sharing <i>3.5% of the Net proceeds of annual SOTR</i> to Local Governments as General Purpose Fund (GPF) on (t) basis. Under the Maintenance funds, 5.5% of the <i>Net proceeds of annual SOTR</i> calculated on (t) basis shall be devolved to Local governments. And under Development Fund, the Commission recommended sharing 11% of the <i>Net proceeds of annual SOTR</i> calculated on (t) basis shall be devolved to Local governments. The rate of devolution shall be

States	Sharing of Revenues
	increased to 11.5% in 2017-18, 12.5% in 2018-19, 13.5% in 2019-20 and 14.5% in 2020-21.
10 Madhya Pradesh (4 th)	The Commission recommended 7.5% of the 90% of the <i>Net tax and non-tax revenue of the State</i> to be shared between Gram Panchayats and ULBs.
11 Maharashtra (4 th)	The Commission recommended 40% of <i>Total State's revenue from tax & non tax revenue</i> to local bodies. Out of this divisible pool, 20% to be set aside for incentive grants for horizontal distribution amongst PRIs & ULBs.
12 Manipur (3 rd)	The Commission recommended a transfer of 10% of the <i>State's tax and non-tax revenue and share in Central taxes</i> to LBs.
13 Mizoram (1 st)	15% share of <i>Own tax revenues of the State</i> to be shared among the LBs. At least 5% of the Excise duty be shared to the LBs from the date of actual levy of tax additionally.
14 Odisha (4 th)	The Commission recommended 3% of the <i>Net own tax revenue of the state (Net of cost of collection, Entry tax, Entertainment tax and Motor Vehicle Tax)</i>
15 Punjab (5 th)	The Commission recommended 4% of the <i>Net total tax revenue of the state (less cost of collection)</i> to be devolved to local bodies. And 60% of the share of <i>State's taxes</i> be distributed between PRIs and ULBs in the ratio of their population based on census 2011.
16 Rajasthan (4 th)	The Commission recommended 5% of <i>State's net own tax revenue (excluding Entry tax and Land revenue)</i> , 3% of Royalty on minerals, 2% Cess on Excise Duty and 10% Surcharge on Stamp Duty are also recommended to be devolved.
17 Sikkim (5 th)	The Commission recommends that an amount of at least 4.5% of the <i>net proceeds of State's taxes, fees and levies</i> should be devolved to PRIs and ULBs for the period of 2020- 2025. This resource should be made available to PRIs and ULBs in the beginning of each financial year.
18 Tamil Nadu (5 th)	The existing overall vertical devolution proportion of 10% of the <i>Net State's own tax revenue (SOTR)</i> may be retained for the award period of the Commission. A 56:44 sharing ratio between RLBs and ULBs may be adopted.
19 Tripura (3 rd)	The Commission did not recommend <i>any specific devolution percentage for LBs</i> from the State's tax and non-tax revenues. Instead, based on the projected State's own tax and non-tax revenues and expenditure gap therein, it recommended a <i>pre-devolution gap</i> of specified amount to be devolved per annum to the LBs during the award period, 2010-11 to 2014-15.
20 Uttar Pradesh (4 th)	The Commission recommended 15% of <i>State's tax and non-tax revenues net of cost of collection</i> to be devolved.

States	Sharing of Revenues
21 Uttarakhand (4 th)	The Commission recommended devolution amount of 11% of <u>State's own tax revenue</u> to be distributed between PRIs and ULBs.
22 West Bengal (4 th)	The recommended devolution, being 2.5% of the <u>Tax revenue</u> of the State for the year 2015-16. Thereafter, it grows annually at the rate of 15% with a general caveat that if in a particular year the State's own tax revenue grows by less than 15%, the recommended devolution is 2.5% of the actual tax revenue.

Note: Based on the SFCs recommendations

Source : Chakraborty, Gupta and Singh, 2018

Thus, it is obvious that own source of revenue of local bodies is very small and 60% of Central Finance Commission grants and schemes of Central sector are tied in nature. The devolution by SFCs continues to be an important source of revenues for local governments and the local body grants recommended by the Union Finance Commissions supplements the resources of local governments so that they can provide basic services to the people efficiently (Chakraborty, Gupta and Singh, 2018). The status of constitution of SFCs and the implementation of their key recommendations are given in table 4.6.

Table 4.6: Status of Constitutions of SFCs and Implementation of their Key Recommendations

Sl. No.	Name of the State	Summary of information provided by the States
1.	Andhra Pradesh	Andhra Pradesh 4 th SFC has submitted its report to the State Govt. The Govt's further orders on the same are awaited.
2.	Assam	In Assam, 6 th SFC covering period 2020-21 to 2024-25 has submitted its report and is under consideration of the Government.
3.	Bihar	Government of Bihar has constituted the 6 th State Finance Commission. Recommendations of the SFC have not been received yet.
4.	Chhattisgarh	Chhattisgarh has so far constituted three State Finance commissions. Recommendations of third finance commission is being implemented from 2020-21 to 2025-26.
5.	Gujarat	In Gujarat, 3 rd SFC has been constituted. The State follows Central Finance Commission guidelines.
6.	Haryana	In Haryana, 5 th SFC was constituted with period of award from 2016-2021.
7.	Himachal Pradesh	In Himachal Pradesh, the recommendations of 5 th SFC are being implemented.
8.	Jharkhand	In Jharkhand, SFC has been constituted and its recommendations are awaited.
9.	Goa	In Goa, the 3 rd SFC was constituted in 2016 whose report is awaited.
10.	Karnataka	In Karnataka, 4 th SFC has submitted its report covering the period 2018-19 to 2022-23.
11.	Kerala	In Kerala, the 5 th SFC has given its report for the period 2016-17 to 2020-21. The 6 th SFC has been constituted.

Sl. No.	Name of the State	Summary of information provided by the States
12.	Madhya Pradesh	In Madhya Pradesh, 4 th SFC report has been submitted and ToR has been published for constituting 5 th SFC.
13.	Maharashtra	In Maharashtra, 5 th SFC report is in progress.,
14.	Manipur	In Manipur, the 3 rd SFC has been constituted.
15.	Mizoram	In Mizoram, constitution of 2 nd SFC is in progress.
16.	Odisha	In Odisha, 5 th SFC has been constituted in May 2018.
17.	Punjab	In Punjab, the 6 th SFC has been constituted whose tenure is ending on 31 December 2020.
18.	Rajasthan	In Rajasthan, the 6 th SFC is being constituted.
19.	Sikkim	In Sikkim, the 5 th SFC for the period of coverage 2020-21 to 2024-25 has submitted its report.
20.	Tamil Nadu	In Tamil Nadu, the 5 th SFC for the award period 2017 to 2022 has submitted its report.
21.	Telangana	In Telangana, the first SFC has been constituted, which has submitted its interim report.
22.	Tripura	In Tripura, the 5 th SFC has been constituted by the State Government.
23.	Uttarakhand	In Uttarakhand, 5 th SFC has been constituted, but yet to give its recommendations.
24.	Uttar Pradesh	In Uttar Pradesh, the 5 th SFC has submitted its report in October, 2018.
25.	West Bengal	In West Bengal, the 4 th SFC report's recommendations are being implemented.

Source : Compiled by MoPR in 2020 by MoPR for FFC on the basis of information provided by States

Summary information provided by the States regarding improvement of OSR and impact of GSTs of OSR of PRIs are given in table 4.7.

Table 4.7: Improvement in OSR and Impact of GST on OSR of Panchayats

Sl. No.	Name of the State	Summary of information provided by the States
1.	Andhra Pradesh	OSR of RLBs in Andhra Pradesh improved from Rs. 257.31 Crore in 2012-13 to Rs.543.83 Crore in 2018-19.
2.	Assam	OSR of RLBs in Assam improved from Rs. 20.61 Crore in 2011-12 to Rs.45.85 Crore in 2019-20.
3.	Bihar	GPs of the Bihar do not have power to collect the tax. Bihar Panchayat Rule, 2017 has been prepared to increase OSR of GPs. The above-said rule will be applicable after approval of the council of Ministers. After that GPs will have the power to collect tax and fee. Accordingly, all GPs of the State will increase their OSR.
4.	Chhattisgarh	OSR of RLBs in Chhattisgarh improved from Rs. 788.48 Lakhs in 2010-11 to Rs.3023.25 Lakhs in 2018-19. Due to GST, entertainment charges are not being collected by the PRIs.
5.	Gujarat	OSR of RLBs in Gujarat improved from Rs. 310.74 Crore in 2011-12 to Rs.530.85 Crore in 2017-18.

Sl. No.	Name of the State	Summary of information provided by the States
6.	Goa	OSR of RLBs in Goa improved from Rs. 35.15 Crore in 2011-12 to Rs.78.89 Crore in 2019-20.
7.	Haryana	Major source of OSR or PRIs in Haryana has been the lease money from the land in shamilatdeh for agriculture purpose.
8.	Himachal Pradesh	OSR of RLBs in Himachal Pradesh improved from Rs. 771 Lakhs in 2011-12 to Rs.1055 Lakhs in 2019-20.
9.	Jharkhand	In Jharkhand, non tax revenue in form of sand royalty has been received by few GPs in 2016-17.
10.	Karnataka	OSR (Total Demand) of GPs in Karnataka improved from Rs. 839.50 Crore in 2010-11 to Rs.1883.91 Crore in 2019-20, whereas the respective collections have been Rs. 187.19 crore and Rs.633.34 Crore respectively.
11.	Kerala	OSR (Entertainment Tax, Advertisement Tax and Professional tax) of RLBs in Kerala varied from Rs. 7501.02 crore in 2012-13 to Rs.6829.24 crore in 2018-19. With the implementation of GST, advertisement tax is no longer collected in Panchayats.
12.	Madhya Pradesh	OSR of RLBs in Madhya Pradesh improved from Rs.11.74 Crore in 2013-14 to Rs.38.10 crore in 2018-19.
13.	Maharashtra	In Maharashtra, it has been reported that there is consistent increment in GPs' own fund in every financial year between 2011-12 to 2019-20.
14.	Manipur	OSR of RLBs in Manipur improved from Rs.3.56 Lakhs in 2014-15 to Rs.106.16 Lakhse in 2018-19.
15.	Mizoram	In Mizoram, the OSR (Animal Tax) collected by Village Councils improved from Rs. 1.52 Lakhs in 2011-12 to Rs.27.10 Lakhs in 2019-20.
16.	Odisha	In Odisha, the OSR improved from 21.97 crore in 2011-12 to Rs. 38.82 crore in 2017-18.
17.	Punjab	OSR of RLBs in Punjab improved from Rs.239.42 Crore in 2011-12 to Rs.344.32 crore in 2016-17.
18.	Rajasthan	OSR of RLBs in Rajasthan improved from Rs.48.47 Crore in 2011-12 to Rs.55.65 crore in 2016-17.
19.	Sikkim	OSR of RLBs in Sikkim improved from Rs.5.32 Lakshs in 2010-11 to Rs.194.34 Lakhs in 2019-20.
20.	Tamil Nadu	OSR of RLBs in Tamil Nadu improved from Rs.302.14 Crore in 2011-12 to Rs.810.18 Crores in 2019-20.
21.	Telangana	OSR of RLBs in Telangana improved from Rs.130.93 Crore in 2011-12 to Rs.294.98 Crores in 2019-20.
22.	Uttarakhand	OSRs of RLBs in Uttarakhand improved from Rs. 15.11 Crore in 2011-12 to Rs.29.60 Crore in 2019-20
23.	Uttar Pradesh	OSRs of RLBs in Uttar Pradesh has increased from various sources which include revenue from auction of ponds, lake etc. The proceeds are deposited by the revenue department in GPs' accounts
24.	West Bengal	OSRs of RLBs in West Bengal improved from Rs. 198.77 Crore in 2011-12 to Rs.483.48 Crore in 2018-19

Source : Compiled by MoPR in 2020 for the Fifteenth Finance Commission on the basis of information provided by States

On the basis of comprehensive analysis of functioning of State Finance Commission, the Fifteenth Finance Commission have recommended as follows (FC, 2021) :

“7.58 Accordingly, we recommend that all States which have not done so, must constitute SFCs, act upon their recommendations and lay the explanatory memorandum as to the action taken thereon before the State legislature on or before March 2024. After March 2024, no grants should be released to a State that has not complied with the Constitutional provisions in respect of the SFC and these conditions. The MoPR will certify the compliance of all Constitutional provisions by a State in this respect before the release of their share of grants for 2024-25 and 2025-26”.

There is appropriate legal framework for OSR in the Constitution of India and State Panchayat Acts as detailed in the preceding sections. State Finance Commission has very important role in capacitating Panchayats financially so that they can function as a real institution of self-governance and cater to their mandates assigned to them through the Constitution of India and State Panchayat Act and many other Central and State Acts. Further, they have to implement various schemes of Central and State Government including the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule of the Constitution. In this context the role of SFC, their broad recommendations and implementation of the recommendation for OSR have been deliberated in the preceding sections. Further, collection of OSR is critically important. Therefore, the status of collection of OSR has been examined in the succeeding chapter.

Panchayati Raj

**Status of OSR
Collection**

5

Status of OSR Collection

5

Panchayats are facing resource constraints in fulfilling the aspirations of rural people and their own mandate up to their potentiality. Own Source Revenue (OSR) is an important component of financial resources of Panchayats. There is urgent need to enhance OSR of Panchayats in larger interest of the country in general and rural people in particular. Chapter 3 provides details of OSR. The legal framework and role of State Finance Commission for OSR have been analysed in Chapter 4. This Chapter provides the status of collection of OSR in terms of taxes and non-taxes along with the other modes of augmenting OSR.

5.1 Collection of OSR by Panchayats

Panchayats of many States and UTs are generating their Own Source Revenue through collecting taxes and non-taxes revenue. States and UTs were requested to share their details of OSR on 'Data Framework on OSR of Rural Local Bodies' (**Annexure-IV**) developed by the Expert Committee after detailed deliberations. **State/UT-wise collection of OSR by Panchayats in last five years (2017-18 to 2021-22)** have been given in table 5.1. Graph 5.1 depicts the status of OSR generated by the States and UTs. It is obvious that some States *e.g.* Andhra Pradesh, Gujarat, Karnataka, Kerala, Tamil Nadu, Telangana, and West Bengal are comparatively better in collection of OSR by Panchayats. However, there is need of sustained efforts in collection of the OSR by Panchayats duly supported by State Governments.

Table: 5.1: State/ UT- wise Collection of Own Source Revenue by Panchayats during 2017-18 to 2021-22

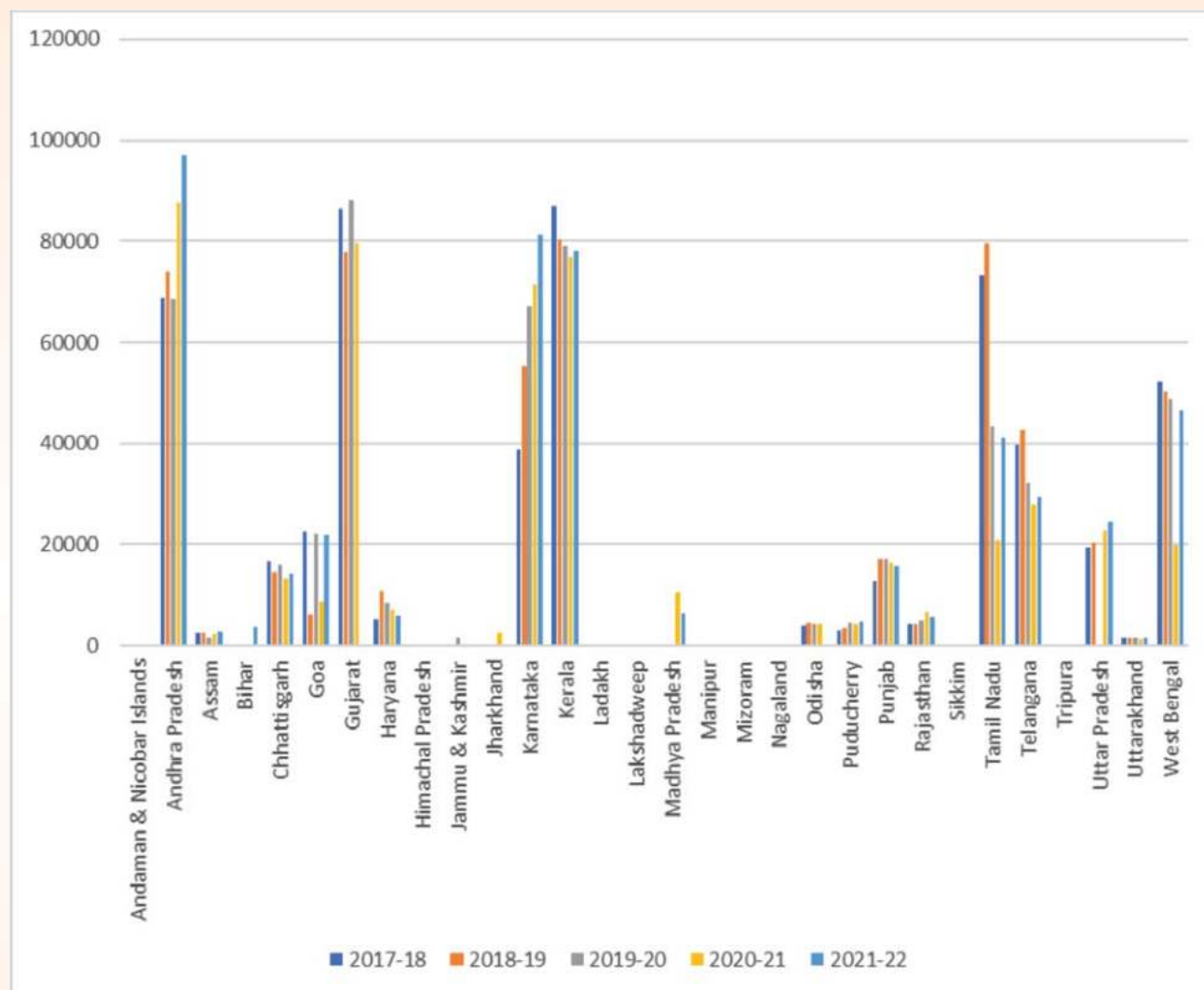
(Rs. in Lakh)

Sl. No.	State/UT	2017-18	2018-19	2019-20	2020-21	2021-22
1	Andaman & Nicobar Islands	212	160	250	284	302
2	Andhra Pradesh	68874	73977	68508	87695	96909
3	Assam	2598	2563	1525	2122	2665
4	Bihar	0	0	0	0	3789
5	Chhattisgarh	16651	14480	15969	13257	14150
6	Goa	22549	6108	22054	8562	21852
7	Gujarat	86410	77830	88146	79514	0
8	Haryana	5058	10856	8373	7199	6006
9	Himachal Pradesh	4	41	42	53	145
10	Jammu & Kashmir	0	0	1501	0	208
11	Jharkhand	16	42	178	2364	186
12	Karnataka	38594	55286	67137	71541	81221
13	Kerala	86862	80284	79205	76994	78128
14	Ladakh	28	7	9	4	5
15	Lakshadweep	4	4	4	1	3
16	Madhya Pradesh	0	0	0	10522	6393
17	Manipur	61	106	18	20	41
18	Mizoram	4	4	6	9	4
19	Nagaland	0	0	0	0	0
20	Odisha	3882	4426	4213	4314	0
21	Puducherry	2946	3528	4526	4108	4593
22	Punjab	12645	17228	17093	16417	15798
23	Rajasthan	4098	4090	4948	6635	5673
24	Sikkim	158	178	287	0	0
25	Tamil Nadu	73193	79524	43349	20930	41155
26	Telangana	39754	42566	32102	27825	29298
27	Tripura	302	394	380	0	0
28	Uttar Pradesh	19289	20427	0	22908	24634
29	Uttarakhand	1417	1541	1440	1326	1621
30	West Bengal	52263	50288	48723	19843	46466
Total		537874	545938	509984	484447	481246

Sources: Data provided by 30 States & UTs.

Graph 5.1: State/ UT- wise Collection of Own Source Revenue by Panchayats (2017-18 to 2021-22)

(Rs. in Lakh)



Sources: Data provided by 30 States & UTs.

5.2 Collection of Taxes by Panchayats

Many States and UTs have empowered Panchayats to levy taxes through their respective State Panchayati Raj Acts. Table 5.2 provides some examples for the empowerment.

It is obvious from table 5.2 that most of the powers for collection of taxes are given to Gram Panchayat. Intermediate or District Panchayats have not been authorised for collection of taxes by several states. Taxes levied by Panchayats include Property Tax, Profession Tax, Entertainment Tax, Advertisement Tax etc. State/ UT- wise tax Collection by Panchayats 2017-18 to 2021-22 has been given in table 5.3. Same data has been depicted graphically in Graph 5.2 for better appreciation.

Table 5.2: Empowering Panchayats for Collection of Taxes

Sl. No.	Name	Name of Act	Provision in State Act for Tax for GP		Provision in State Act for Tax for IP		Provision in State Act for Tax		Provision in State Act for Tax for DP	
			Section	Provision	Section	Provision	Section	Provision	Section	Provision
1	Andhra Pradesh	APPR ACT 1994	Section 60	(a) a House tax;	161 (4)	Stamp Duty	198	Stamp Duty.		
			Section 60 (3)	(b) kolagaram, or katarusum c) Tax on Agricultural land	172					
2	Assam	Assam Panchayati Raj act 1994		•House Tax		• levy rolls on persons, vehicles or animals or any class of them at any till-bar establishment by it on any road other than a katcha road or any bridge vested in it or under its management		• Any ferry establishment by it, or under its management.		• any ferry establishment by it under management;
				• Trades						• registration of boat or vehicle,
			25	• Stamp duty	57	• levy a surcharge of land Revenue at the rate of 0.02 (two paise) per rupee;	95		• Providing sanitary arrangement at such places of worship or pilgrimage, fairs and melas within its jurisdiction as may be specified by the Govt. of notification.	
				• Water rate		• Water rate		• License for fair or mela.		
			• Lighting rate		• Lighting rate			• Lighting rate		
			• Conserving rate		• Professional trades,				• Water rate	
			• Sale of firewood		• Levy fee for cinema halls, bricks or tile kilns, saw mills, timber depots, rice mills and hullers, fairs confectionary and bakery, private fisheries or vegetable					

Sl. No.	Name	Name of Act	Provision in State Act for Tax for GP		Provision in State Act for Tax for IP		Provision in State Act for Tax for DP	
			Section	Provision	Section	Provision	Section	Provision
3	Bihar	The Bihar Panchayat Raj Act, 2006	Section 27 (1)	<ul style="list-style-type: none"> private hat, and private fisheries Cultivable land lying fallow for two consecutive years at a rate not exceeding twenty five paise per bigha for every year 				
				<p>(a) Tax on occupants of holdings;</p> <p>(b) On professions, trades, callings and employments carried on or held within the local limits of its jurisdiction a tax on the basis of tat annual income accrued from such profession, trade, callings and employments.</p> <p>(c) May impose property tax (tax on all types of residential and commercial holdings) within the local limits of its jurisdiction.</p>			<p>(a) levy tolls in respect of any ferry established by it or under its management.</p> <p>(b) May impose property tax (tax on all types of residential and commercial holdings) within the local limits of its jurisdiction.</p>	
4	Himachal Pradesh	The Himachal Pradesh Panchayati Raj Act, 1994	104	<p>Levy of taxes by Panchayats.- Subject to the general direction and control of the Government, a Panchayat may, with the previous permission of the Government and in the prescribed manner, impose any tax which the Legislative Assembly of Himachal Pradesh has power to impose under the Constitution of India:</p> <p>Provided that no tax under this section shall be imposed in respect of any property subject to the local rate.</p>				

Sl. No.	Name	Name of Act	Provision in State Act for Tax for GP		Provision in State Act for Tax for IP		Provision in State Act for Tax for DP	
			Section	Provision	Section	Provision	Section	Provision
				<p>Levy of taxes, duty, cess and fees by Gram Panchayats.— (1) A Gram Panchayat may, through a resolution and after previous publication, levy property tax at such rates and in such manner as it may deem fit on residential and commercial buildings in the Sabha area.</p> <p>Provided that property tax levied under this sub-section shall be payable by the owner of such building.</p> <p>(2) Subject to such maximum rates as the Government may fix and the provisions of the rules made under this Act or any order made by the Government in this behalf, a Gram Panchayat may levy,—</p> <p>(a) with the previous approval of the Government, a tax on persons carrying on any profession, trade, calling and employment other than agriculture in the Sabha area; provided such tax has not been levied in the Sabha area by any other local authority under any law for the time being in force;</p> <p>(b) if so authorized by the Government, a duty on transfer of property in the form of a surcharge on the duty levied under the Indian Stamp Act, 1899, in its application to Himachal Pradesh, on instruments of sale, gift and mortgage with possession of immovable property situated in</p>				
			100			NA	NA	NA

Sl. No.	Name	Name of Act	Provision in State Act for Tax for GP		Provision in State Act for Tax for IP		Provision in State Act for Tax for DP	
			Section	Provision	Section	Provision	Section	Provision
				<p>the Sabha area at such rate as may be fixed by the Government not exceeding two per cent on, as the case may be, the amount of the consideration, the value of the property or the amount secured by the mortgage, as set forth in the instrument;</p> <p>(c) if so authorized by the Government, any other tax, duty or cess which the Legislative Assembly of Himachal Pradesh has power to levy:</p> <p>Provided that if the Gram Panchayat fails to levy the tax, duty or cess, the Government may take necessary steps to levy it and the tax, duty or cess so levied shall be deemed to have been levied by the Gram Panchayat:</p> <p>Provided further that the Government may at any time withdraw the authorisation under clause (b) or clause (c) whereupon the tax, duty or cess shall cease to be levied.</p> <p>(3) A Gram Panchayat may, through a resolution and after previous publication, levy following fees at such rates and in such manner as it may deem fit in the Sabha area, namely:—</p> <p>(i) teh-bazari from the shopkeepers in fairs;</p> <p>(ii) service fee for cleaning of streets, lighting of streets, sanitation, solid and liquid waste management, parking of vehicles, as the case may be ;</p>				

Sl. No.	Name	Name of Act	Provision in State Act for Tax for GP		Provision in State Act for Tax for IP		Provision in State Act for Tax for DP	
			Section	Provision	Section	Provision	Section	Provision
5	Madhya Pradesh	Panchayat Raj Avam Gram Swaraj Adhiniyam, 1993	Section 77A	<p>(iii) fee for registration of animals sold in the Sabha area; and</p> <p>(iv) water rate where water is supplied by the Gram Panchayat.]</p> <p>Power to impose Tax</p>	Section 77A	Power to impose Tax	Section 77A	Power to impose Tax
6	Manipur	The Manipur Panchayati Raj Act, 1994	Under Section 40 - Taxation	<p>Provisioned as per Section Nos. 40. (1), (2), (a), (b), (c) (copy enclosed as Annexure-II)</p> <p>Section 83 of OGP Act, 1964 envisages that the GP shall be competent to live by the taxes, rates or fees on the items as prescribed</p>	Section 77A	Power to impose Tax	Section 77A	<p>Provisioned as per Section Nos. 70, (1), (1)(a), (1)(b), (1)(c), 1(d), (d)(i), (ii), (iii), (iv), (v), (2), and (3) (copy enclosed as Annexure -III)</p> <p>Under Section 70 - Taxation</p>
7	Odisha	OGP Act-1964	55	<p>A Gram Panchayat subject to previous sanction of collector and with the approval of grams above may notify that no place within the local area of the GP shall be used in the course of any trade, business without a license granted by the Panchayat. Recently the state government has introduced certain new items like installation and functioning of Tele-communication towers, hoarding etc. for which the GP may charge fees.</p>				
		OGP Act-1964	56	<p>Control Over Places of Public Resort and Entertainment: With previous intimation to the collector, a gram Panchayat with</p>				

Sl. No.	Name	Name of Act	Provision in State Act for Tax for GP		Provision in State Act for Tax for IP		Provision in State Act for Tax for DP	
			Section	Provision	Section	Provision	Section	Provision
				the approval of gram Sabah may notify that no enclosed place, building or tent situated within the gram and covering an area of five hundred feet or more shall be used by any party for the purpose of public resort or entertainment, the admission where to is regulated by payment of money, without a obtaining license from it in prescribed manner.				
		OGP Act-1964	71	Vesting of Public Properties in Grams Sasan: properties within the GP other than the property maintained by any other local authority or the central or state government, shall for the purpose of this Act, the best in the Gram Sasan and shall with all other properties of whatever nature or kind which may be vested in the gram session. The GP should take initiative to mobilize more resources out of these properties vested with the GP. Further, the following provisions of OGP act 1964 and OGP rules 2014 may be referred for augmentation of OSR at GP level.				
8	Tamil Nadu	Tamil Nadu Panchayat Act 1994	Section 172	Authority to collect house tax				
			Section 172 (A)	Advertisement tax				
9	Tripura	Tripura Panchayats Act 1993	Section 198 (A-1)	Professional tax	Sub-section (1) of Section 59 .	Subject to such maximum rates as the State Government prescribed,	Sub-section(1) of Section 168	Subject to such maximum rates as the State Government

Sl. No.	Name	Name of Act	Provision in State Act for Tax for GP		Provision in State Act for Tax for IP		Provision in State Act for Tax for DP	
			Section	Provision	Section	Provision	Section	Provision
				of its jurisdiction, a tax at such rate as may be prescribed on the annual value of such lands and buildings to be paid by the owners and occupiers thereof	Section 114	Panchayat Samiti may- a) levy tolls on persons, vehicles or animals or any class of them at any toll-bar established by it on any road other than a kutchha road or any bridge vested in it or under its management b) levy tolls in respect of any ferry established by it or under its management c) levy the following fees and rates, namely- i) fees on the registration of vehicles ii) a fee for providing sanitary arrangements at such places of worship or pilgrimages, fairs and melas within its jurisdiction as may be specified by the Government by notification.	Section	may prescribe, a Zilla Parishad may:---- (a) levy tolls on persons, vehicles or animal or any class of them at any toll bar established by it on any road other than a kucha road or any bridge vested in it or under its management. (b) levy tolls in respect of any ferry established by it or under its management; and (c) levy the following fees and rates, namely i) fees on the registration of boats or vehicles ii) a fee for providing sanitary arrangements at such places of worship or pilgrimages, fairs and melas within its jurisdiction as may be specified by the Government by notification.
						arrangements at such places of worship of pilgrimages, fairs and melas within its jurisdiction as may be specified by the		iii) a fee for licence for fair or mela;

Sl. No.	Name	Name of Act	Provision in State Act for Tax for GP		Provision in State Act for Tax for IP		Provision in State Act for Tax for DP	
			Section	Provision	Section	Provision	Section	Provision
10	West Bengal	The West Bengal Panchayat Act, 1973	Section 46 of the WB Panchayat Act, 1973	Land & Building Tax				<p>iv) a lighting rate where arrangement for the supply of water for drinking, irrigation or any other purpose is made by the Zilla Parishad within its jurisdiction</p> <p>v) water rate, where arrangement for the supply of water for drinking, irrigation or any other purpose is made by the Zilla Parishad within its jurisdiction.</p>

Source: Data provided by 30 States/UTs

Table 5.3: State/ UT- wise Tax Collection by Panchayats during 2017-18 to 2021-22

(Rs. in Lakh)

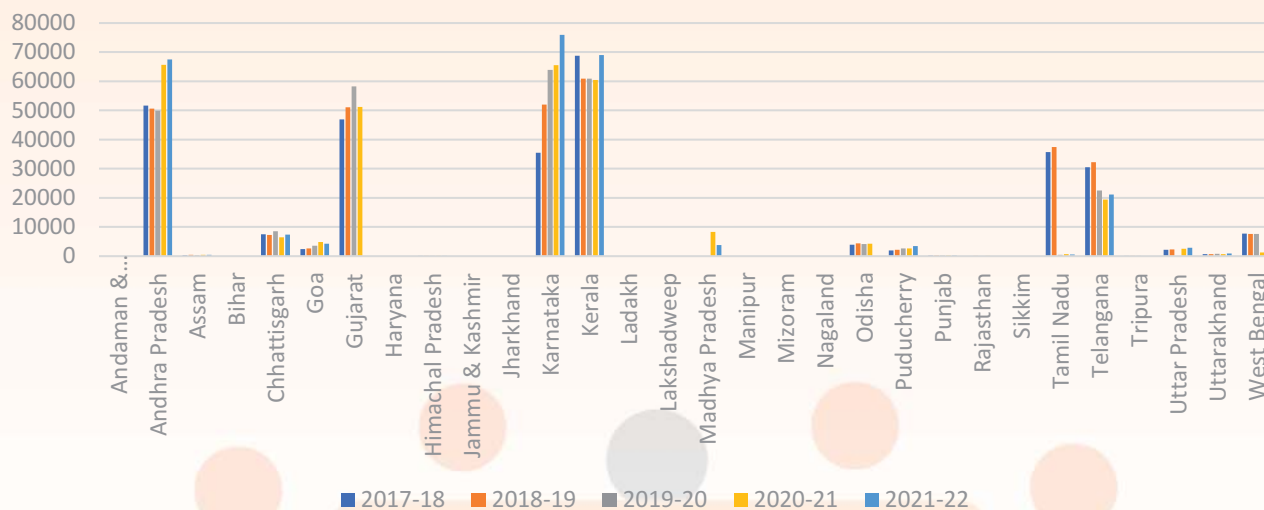
Sl. No.	State/UT	2017-18	2018-19	2019-20	2020-21	2021-22
1	Andaman & Nicobar Islands	0	0	0	0	0
2	Andhra Pradesh	51607	50572	49905	65610	67540
3	Assam	360	436	401	508	439
4	Bihar	0	0	0	0	0
5	Chhattisgarh	7458	7232	8500	6428	7419
6	Goa	2395	2656	3605	4857	4294
7	Gujarat	46922	51111	58254	51182	0
8	Haryana	0	0	0	0	0
9	Himachal Pradesh	4	41	42	53	145
10	Jammu & Kashmir	0	0	0	0	0
11	Jharkhand	0	0	0	0	0
12	Karnataka	35438	51956	63870	65551	75951
13	Kerala	68800	60874	60922	60416	68956
14	Ladakh	0	0	0	0	0
15	Lakshadweep	0	0	0	0	0
16	Madhya Pradesh	0	0	0	8360	3775
17	Manipur	0	0	0	0	0
18	Mizoram	0	0	0	0	0
19	Nagaland	0	0	0	0	0
20	Odisha	3882	4426	4213	4314	0
21	Puducherry	1956	2214	2605	2697	3481
22	Punjab	240	237	183	219	220
23	Rajasthan	0	2	0	1	0
24	Sikkim	0	0	0	0	0
25	Tamil Nadu	35718	37386	412	698	598
26	Telangana	30503	32185	22480	19437	21192
27	Tripura	4	10	9	0	0
28	Uttar Pradesh	2166	2306	0	2601	2891
29	Uttarakhand	667	751	802	731	894
30	West Bengal	7790	7682	7600	1268	13588
Total		295910	312075	283804	294932	271382

Source: Data provided by 30 States & UTs.

From the data given in table 5.3 it may be seen that OSR was increasing in most of the States till 2018-19. However, it decreased due to Covid in 2019-20 and 2021-22.

Graph 5.2: State/ UT- wise Collection of Taxes by Panchayats during 2017-18 to 2021-22

(Rs. in Lakh)



Sources: Data provided by 30 States & UTs

Further, table 5.3 and graph 5.2 indicate Panchayats in Kerala have succeeded in collecting tax revenue varying between Rs. 600 Crore and 700 Crore in recent years. Substantial growth was seen in case of Karnataka where their tax revenue increased from Rs 354 Crore in 2017-18 to Rs 759 Crore in 2021-22. Panchayats in Andhra Pradesh have shown remarkable growth in collection of OSR by increasing it from Rs. 516 Crore in 2017-18 to Rs. 675 Crore in 2021-22. There are some States where collections remain negligible. Taxes are being collected only recently by Panchayats in some States e.g. Madhya Pradesh.

5.3 Collection of Non-tax Revenue by Panchayats

Many States and UTs have made legal provisions and empowered Panchayats to collect non-taxes through their respective State Panchayat Act and corresponding rules. table 5.4 provides some examples for the empowerment for Panchayats for collection of non-tax revenue.

Table 5.4: Empowering Panchayats for collection of Non-Tax Revenue

Sl. No.	Name	Name of Act	Provision in State Act for Non-Tax for GP		Provision in State Act for Non-Tax for IP		Provision in State Act for Non-Tax for DP				
			Section	Provision	Section	Provision	Section	Provision			
1	Andhra Pradesh	APPR ACT 1994	Section 63	Tax on advertisement:	Section 172	Section 172	Section 172	Section 172	1) Lease/ Auction of Shopping complexes, 2) Leasing of Zilla Parishad properties and Auction of public markets. 3) Auctions to Ferry points, Cattle shandies, Agricultural lands belonging to Zilla Parishads etc.,		
				Fee for construction, establishment, or installation of factory, workshop or work-place in which steam or other power is to be employed: Building permissions.							
			Section 120	Leasing Fishery tanks, and properties of Gram Panchayats	Section 172	Section 172	Section 172	Section 172	Section 172	Section 172	1) Lease/ Auction of Shopping complexes, 2) Leasing of Mandal Parishad properties and Auction of public markets. 3) Auctions to Ferry points, Cattle shandies, Agricultural lands belonging to Mandal Parishads etc.,
				Management of ferries in Gram Panchayats							
Section 115	Auction of Public landing places, cart-stands and public markets.										
2	Assam	Assam Panchayati Raj act 1994	107	a) Settlement of Haats	105	109	109	109	a) Settlement of Haats b) Settlement of public Ferries		
				b) Settlement of public Ferries							

Sl. No.	Name	Name of Act	Provision in State Act for Non-Tax for GP		Provision in State Act for Non-Tax for IP		Provision in State Act for Non-Tax for DP	
			Section	Provision	Section	Provision	Section	Provision
3	Bihar	The Bihar Panchay at Raj Act, 2006	Section 27 (2)	<p>c) Settlement of fisheries</p> <p>d) Settlement of pounds</p> <p>(a) Fees on the registration of vehicles which are not registered under any other law in force at that time;</p> <p>(b) Fee for providing sanitary arrangements at such places of pilgrimage, haats, melas and public use within its jurisdiction as may be specified by the Government by notification;</p> <p>(c) Water Rate, where arrangement for the supply of water for drinking, irrigation or any other purpose is made by or on behalf of the Gram Panchayat within its jurisdiction;</p> <p>(d) Lighting Fee, where arrangement for lighting of public streets and places is made by or on behalf of the Gram Panchayat within its jurisdiction;</p>	Section 55 (1) (b)	<p>c) Settlement of fisheries</p> <p>d) Settlement of pounds</p> <p>(i) Fee on the registration of vehicles, which are not registered under any other law in force at that time being in force;</p> <p>(ii) A fee for providing sanitary arrangements at such places of pilgrimage, haats, melas and public use within its jurisdiction as may be specified by the Government by notification;</p> <p>(iii) A fee for license for a haat or market; 61</p> <p>(iv) A water rate, where arrangement for the supply of water for drinking, irrigation or any other purpose is made by or on behalf of the Panchayat Samiti within its jurisdiction;</p>	Section 82 (1) (b)	<p>c) Settlement of fisheries</p> <p>d) Settlement of pounds</p> <p>(i) fees on the registration of boats or vehicles;</p> <p>(ii) a fee for providing sanitary arrangements as such places of pilgrimage, fairs and melas within its jurisdiction as may be specified by the Government by notification;</p> <p>(iii) a fee for licence for fair or mela;</p> <p>(iv) a lighting rate where arrangement for lighting of public streets and places is made by the zila parishad within its jurisdiction;</p>

Sl. No.	Name	Name of Act	Provision in State Act for Non-Tax for GP		Provision in State Act for Non-Tax for IP		Provision in State Act for Non-Tax for DP	
			Section	Provision	Section	Provision	Section	Provision
4	Chhattisgarh	-	Section 77(1)	(e) Conservancy Rate, where arrangement for cleaning private latrines, urinals and cesspools is made by or on behalf of the Gram Panchayat within its jurisdiction. Subject to the provisions of this Act and to such conditions and exceptions, as may be prescribed every every Gram Panchayat and Janpad Panchayat shall impose the taxes imposed in Schedule	Section 77(3)	(v) A lighting rate, where arrangement for lighting of public streets and places is made by or on behalf of the Panchayat Samiti within its jurisdictions.	No Provision	(v) Water rate where arrangement for the supply of water for drinking, irrigation or any other purpose is made by the Zila Parishad within its jurisdiction.
5	Haryana	Haryana Panchayati Raj Act, 1994	Section 77(2)	With the Previous approval of the Janpad Panchayat a Gram Panchayat and with the previous approval of the Zila Panchayat a Janpad Panchayat may impose any of the taxes specified in schedule II A Gram Panchayat may, notwithstanding any law to the contrary, in respect of any area within its jurisdiction, enter into contract with Government or a Local Authority to collect land revenue or any taxes or dues payable to Government or a Local Authority on being allowed such collection charges as may be prescribed.	91	With the previous sanction of the Chief Executive Officer and subject to the general direction and control by the Government a Panchayat Samiti may— (1) levy fee for the use of or benefits derived from— (a) public hospitals, dispensaries,	149	With the previous sanction of the Government and subject to the general direction and control by the Government, a Zila Parishad may -- (i) levy fee for the use of or benefits derived from :-- (a) public hospitals, dispensaries, schools, serais, markets, rest houses and other public institutions ; (b) the supply, storage and preservation of water for drinking, bathing and

Sl. No.	Name	Name of Act	Provision in State Act for Non-Tax for GP		Provision in State Act for Non-Tax for IP		Provision in State Act for Non-Tax for DP	
			Section	Provision	Section	Provision	Section	Provision
						schools, sarais, markets, rest houses and other public institutions; (b) the supply, storage and preservation of water for drinking, bathing and agricultural purposes; and (c) preservation and reclamation of soil and drainage and reclamation of swamps; and (2) fix fees at fairs, agricultural shows and industrial exhibitions held under its authority.		agricultural purposes ; and (c) Preservation and reclamation of soil and drainage and reclamation of swamps ; (ii) fix fees at fairs, agricultural shows and industrial exhibitions held under its authority.
		Office order				The collection of fees or tolls, levied at fairs other than cattle fairs, agricultural shows, industrial exhibitions, markets, tonga stands, ferries or rest houses or the management of such fairs, shows, exhibitions, markets, tonga stands, ferries or rest houses may, with the previous sanction in writing of the Chief Executive	97	

Sl. No.	Name	Name of Act	Provision in State Act for Non-Tax for GP		Provision in State Act for Non-Tax for IP		Provision in State Act for Non-Tax for DP	
			Section	Provision	Section	Provision	Section	Provision
						<p>Officer concerned be leased by a Panchayat Samiti for a period not exceeding three years, and the lessee and all persons employed by him for the collection of such fees or tolls or for the management of such fairs, shows, exhibitions, markets, tonga stands, ferries or rest houses shall in respect thereof—</p> <p>(a) be bound by any order made by the Panchayat Samiti for their guidance;</p> <p>(b) have such powers exercisable by officers of a Panchayat Samiti under this Act as the Panchayat Samiti may, from time to time, confer upon them; and</p> <p>(c) be entitled to the same remedies and subject to same responsibilities as if they were employed by Panchayat Samiti for the collection of fees or tolls or for the management of such fairs, shows, exhibitions, markets, tonga stands, ferries or rest houses.</p>		

Sl. No.	Name	Name of Act	Provision in State Act for Non-Tax for GP		Provision in State Act for Non-Tax for IP		Provision in State Act for Non-Tax for DP	
			Section	Provision	Section	Provision	Section	Provision
6	Himachal Pradesh	The Himachal Pradesh Panchayati Raj Act, 1994	100(3)	(3) A Gram Panchayat may, through a resolution and after previous publication, levy following fees at such rates and in such manner as it may deem fit in the Sabha area, namely:—				
				(i) teh-bazari from the shop-keepers in fairs;				
				(ii) service fee for cleaning of streets, lighting of streets, sanitation, solid and liquid waste management, parking of vehicles, as the case may be ;				
				(iii) fee for registration of animals sold in the Sabha area; and				
				(iv) water rate where water is supplied by the Gram Panchayat.]				
			103	Local rate.-(1) Except as hereinafter provided all land shall be subject to payment of a rate to be called the "local rate" at such rate of its annual value not exceeding twenty five per cent as Government may determine from time to time.				
				(2) The Government may, by notification, abolish, reduce or exempt any land or any class of land from the levy of the local rate.				
7	Kerala	Kerala Panchayat Raj Act, 1994	232	Factories, Trades, Entrepreneurship Activities And Other Services				
			233	Permission for the construction of Factories and the installation of machinery				
			229, 230, 231	Licence to Slaughter House & Meat Stalls				

Sl. No.	Name	Name of Act	Provision in State Act for Non-Tax for GP		Provision in State Act for Non-Tax for IP		Provision in State Act for Non-Tax for DP	
			Section	Provision	Section	Provision	Section	Provision
			220, 221, 222	Issue of Licence of And Control of Public And Private market				
			Sec.(2) of 254	Licensing of pigs And Dogs				
			270,271	Registration of Private Hospitals And Private Paramedical Institutions				
			266	Registration Of Tutorial Institutions				
			232&254	Issue of Licence to Live stock Farms				
		Kerala Local Authorities Entertainment Tax Act, 1994 Kerala Panchayat Raj Act	200	Collection Of Entertainment tax.				
		OGP Rules – 2014	Rule-48	All the public properties of the GP are either managed on its own or through conduct of auction sale process as per the rules prescribed under Rule-48 of the OGP Rules, 2014.				
8	Odisha	OGP (Minor Forest Produce Administration) Rules-2002	Rule-1 – 10	The GP shall have the power to regulate procurement and trading of MFPPs whether produced in Government lands and forest areas within the limit of the GP. Any person intending procure MFPPs from the primary gatherers or to trade in MFPPs within the limits of GP shall register himself as trader in GP.				

Sl. No.	Name	Name of Act	Provision in State Act for Non-Tax for GP		Provision in State Act for Non-Tax for IP		Provision in State Act for Non-Tax for DP	
			Section	Provision	Section	Provision	Section	Provision
9	Tamil Nadu	Tamil Nadu Panchayat Act 1994	Section 175	Duty on transfer of property	Section 186		Section 189	Grant from the State Government
			Section 185	Village Panchayat fund	Section 186 (b)	Proportionate share of surcharge on transfer of properties and entertainment tax	Section 189 (b)	All grants, assignments, loans contributions
			Section 132	Fishery Rights	Section 186 (e)	Fees on licence and permissions	Section 189 (c)	Rent from lands and other properties
			Section 148	Licensing of Private markets	Section 186 (f)	Fees levied on public markets	Section 189 (d)	Interest, Profit and other money accruing by gift, grants, assignments.
			Section 188		Section 186 (g)	Contribution from Village Panchayat markets	Section 189 (e)	All proceeds of lands, security and other properties sold.
			Section 188 (f)	Taxes and tolls	Section 186 (h)	Fees for temporary occupation of roads	Section 189 (f)	Fees and penalties levied
			Section 188 (g)	Fees levied on public markets	Section 186 (i)	Fees for Choultrys	Section 189 (g)	All sums received
			Section 188 (i)	Fees for temporary occupation of village sites, roads and other public places	Section 186 (j)	Receipts from dispensaries		
			Section 188 (k)	Income from endowments and trusts	Section 186 (k)	Income from endowments and trust		
			Section 188 (n)	Income from fisheries	Section 186 (m)	Contribution from Government and other local bodies		
			Section 188 (o)	Income from ferries	Section 186 (n)	Sale proceeds of tools, plans, stores, materials, avenue plantation		
			Section 188 (q)	Seigniorage fees	Section 186 (o)	Income from ferries and fisheries		
			Section 188 (r)	Income from porambokes	Section 186 (p)	Interest on loans and securities		

Sl. No.	Name	Name of Act	Provision in State Act for Non-Tax for GP		Provision in State Act for Non-Tax for IP		Provision in State Act for Non-Tax for DP	
			Section	Provision	Section	Provision	Section	Provision
10	West Bengal	The West Bengal Panchayat Act, 1973	Section 188 (t)	Income from lease of Property	Section 186 (q)	Interest on arrears of revenue		
			Section 188 (u)	Fines and penalties	Section 186 (r)	Sale proceeds of buildings and other properties		
					Section 186 (t)	Fines and penalties		
					Section 147	Licencing of Public Markets		
			Section 47	Toll, Rate & Fees	Section 116 & 133 of the WB P Act, 1973	Toll, Rate & Fees	Section 162 & 181 of the WB P Act, 1973	Toll, Rate & Fees
			Section 45(1) (e) & (f) of the WB Panchayat Act, 1973	Income From Own Assets, Donation, Etc.	Section 132(1)(e) & (f) of the WB P Act, 1973	Income From Own Assets, Donation, Etc.	Section 179(1)(f) & (g) of the WB P Act, 1973	Income From Own Assets, Donation, Etc.
			Section 23 of the WB Panchayat Act, 1973	Fees For Granting Permission For Construction Of Building	Section 114A & 114B of the WB P Act, 1973	Fees For Granting Permission For Construction Of Building	Section 160A of the WB P Act, 1973	Fees For Granting Permission For Construction Of Building
			Section 223 of the WB Panchayat Act, 1973	Gram Panchayats make, amend and adopt bye-laws for Non-Tax	Section 223 of the WB Panchayat Act, 1973	Panchayat Samitis make, amend and adopt bye-laws for Non-Tax	Section 223 of the WB Panchayat Act, 1973	Zilla Parishads make, amend and adopt bye-laws for Non-Tax
			Section 221 of the WB Panchayat Act, 1973	All arrears of Tax & Non-Tax be recoverable as Public Demand	Section 221 of the WB Panchayat Act, 1973	All arrears of Tax & Non-Tax be recoverable as Public Demand	Section 221 of the WB Panchayat Act, 1973	All arrears of Tax & Non-Tax be recoverable as Public Demand

Source: Data provided by 30 States/UTs

It may be seen that the Intermediate or District Panchayats also have been authorised to collect non-tax revenue. Licence fee, rent, permit fee, registration fee, other fees, penalties and fines, user charges, income from investment, interest income, sales and hire charges, market receipts, etc are examples of non-tax revenue collected by Panchayats. The collection of non-tax revenue by Panchayats in States and UTs during 2017-18 to 2021-22 has been given in table 5.5. The same data have been depicted graphically in graph 5.3 for easy appreciation.

Table 5.5: State/ UT- wise Collection of Non-Tax Revenue by Panchayats during 2017-18 to 2021-22

(Rs. in Lakh)

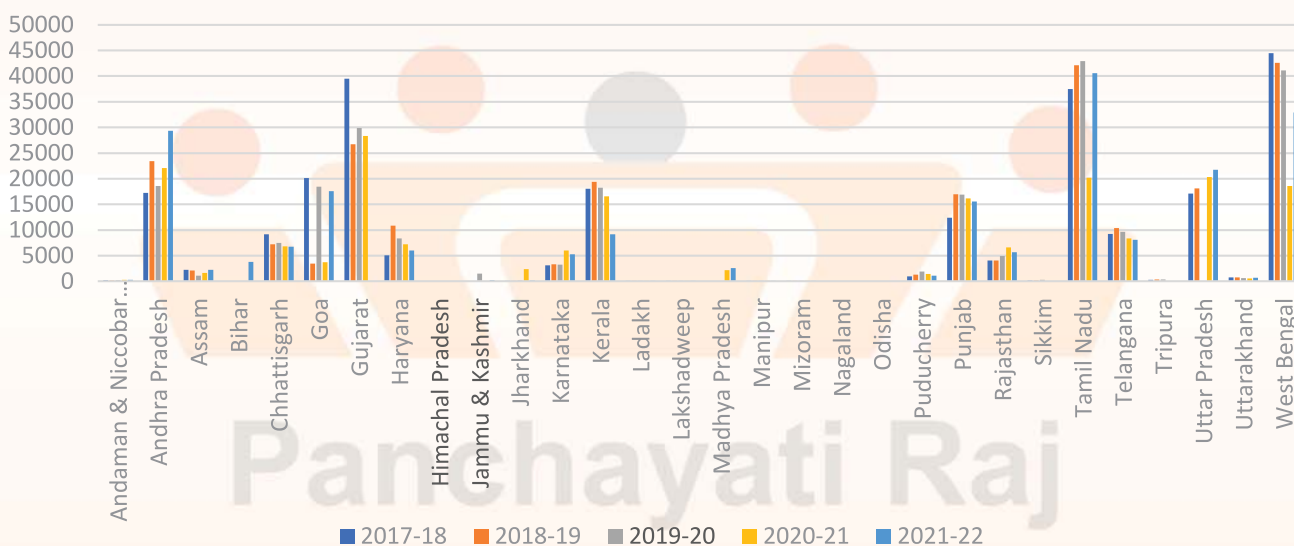
Sl. No.	State/UT	2017-18	2018-19	2019-20	2020-21	2021-22
1	Andaman & Nicobar Islands	212	160	250	284	302
2	Andhra Pradesh	17267	23405	18603	22086	29370
3	Assam	2238	2128	1124	1614	2226
4	Bihar	0	0	0	0	3789
5	Chhattisgarh	9193	7248	7469	6829	6731
6	Goa	20154	3452	18449	3705	17558
7	Gujarat	39489	26719	29891	28331	0
8	Haryana	5058	10856	8373	7199	6006
9	Himachal Pradesh	0	0	0	0	0
10	Jammu & Kashmir	0	0	1501	0	208
11	Jharkhand	16	42	178	2364	186
12	Karnataka	3156	3330	3267	5990	5271
13	Kerala	18063	19410	18283	16578	9172
14	Ladakh	28	7	9	4	5
15	Lakshadweep	4	4	4	1	3
16	Madhya Pradesh	0	0	0	2162	2618
17	Manipur	61	106	18	20	41
18	Mizoram	4	4	6	9	4
19	Nagaland	0	0	0	0	0
20	Odisha	0	0	0	0	0
21	Puducherry	990	1314	1921	1411	1112
22	Punjab	12405	16991	16911	16198	15578
23	Rajasthan	4098	4088	4948	6635	5673
24	Sikkim	158	178	287	0	0
25	Tamil Nadu	37475	42138	42937	20232	40557
26	Telangana	9251	10381	9621	8388	8106

Sl. No.	State/UT	2017-18	2018-19	2019-20	2020-21	2021-22
27	Tripura	298	384	370	0	0
28	Uttar Pradesh	17124	18121	0	20307	21743
29	Uttarakhand	750	790	638	594	728
30	West Bengal	44473	42606	41123	18575	32878
Total		241964	233863	226181	189516	209864

Source: Data provided by 30 States/UTs

Graph 5.3: State/ UT- wise Collection of Non-Tax Revenue by Panchayats during 2017-18 to 2021-22

(Rs. in Lakh)



Source: Data provided by 30 States/UTs

It may be seen from the above table that Tamil Nadu, West Bengal, Gujarat and Andhra Pradesh are collecting maximum non-tax revenue whereas, Nagaland and Odisha are still to start collecting non-tax revenue.

5.4: Composition of OSR Collection by Different Tiers of Panchayats

Average percentage of total tax collected by GP, IP, and DP during 2017-18 to 2021-22 is given in table 5.6. Same data have been depicted in graph 5.4. In most of the States only Gram Panchayats collect tax revenue. In several States such as Goa, Gujarat, Himachal Pradesh, Karnataka, Kerala, Odisha, Rajasthan, Tamil Nadu, Tripura and West Bengal, tax revenue is collected almost exclusively by Gram Panchayats. But, in other States like Andhra Pradesh, Assam, Chhattisgarh, Madhya Pradesh and Telangana, share of Intermediate Panchayats is significant ranging from 11% to 27%. However, Puducherry and Punjab are exception as the Intermediate Panchayats are collecting 100% and 82% of the tax revenue respectively.

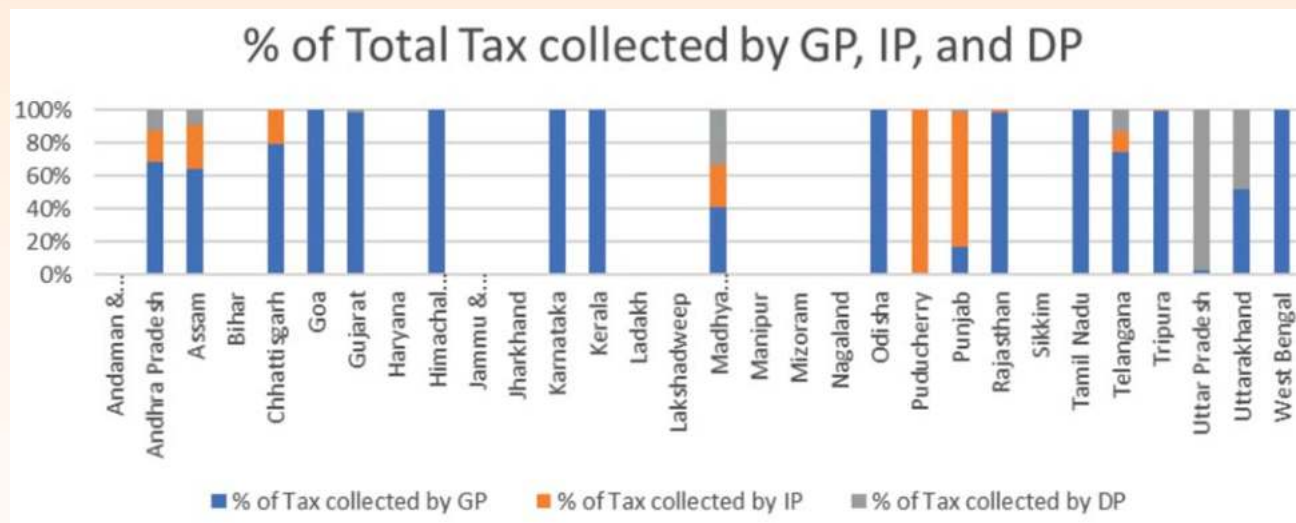
District Panchayats have negligible share in most of the states. In this respect, Uttar Pradesh happens to be an exception where 97% of tax revenue is collected by DPs and in Uttarakhand and Madhya Pradesh too, DPs have a sizeable tax revenue.

Table 5.6: Average Percentage of Total Tax Collected by GP, IP, and DP during 2017-18 to 2021-22

Sl.No.	State/UT	% of Tax collected by GP	% of Tax collected by IP	% of Tax collected by DP
1	Andaman & Nicobar Islands	0%	0%	0%
2	Andhra Pradesh	69%	19%	12%
3	Assam	65%	26%	9%
4	Bihar	0%	0%	0%
5	Chhattisgarh	80%	20%	0%
6	Goa	100%	0%	0%
7	Gujarat	98%	1%	1%
8	Haryana	0%	0%	0%
9	Himachal Pradesh	100%	0%	0%
10	Jammu & Kashmir	0%	0%	0%
11	Jharkhand	0%	0%	0%
12	Karnataka	100%	0%	0%
13	Kerala	100%	0%	0%
14	Ladakh	0%	0%	0%
15	Lakshadweep	0%	0%	0%
16	Madhya Pradesh	41%	26%	33%
17	Manipur	0%	0%	0%
18	Mizoram	0%	0%	0%
19	Nagaland	0%	0%	0%
20	Odisha	100%	0%	0%
21	Puducherry	0%	100%	0%
22	Punjab	17%	82%	1%
23	Rajasthan	99%	1%	0%
24	Sikkim	0%	0%	0%
25	Tamil Nadu	100%	0%	0%
26	Telangana	74%	13%	13%
27	Tripura	99%	1%	0%
28	Uttar Pradesh	3%	0%	97%
29	Uttarakhand	52%	0%	48%
30	West Bengal	100%	0%	0%
Total		89 %	7 %	5 %

Source: Data provided by 30 States/UTs

Graph 5.4: Percentage Total Tax Collected by GP, IP, and DP during 2017-18 to 2021-22



Sources: Data provided by 30 States & UTs

Similarly, percentage of non-tax revenue by the three tiers of Panchayats for States are given in table 5.7. Same data have been depicted in graph 5.5 for easy appreciation.

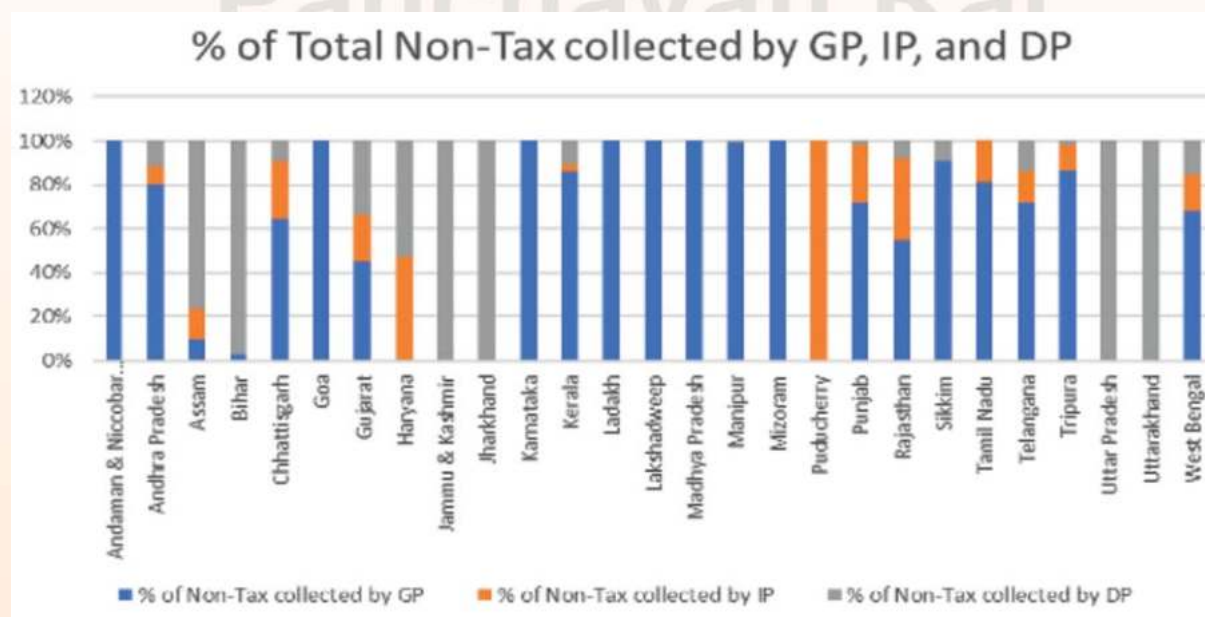
Table 5.7: Average Percentage of Total Non-Tax Revenue Collected by GP, IP, and DP during 2017-18 to 2021-22

Sl.No.	State/UT	% of Non-Tax collected by GP	% of Non-Tax collected by IP	% of Non-Tax collected by DP
1	Andaman & Nicobar Islands	100%	0%	0%
2	Andhra Pradesh	81%	8%	12%
3	Assam	10%	14%	76%
4	Bihar	3%	0%	97%
5	Chhattisgarh	64%	26%	10%
6	Goa	100%	0%	0%
7	Gujarat	45%	22%	34%
8	Haryana	0%	47%	53%
9	Himachal Pradesh	0%	0%	0%
10	Jammu & Kashmir	0%	0%	100%
11	Jharkhand	0%	0%	100%
12	Karnataka	100%	0%	0%
13	Kerala	86%	3%	11%
14	Ladakh	100%	0%	0%
15	Lakshadweep	100%	0%	0%

Sl.No.	State/UT	% of Non-Tax collected by GP	% of Non-Tax collected by IP	% of Non-Tax collected by DP
16	Madhya Pradesh	100%	0%	0%
17	Manipur	99%	0%	1%
18	Mizoram	100%	0%	0%
19	Nagaland	0%	0%	0%
20	Odisha	0%	0%	0%
21	Puducherry	0%	100%	0%
22	Punjab	72%	26%	2%
23	Rajasthan	55%	37%	8%
24	Sikkim	91%	0%	9%
25	Tamil Nadu	81%	19%	0%
26	Telangana	72%	14%	13%
27	Tripura	87%	12%	1%
28	Uttar Pradesh	0%	0%	100%
29	Uttarakhand	0%	0%	100%
30	West Bengal	68%	16%	16%
	Total	64 %	16 %	20 %

Sources: Data provided by 30 States & UTs

Graph 5.5: Percentage Total Non-Tax Revenue collected by GP, IP, and DP 2017-18 to 2021-22



Source: Data provided by 30 States/UTs

Non-tax revenue is mostly collected by GPs except for Assam, Bihar, Jammu & Kashmir, Jharkhand, Uttar Pradesh and Uttarakhand where DPs collect most of the non-tax revenue. Intermediate Panchayats have a maximum share of non-tax collection in Puducherry, Haryana, Rajasthan, Punjab and Chhattisgarh at 100%, 47%, 37%, 26% and 25% respectively.



Panchayati Raj

**Best Practices for
Augmentation of
OSR**

6

Best Practices for Augmentation of OSR

6

Best practices motivate individual, community and institutions for enhancing their performance and give them ideas how to improve. Some Panchayats in different levels have worked exceptionally well in the field of generating Own Source Revenue (OSR). Since India is a diverse country and variety of initiatives and ideas are implemented in different parts of the nation, it is important to bring the best practices regarding OSR to common platform to inspire and educate Panchayats about their potential and possibilities. Due to diversities in Panchayats, varieties of best practices for augmentation of OSR have been described in this chapter.

6.1 Andaman and Nicobar Islands

Annual OSR	Rs. 3.02 Cr
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Total area of Andaman & Nicobar Islands is 8,249 km² including 8,211.08 km² rural area and 37.92 km² urban area. As per 2011 census the population of Andaman & Nicobar Islands has 3,80,581, out of which urban population is 1,43,488 while rural population is 2,37,093. Under Panchayati Raj System there are two District Panchayats, 7 Block Panchayats and 70 Gram Panchayats. Main sources of Own Source Revenues are mostly in the form of non-tax revenue such as licence fee, rent (building/shop), permit fee, registration fee (trade registration), other fees (building plan approval), penalties and fines, user charges (entrée fee), income from investment and interest sales and hire charges (sale of scrap & trees), market receipts (collection from haat) royalties for minerals and other sources like lease of ferry, bungalow, market, pond, toll from road and ferry permission for mobile tower, publicity & advertisement, donation for development etc. OSR is generated by Gram Panchayats only.

To motivate Panchayats for generating Own Source Revenue the Union Territory has introduced the concept of matching grants. As per the Andaman & Nicobar Administration Secretariat Notification, dated the 20th January, 2012 says in 4.(c) “Grant-in-aid may also be sanctioned to PRIs against actual revenue of individual Gram Panchayat/ Panchayat Samiti / Zilla Parishad as “**Matching Grant**” based on the revenue collected during the previous year in the **ratio of 1 (Revenue): 3 (Matching Grant)**. However, the Administrator

reserves the right to increase or decrease the ratio of Revenue and Matching Grant at any time after recording the reasons in writing to do so.” “Revenue” includes the taxes, duties, tolls, cess, fees etc. as mentioned in Section 37, 128 and 170 of the Regulation and shall also include the income from their own sources such as rent, hiring charges etc, but shall not include donation, interests from deposits and grants. Gram Panchayats in UT are highly motivated and exploring new avenues for generating OSR. Details of some the Gram Panchayats are given below.

District: South Andaman

Block / Tehsil / Taluk: Ferrargunj

Name of the Gram / Village Panchayat: Meethakhari Gram Panchayat

The Gram Panchayat has generated OSR for the FY 2021-22 Rs. 15,74,575. The OSR was generated through community hall Rs. 1.48 lakh, income from cattle pond Rs. 37.3 thousand, renting utensils and chairs Rs. 2.5 thousand, income from Panchayat market rent Rs. 2.69 lakh, Panchayat tractor renting Rs. 56.2 thousand, users fee charges collection Rs. 1.69 lakh, Panchayat market auction Rs. 8.85 lakh, Gym service Rs. 2.0 thousand, building plan approval Rs. 2.2 thousand, Panchayat Road repair on laying pipeline for house Rs. 1.3 thousand, tender document Rs. 1.3 thousand.

District: North and Middle Andaman

Block / Tehsil / Taluk: Rangat

Name of the Gram / Village Panchayat: Rangat Gram Panchayat

The OSR for FY 2021-22 was Rs. 21,77,106 through 109 Shops of Panchayats Rs. 9,61,900, income from renting of utensils and chairs Rs. 1,13,055, Panchayat has its own vegetable and fish market generating OSR of Rs. 1,53,360, Community Hall Rs. 40,700 and from community toilet Rs. 1,84,130 and gym had generated Rs. 74,300. They have triple truck and mortuary van making Rs. 45,550, cattle pond Rs. 160, sanitation charges collected from houses, shops, and heavy vehicles fee was Rs. 6,1,797. **States and other UTs may study the success stories from Andaman and Nicobar Island about their way of motivating Gram Panchayats and augmenting their OSR through matching grants.**

6.2 Subhashgram GP, Andaman and Nicobar Islands

Annual OSR	Rs. 21.67 Lakh
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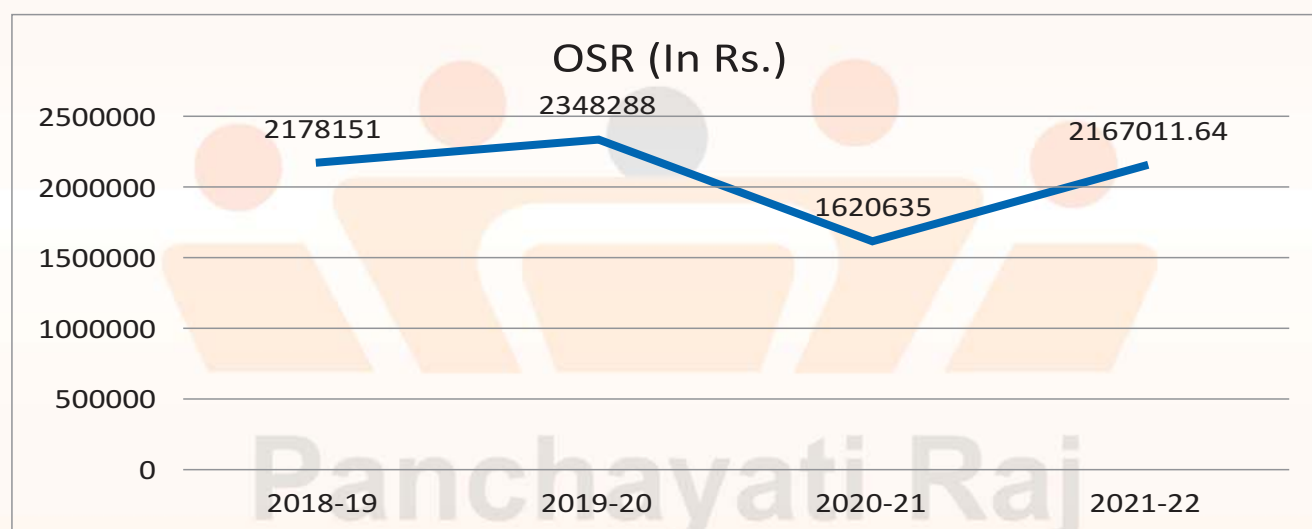
State: Andaman and Nicobar Island

District: North and Middle Andaman

Block / Tehsil / Taluk: Diglipur

Name of the Gram / Village Panchayat: Subhashgram Gram Panchayat

Subhashgram GP had initiated the collection of user-fee from every households and commercial establishment under its jurisdiction. Moreover, the waste collection, certificate delivery charges, market monthly rent and daily collection from vegetable and fish vendors were also been collected to generate the Own Source Revenue (OSR). Data below indicates the OSR generated by the Gram Panchayat Subhashgram from Financial Year (FY) 2018 – 2022.



Note: OSR in FY 2020-21 affected due to COVID-19.

Deen Dayal Upadhyay Panchayat Sashaktikaran Puraskar (DDUPSP):

Recognizing the outstanding efforts of the Gram Panchayat, Deen Dayal Upadhyay Panchayat Sashaktikaran Puraskar was awarded to Subhashgram GP, North & Middle Andaman District, Andaman & Nicobar Islands for the appraisal year 2018-19 on 24th April, 2020 under General Category. Incentive amount of Rs. 8,00,000/- (Rupees Eight Lakh Only) was received as an Award Money. This GP once again won the Award under Deen Dayal Upadhyay Panchayat Sashaktikaran Purashkar for the appraisal period of 2020-21 under the category of theme “Revenue Generation”. This GP is the only one in Andaman & Nicobar Islands, which won twice the award under the same category.

Subhashgram GP is situated in the heart of Diglipur and it is also the hub of Administration, market and business. The diversity of people from different religion and language speaking can be seen here. This Gram Panchayat also shows diversities in elected PRIs. The distance from Port to Gram Panchayat is merely 8 Km and Helipad at around 4 Km. The main bus terminus is also situated at Subash Bazaar.



Strategy Adopted to counter problems/issues:

This Panchayat has applied for allotting a land for segregation centre to the concerned authority to construct a designated segregation shed and to produce organic manure from the waste vegetables. The Sanitation staffs have been engaged for door-to-door waste collection, bazaar sweeping, waste collection from community based dustbins and segregation of garbage, and disposal at solid waste management cluster at Madhupur.

Results and Outcomes:

Subhashgram GP had generated an amount of Rs. 21,67,011/- (Rupees Twenty-One Lakh Sixty-Seven Thousand & Eleven Only) as an own source revenue during the financial year 2021-22 through market room rents, hiring of utensils, user-fee collection, garbage fee collection and miscellaneous charges. This Gram Panchayat was also awarded thrice under SBM (G) by the Andaman & Nicobar Administration for exceptional performance in Sanitation works. This has encouraged sanitation workers of this Gram Panchayat to increase their dedication towards works.

Sustainable Future Strategy/Actions:

Necessary steps should be taken to provide two colour coded household dustbins to enhance the user fees collection; construction of segregation centre and to produce organic manure so that more revenue can be generated in order to carry out the developmental works for the convenience of the general public.



- This GP is undertaking maintenance of existing Panchayat Shopping Complex.
- This Gram Panchayat also constructed Community Sanitary Complex along with one Pay & Use toilet near newly under construction vegetable market.
- This Gram Panchayat is also providing separate place for daily vendors and collected rent on daily basis.



Market Place:



6.3 Azara GP, Assam

Annual OSR	Rs. 42.5 Lakh (average)
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State: Assam

District: Kamrup

Block / Tehsil / Taluk: Kamalpur

Name of the Gram / Village Panchayat: Azara

Azara Gram Panchayat is located near Borjhar International Airport Guwahati. Its total population is 26815. It is one of largest GP of Assam. There are 3237 households in its jurisdiction. It is near to National Highway 37. Own Source Revenue generated by the GP in last three financial years were Rs, 41.92 Lakh in 2019-20, Rs. 42.42 Lakh in 2020-21 and Rs. 43.17 Lakh in 2021-22. Increasing trend has been observed on year on year basis. Main sources of Own Source Revenue of the Panchayat are Godown tax (43%), Shops (17%), Building (15%), Private School (11%), NOC fees (8%) and Hostel (6%).



They are utilizing the OSR by spending on printing and stationery, meeting expenses (Gaon Sabha, executive meetings), electricity bill and other office expenses including salary of office boy and remuneration to the members.



Loharghat Budhboria Bazaar, Kamrup Zilla Prishad, Annual Collection: 17.5 Lakh



Dhopatari Bi-Weekly Bazaar, Kamrup Zilla Parishad, Annual Collection: 5.91 Lakh



Mini Market, Dhemaji Anchalik Panchayat, Annual Revenue : 54,000/-

6.4 Patna GP, Chhattisgarh

Annual OSR	Rs. 18.68 Lakh
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State: Chhattisgarh

District: Koriya

Block / Tehsil / Taluk: Baikunthpur

Name of the Gram / Village Panchayat: Patna

Patna village is located in Baikunthpur tehsil of Koriya district in Chhattisgarh. It is situated 15km away from Baikunthpur, which is both district and sub-district headquarter of Patna village. The total geographical area of village is 613.25 hectares. Patna has total population of 5,124 peoples, out of which male population is 2,551 while female population is 2,573. There are about 1,216 houses in the village. Patna Gram Panchayat has generated OSR of Rs. 18.68 Lakhs in the financial year 2021-22. The main sources of the OSR are



Koriya Neer, water tax, electricity tax, market fees, rent from shops, contracting ponds, animal registration, land transfer fees, rent from installation of mobile tower, certificate issue fees, business registration fees etc.

6.5 Dharmaj GP, Gujarat

Annual OSR	Rs. 3.0 Cr (Approx.)
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State: Gujarat

District: Anand

Block / Tehsil / Taluk: Petlad

Name of the Gram / Village Panchayat: Dharmaj Gram Panchayat

Dharmaj Gram Panchayat (GP) is located in Petlad Taluka of Anand district in Gujarat. The area of Panchayat is 1444.93 hectare. By and large farmers of the GP cultivate tobacco (between September and March) along with rice, bajra (two times: monsoon and summer), jawar, wheat, maize, banana, chilli etc. Tube well (70 private) is the main source of irrigation. Ground water is the main source of potable uses for which GP installed seven tubes well. There are six ponds, which also generate revenue in the GP area. This GP is known for its NRIs most of whom live in the USA, Canada and Australia. Therefore, a large number of banks (*e.g.* as HDFC, ICICI, etc.) function at Dharmaj village. The village runs its own bank (Dharmaj Cooperative Bank Ltd) which was founded by Sh. H.M. Patel former Finance Minister, Government of India. Similarly, Cooperative Sewa Sahakar Mandli, Dharmaj Milk Production Mandli, Gujarat Fertilizer



and Chemical Ltd functions etc are available in the GP. NRIs and Jala Ram Trust both have created a number of facilities and different kinds of hospitals for the benefit of people across the GP. One old age home is also run by native of the village. Patel community represents a larger portion of the population. There are 45 (approx.) self-help groups in the GP. Every year the people celebrate Dharmaj Gourav (proud) Ratna Award on 12th January and request all NRIs to make their visit to the village on this occasion.

Source of Revenue: The GP generates approximately Rs. 3 Cr as OSR annually. The sources of OSR are properties like mobile tower, market shops, grassland, park (including marriage lawn, swimming pool, boating, canteen, horse riding etc.), marriage halls, godowns, generator, ambulance, tractors, drainage cleaning machine, road sweeping machine, Seva Kendra, tube wells, drainage, cottage, water tank, building (own building), over head water tank, community hall, cremation grounds etc. All properties generate revenues and provide facility to the people both resident of the village and people coming from other places. Dharmaj Gram Panchayat has constituted few committees for specific purposes *e.g.* general, waste land, street lights, social justice, potable drinking water, Swachta etc. GP maintains updated registers for property/assets.

6.6 Chakmoh GP, Himachal Pradesh

Annual OSR	Rs. 6.94 Lakhs
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State: Himachal Pradesh

District: Hamirpur

Block / Tehsil / Taluk: Bijhri

Name of the Gram / Village Panchayat: Chakmoh Gram Panchayat

Chakmoh Gram Panchayat came into existence on 3rd August 1991 in Bijhri, Development Block, Hamirpur District. Total area of the GP is 5 Sq Km. The Gram Panchayat is located in the area adjoining to famous pilgrimage centre in North India called Deotsidh (Baba Balak Nath Temple). There are 599 families in the GP, of which 67 are BPL families. Total population of the village is 2495, with 1230 male and 1265 female. The GP has facilities for education, bank, post office, hospital, college, ration shop, animal medical centre etc.



Chakmoh Gram Panchayat was generating an OSR of Rs 6.94 Lakhs average annually before Covid19 Pandemic. The GP earns revenue from commercial tax on the **shops, vendors and other services** provided by the Panchayat. The Panchayat is collecting **Re. 1 tax on each bottle of alcohol** sold within the premises of the Panchayat. **Annually a Mela/Fair is organised.** Shades and stalls are arranged by the Panchayat and given on rent. This helps the Panchayat in generating OSR.

Expenditure incurred from OSR by Gram Panchayat Chakmoh, shows that most of civic amenities are being supported from OSR only. The works done with the revenue generated include repair of Panchayat Ghar, construction of drains, street and drain cleaning, repair of roads, increasing the range of piped supply of water, construction of pakka paths, construction of pull handpumps and maintenance and management of streetlights.



Panchayati Raj



6.7 Sirmour ZP, Himachal Pradesh

Annual OSR	Rs. 18.00 Lakh
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State: Himachal Pradesh

District: Sirmour

Zila Parishad Sirmour is enhancing its OSR. The head office of Zila Parishad (ZP) is located in Nahan. There are total 17 members of the ZP out of which 9 members are women. This Zila Parishad has created/generated its own income to become self-dependant. Around 25 years back Zila Parishad constructed a big multi-purpose community hall, which is serving as good venue for all social and government functions being organised in Nahan. In addition there are 10 rooms and 5 dormitories in the ZP complex. Also, there are 6 shops which have been rented out by the ZP. Moreover, there are 3 residential accommodations in the same complex. Total average annual income of ZP Sirmour is 18.00 lakhs. Zila Parishad has deployed 5 employees to maintain its assets.



6.8 Hemmanahally GP, Karnataka

Annual OSR	Rs. 12.00 Lakh
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State: Karnataka

District: Mandya

Block / Tehsil / Taluk: Maddur

Name of the Gram / Village Panchayat: Hemmanahalli Gram Panchayat

Hemmanahalli GP is situated in in Maddur taluka of Mandya district in Karnataka, India. It is situated 4 Km away from sub-district headquarter Maddur (Tehsildar office) and 26km away from district headquarter

Mandya. The total geographical area of village is 381.65 hectares. Hemmanahalli has a total population of 1,969 people, out of which male population is 971 while female population is 998. There are about 497 houses in the village (as per 2011 census). The Gram Panchayat received 3 awards for its best performance. It collected Rs 12 lakhs per annum through property tax alone. The tax is collected on the basis of Sub-Registrar's valuation of property. In Karnataka, they have developed "Panchatantra version -2 App" for calculating property tax based on market value as given by the Sub- Registrar. An Office building has been constructed for Gram Panchayat with an estimated cost of 5 crores by utilizing OSR. The building is known as Gram Soudha which accommodates other government offices in the village. The Gram Panchayat also maintains a big library with digital connectivity. In fact every village in Karnataka maintains a good library with internet facility. Bill Collector regularly collects taxes from villagers. Generally every Gram Panchayat spends about 60 percent of OSR on developmental activities and the remaining 40 per cent is used for maintenance.

6.9 Thrissur ZP, Kerala

State: Kerala

District: Thrissur

Thrissur District Panchayat's own fund portion includes a few non-tax revenues and General-Purpose Grant receiving from State Government. District Panchayat does not have Tax revenue as its own. However, the District Panchayats are managing the various farms. The possibilities of mobilising resources from these are being attempted by the District Panchayat. Main components of non-tax revenue include, collection from eight seed farms controlled by District Panchayat and collection from pig farm at Kunnamkulam. Rent from electronics park and hatchery situated at Ollur, user charges, sale of scraps, tender forms etc. are the other resources.

For enhancing the own Revenue Thrissur District Panchayats are looking forward to a few areas. Increasing the revenue from farm and pig farms is being attempted. For this they are making a close watch and strict monitoring and also maintaining the quality of products from these institutions. The Bye-laws for Hatchery and Electronics Park is being renewed and the rent of these buildings to be updated to the present scenario.

Revenue Generated by Farms under Thrissur District Panchayath

	2017-18	2018-19	2019-20	2020-21	2021-22
State Seed Farm, Nadavarambu	28,31,795	17,88,146	22,40,618	22,51,646	17,96,033
State Seed Farm, Pananchery	56,58,723	38,22,488	28,78,555	38,45,993	29,36,650
State Seed Farm, Pazhayannur	10,74,468	17,39,331	22,73,100	28,60,089	25,40,579
State Seed Farm, Kodassery	15,45,813	15,09,414	16,98,369	24,07,824	23,20,175
State Seed Farm, Mannuthy	37,14,280	22,31,089	21,52,534	32,15,194	23,20,175
State Seed Farm, Edathiruthy	1,815,030	975,081	2,787,288	2,154,654	1,145,870
District Agricultural Farm, Chelakkara	8,91,913	12,76,714	5,71,385	26,22,161	27,29,595
Government Coconut Nursery, Irinjalakuda	23,81,795	32,85,280	67,33,180	78,09,810	96,41,540



6.10 Kumily GP, Kerala

State: Kerala

District: Idukki

Block / Tehsil / Taluk: Azhutha

Name of the Gram / Village Panchayat: Kumily Gram Panchayat

Kumily Gram Panchayat, lying on the outskirts of the well-known pilgrim tourist spot of Sabarimala, is a beautiful hill station situated at the high ranges of Idukki district, widely known for its healthy climate, variety of wildlife, scenic beauty and biodiversity. A series of planned interventions by the State Government for developing tourism potential in this area have developed various forms of tourism facilities, which include good hotels and resorts. More than one million people visit Kumily or pass through with a brief stay every season. According to the President of the Panchayat, keeping the place tidy, beautiful and healthy is a challenging task. Before 2005-06 the tax and non-tax revenue of the Gram Panchayat was of a low order. The resorts and hotels were assessed under property tax, but at very low rate. When the newly elected Panchayat assumed office during October 2005, it decided to initiate certain drastic steps to improve the OSR of the Panchayat. The initiative was taken by the then President of the Panchayat with the full support of the committee. The first step was to revise the existing property tax of the resorts and hotels at least in tandem with their actual rental value. The Kerala Panchayat Raj (Taxation, Levy and Appeal) Rules 1996 vide rule 11 clearly stipulates that the Finance Standing Committee may *suo motu* or otherwise revise any tax by enhancing or reducing it, but only after giving reasonable opportunity to the taxpayer to explain his/her part. Operating this provision of the law, notices were given to the resort-owners and hoteliers. As expected, there were widespread protests from the resort-owners and hoteliers. After a series of discussions and negotiations a win-win settlement was arrived at and the taxes were revised by increasing

it to a reasonable level. Steps were also taken to make the mass aware of the initiative, as well as to get the support of various political parties in the Panchayat. The result has been remarkable. The revenue collection, which was around three million rupees in 2004-05 rose to more than thirteen million, 4.5 times increase in five year. In an environment of face to face contact this turned out to be the best and productive alternative. Responsible tourism was introduced in this Panchayat a few year back and the local community is benefiting from it, like selling vegetables to the resorts, and traditional handicrafts, spices, bakery items etc to the tourists. The Panchayat has made considerable efforts in cleaning, sanitation, lighting public places etc. This enhances the quality of living standard. Even though the scenario has become a little brighter during the last few years, the actual potential of OSR is yet to be achieved in full. Some lessons learnt and a few recommendations are as follows:

- i. Transparency in transaction pays.
- ii. On proper intervention Panchayats could make the development sustainable and mutually beneficial.
- iii. Service related to tourism, like internet café, massage parlour, boating, elephant ride, tourist taxi, home-stays etc. should be regulated by Panchayats with due authorisation through regulatory provisions.
- iv. Entranced fees are collected in many tourist centres like Periyar Tiger Reserve (PTR), Periyar Lake and certain agricultural farms. But the provisions in the Local Authorities Entertainment Tax Act and Rules should be modified to bring these activities under entertainment tax.
- vi. A revenue Wing is needed in Gram Panchayat with sufficient staff and supervisor under the control of the Finance Standing Committee, so that the taxation and regulation activities can be strengthened.

6.11 PESA villages in Maharashtra

Own Source of Revenue

Royalty from the auction of Minor Forest Produce:

- In Maharashtra a “Natural Resource and Management Committee” and “Gram Sabha Kosh” are constituted by Gram Sabha of each PESA village for Management of MFP.
- Tendu leaves, Bamboo, medicinal plants, Moha flowers etc. are widely available in the Scheduled Areas of Maharashtra. These could be important source of OSR for these villages.
- Earlier the minor forest produce (MFP) was sold directly by the forest department. Now the right to sell MFP has been given to Gram Panchayats and Gram Sabhas
- Due to direct sale of MFP by Panchayats and Gram Sabhas their income has increased remarkably.
- Last year, Gram Panchayats from Gadchiroli district, received Rs 132 crore Royalty of Minor Forest Produce Tendu and Bamboo.

6.12 Khojewadi GP, Maharashtra

State: Maharashtra

District: Satara

Block / Tehsil / Taluk: Satara

Name of the Gram / Village Panchayat: Khojewadi Gram Panchayat

Khojewadi village is located in Satara tehsil of Satara district in Maharashtra, India. It is situated 22 Km away from sub-district and district headquarter Satara. The total geographical area of village is 998 hectares. Khojewadi has total population of 2,116, out of which male population is 1,072 while female population is 1,044. There are about 484 houses in khojewadi village (as per 2011 Census).

Under leadership of a young lady Sarpanch Smt. Aruna Vijay Jadhav of Khojewadi Gram Panchayat in Satara has a success story of OSR. She introduced total ban on plastic use in the village and succeeded; got constructed Bio- Gas plant for the village and initiated neat and clean village programme under Swachh Bharat Mission. Gram Panchayat conducts Gram Sabha meetings regularly and takes decisions through participatory approach. Further, she made a condition that if people require any document from the Gram Panchayat, they need to clear their tax dues, and then only documents will be issued.

Villagers are provided with 24 hours safe drinking water; Sanitation and other basic facilities are regularly provided. The Gram Panchayat collects 98 per cent of tax revenue. It distributed 13 lakhs to villagers to promote their business on prescribed terms and conditions. As a result of her impressive performance, the Khojewadi Gram Panchayat received the Smart Gram Panchayat Award recently.

6.13 Maan GP, Maharashtra

State: Maharashtra

District: Pune

Block / Tehsil / Taluk: Mulshi

Name of the Gram / Village Panchayat: Maan Gram Panchayat

Maan Gram Panchayat (GP) is situated in Mulshi Block of Pune district in Maharashtra State. According to census data of 2011 the GP has population of 7527, in which male population is 4043 and female population is 3484. Total geographical area of Maan village is 1905 Hectares. Population density of Maan is 4 persons per Hectares. Total number of house hold in village is 1661. Literacy rate of Maan village is 67.29%, out of which 72.37% males and 61.39% females are literate. There are about 1,661 houses in the village. The programme of computerization of Gram Panchayat has been carried out. For this innovative work the Gram Panchayat has been awarded with ISO certificate *i.e.* ISO 9001:2008. This certificate pertains to the quality management system. The GP office houses a Gram Seva Kendra, set up to provide various e-services to its citizens. The GP has been a recipient of various awards *viz* Panchayat Shashastikaran Puraskar 2012-13, Yashwant Panchayat Raj Divisional Level Award 2012-13, Gram Swachata Abhiyan, ZP level award 2012-13. The GP has also set up a Community's Information and Training Centre (CIT) whereby the local unemployed peoples are provided basic IT trainings. There are approximately 50 SHGs in Maan GP. Six of these are Save Girl Child. Under this scheme, the GP has provision to award Rs. 10,000/- to the parents of girl child. The services provided by the Gram Seva Kendra include Birth Registration & Certificate, Death Registration & Certificate, Marriage Registration

& Certificate, Unemployment Certificate, payment of electricity bills, payment of insurance instalment, travel booking, hotel booking, banking activities, all types of recharges (e.g., mobile, DTH etc), payment of all post-paid bills, courier services, agricultural e-Services.



Maan GP has provided the facility to pay property tax through online (digital payment) system. More than 50% tax bills and receipts are sent by email to the customers. The whole GP office has Wi-Fi internet connectivity and staffs are provided with either desktops or laptops for day-to-day activities. The GP also has a complete setup for virtual meeting (video conferencing). The GP office runs on Solar Power and working on the facility to provide solar energy to entire village and also practices solid waste management, drainage water management, etc.



Source of Revenue:

- **Tax Revenue:** Registration, Licence fees, Drainage tax, Lighting tax, User fees, Fee for regulating the movement of cattle, Rents Property Tax etc.
- **Non-Tax Revenue:** Management of Public Properties (Both auction sale and own management)

6.14 Heingang GP, Manipur

Annual OSR	Rs. 5.8 Lakh
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State: Manipur

District: Imphal East

Block / Tehsil / Taluk: Imphal East I

Name of the Gram / Village Panchayat: Heingang

Heingang village is located in Imphal East-District of Manipur. It is located 7 km towards north from district headquarter Porompat. Area covered by Heingang GP is 3 Square Km and population is 8000 approximately. Heingang GP being distinctly characterized by its topography demography and diverse natural resources including freshwater lake, river, hill, forest, rich culture etc. The Gram Panchayat generates OSR of Rs. 5.80 Lakh annually. The primary source of its OSR is **Heritage Site visitor entry fee**. Ibudhou Marjing Khubam Heritage Site is managed and operated by the “Ibudhou Marjing Khubam Kanba Lup”. The Committee consisting of all the elected members of the Gram Panchayat organise daily, weekly and annual events throughout the year on the site. On an average the site is visited by approximately 280 people daily. The GP charges Rs.30 per entry and yearly turnover is Rs. 30.24 Lakh out of which 10% i.e. Rs. 3.02 Lakh, is its revenue. The GP also collects **Community Hall rent and Lunch charges** through “Ibudhou Marjing Khubam”. Average hiring of community hall and other housekeeping charges generates income Rs. 4000 to Rs. 5000 per event. On an average four events per week with Rs.4500 per event revenue is generated from the asset. Yearly turnover is Rs.8.64 Lakh out of which 10% i.e. Rs. 86 thousand is generated as revenue. **Drinking water supply services**, over 800 household pipeline connection actively providing the drinking water supply, operated and managed by the “Water supply & sanitation committee” Heingang Awang and Makha Reservoir chaired by the Pradhan of the GP. Approximately 800 active household are charged with Rs. 200 per month and yearly turnover is Rs. 19.20 Lakh out of which 10% i.e. Rs. 1.92 Lakh is revenue of the GP.

6.15 Bonaigarh GP, Odisha

Annual OSR	Rs. 27.40 Lakh
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State: Odisha

District: Sundargarh

Block / Tehsil / Taluk: Bonaigarh

Name of the Gram / Village Panchayat: Bonaigarh

Bonaigarh Gram Panchayat in Bonaigarh Sub-Division of Sundargarh district, occupies an area of 1047.84 hectares with a population of 10162, consisting of 5261 male and 4901 female persons. There are 2457 households in the GP. Bonaigarh GP has kept no stone unturned to ensure productive utilisation of resources while attending to basic infrastructural requirements and provision of civic amenities at par with urban Odisha.



Bonaigarh Gram Panchayat is generating Own Source Revenue (OSR) of Rs. 27.40 Lakhs annually. The main sources of revenue for the Gram Panchayat are **Market Complexes**, which are providing ways for self-sustenance of the GP. Bonaigarh Gram Panchayat innovatively strategized to build a market complex comprising of 22 shops at the Bus Stand, which functions under the aegis of the Panchayat. Similarly, the market complex built by the GP near the SBI premises comprises of 39 shops. Likewise, there are 262 shops functioning inside 20 market complexes built by the GP. With a monthly income of Rs 2,27,050/- from all these shops, the Panchayat could make itself financially viable by raising Rs 27,24,600/-. Eight shops have been provided by the GP to the Mission Shakti Women SHGs for promoting their income generating activities. The Panchayat has been successful in building four market complexes out of its OSR while Rs 4 Lakh has been utilised from CFC and SFC grants in complementing the pace of progress. **Village Haat** is enhancing economic viability. The weekly local Haat at Bonaigarh attracts around 400 farmers and 100 petty traders, who gather to pursue their livelihoods. The Panchayat has constructed

platform and roof for protecting the sellers and buyers from scorching heat and torrential downpour. In the year 2020-21 the Haat was auctioned at Rs 5 Lakh 50 thousand. In the subsequent year, the amount was raised to Rs 6 Lakh 7 thousand, which has reached this year (2022-23) to an amount of Rs 7 lakh 81 thousand. This is quite reflective of the organisational efficacy of Bonaigarh Gram Panchayat. While Rs 3 lakh has been spent in construction of the shed and during the current year Rs 6 Lakh 50 thousand has been spent towards maintenance and renovation of the weekly Haat. This effort has gone a long way in ensuring a strong and sustainable base for promotion of livelihood options. Similarly, the GP could raise Rs 8500 from 19 vendors doing business around the GP office area situated in the Block headquarters.



Water Bodies in the Panchayat are empowering the villagers. There are 19 ponds of various sizes in different parts of Bonaigarh GP. These ponds were auctioned at the amount ranging from Rs 700 up to Rs 60,251. In year 2019-20 the Panchayat could raise an amount of Rs. 56,000 which has reached this year (2022-23) at Rs 1,63,589. The Panchayat is also **raising money from water supply**. Piped drinking water supply has been ensured to 348 households by Bonaigarh Gram Panchayat under Basudha scheme with utilisation of Finance Commission Grants. During several waves of Covid- 19 pandemic, the Panchayat didn't levy any water tax. But during last FY Rs 8,35,200 has been collected by levying a rational amount of Rs 200 per household per month. Similarly, a water tanker is being kept by the Panchayat for domestic and other purposes for which, the GP charges a modest amount of Rs 700/- and in the process adds to its OSR fund. **Recreation is creating revenue** for the Panchayat. A mega park operates under the purview

of the GP, which could fetch an income of Rs 1,45,240 collected as entry fee during 2019-20. Similarly, Rs 1500 has been kept as the hiring charges per day for the newly constructed Kalyan Mandap, while a recently built meeting hall fetches Rs 1000/- per event with an additional cost of Rs 500 in case of using air conditioner. An e-Library has been constructed by the Panchayat out of DMF grant in which it has been decided to collect a user fee of Rs 10 per month from each person which will strengthen the base of OSR in the GP. Bonaigarh Gram Panchayat employs the resources raised through OSR for expanding and building market complexes, maintenance of infrastructure like roads, drains and park, payment of electricity bills, construction of crematoriums and platforms for local Haat along with construction of soak pits for rainwater harvesting thereby ensuring water conservation. For the Sustainable Development of the Gram Panchayat, OSR is playing gigantic role for the economic, social and holistic development. By increasing the OSR, the Bonaigarh GP became a beacon Panchayat and a source of inspiration for all Gram Panchayats in India in general and in the State in particular.

6.16 Mukundapurpatna GP, Odisha

Annual OSR	Rs. 34 Lakh
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State: Odisha

District: Keonjhar

Block / Tehsil / Taluk: Ghatgaon

Name of the Gram / Village Panchayat: Mukundapurpatna

Mukundapurpatna GP is one of the best Panchayats in the State of Odisha. The GP made tremendous effort in creating and maintaining own sources of revenue in recent years. The GP under Ghatgaon Block is 0.3 K.M from Block headquarter. Total population is 6695, (ST 2519 SC 677 and others 929 and households 1538). The main source of livelihood for the people in this GP is agriculture. There are 7 revenue villages with 11 wards. The people have easy access to education and health. The G.P has 10 Primary / Upper primary schools and two high schools. T.T Mahavidyalaya, Ghatgaon is an important centre of higher education for the tribal dominated people of this G.P. There are two mobile towers for better communication purposes. The G.P has been awarded the best G.P as per district level performance parameters. Mo-Dakhyata, Mo-Sahara and Scholarships to poor talented students are the own schemes of the GP that speak volumes of its overall excellence.

Sources of own funds:

Sarpanch of the GP has decided to work for the betterment of her own native community. A most famous pilgrimage centre namely 'Maa Tarini Temple' is located in the heart of the headquarter of the GP. This temple is attracting people not only from the State of Odisha, but also people from neighbouring States. Revolving around this pilgrimage centre the GP has created a number revenue sources such as decent lodging and catering service to the temple devotees and visitors. This source of own fund gives perennial income to the Panchayat and significantly contributes for a number of its development activities. It also constructed an open marriage hall, which is rented for the marriages and catering services also to the marriage function is also provided. Within the premises of the temple, the Panchayat has created an eco-amusement park and collects entry fee from all visitors. In and around the temple premises more than

hundred small shops were opened and rented to the local people. These shop fetch OSR to the GP as well as livelihood to the local community. It also created a market complex on the side of the highway as well as towards a waterfall and collects good amount of rent. It collects around 30 rupees per day per vendor, which also serves as a source of income to the GP. Another major weekly market (Mandi) is also built and rented to the different vendors on monthly payment basis, which provide income to the GP. The rate of rent is based on the size of the place or building occupied by the vendors. The rent ranges from Rs 250 to Rs 1,000.

The Gram Panchayat is offering subsidized lunch to the local community, who assemble in the weekly Haat. Both vendors and buyers get lunch and tea or coffee for Rs 5. In majority cases rural poor people coming for the market skip their lunch either due to lack of time or higher price. This welfare activity is appreciated by the people of the Panchayat. Being a tribal Panchayat majority people are living below poverty line and find it difficult to earn their livelihood. Understanding the situation of the poor people, the Panchayat has come with the helping hand to pay Rs 1,000 to the family as grant on important family occasions like childbearing, hospital admission and any other family rituals. The poorest of the poor families are aided with an amount of Rs 10,000 - 25,000/- as one time grant to meet the expenses related to the marriage. An amount of Rs 2,000/- per family is also given to the victim families of natural calamities to look after immediate requirements for their survival.

6.17 Tamil Nadu

Annual OSR	Rs. 411.55 Cr
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Financial Resource of Gram Panchayat Other than Grant:

- Tax Revenue
- Non-Tax Revenue

S. No.	Income Range	No. of Panchayats
1.	Rs.10-25 lakh	276
2.	Rs.25-50 lakh	2419
3.	Rs.50-75 lakh	3113
4.	Rs.75– 1 crore	2154
5.	Rs. 1 crore - 1.50 crore	1455
6.	Rs. 1.50 crore - 2.00 crore	934
7.	Above Rs.2 crore	2174
Total		12525

Illustrative

Tax Revenue:

- Village Panchayats are the only tax collecting authority.
- The Tax collections are appropriated into General fund of the Village Panchayat.
- This General fund is untied in nature. Village Panchayat can undertake any work such as Capital & Maintenance etc. Further, this fund can be utilised for Salary/ Establishment expenditure also.
- There are three major tax sources available such as **House Tax, Professional Tax and Advertisement Tax**
- House/ Property Tax is collected from every Household in Village Panchayats.
- House tax is being collected from the Households based on three broad categories such as Thatched house (based on flat rate), Tiled house (based on flat rate) and RCC house (based on plinth area)
- Property tax is being collected from the self-financing colleges located in rural areas.
- The Commercial and Industrial units located in rural areas are collected at the rate of commercial slab

Tentative Own Source Revenue:

S. No.	Head	Tentative Contribution (in Percentage)
1.	Developmental Charges	9
2.	Seigniorage fees	6
3.	Water Charges	17
4.	Professional Tax	19
5.	House Tax	49

Illustrative

Non-Tax Revenue:

- Water Charges
- Licensing for Building Plan and Layout Approval
- Trade Licence fee
- Mines and Mineral Fund
- Sandy Lease Amount
- Fishery Rental
- Social Forestry
- Annual Track Rent

- Other Source of revenue like as Rental on Community Hall, Tolls, Fine and Penalties, Sale of Plastic waste, Sale of Vermi Compost manure, Sale of nursery, etc.

6.18 N. Panjampatti GP, Tamil Nadu

Annual OSR	Rs. 22 Lakh
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State: Tamil Nadu

District: Dindigul

Block / Tehsil / Taluk: Dindigul

Name of the Gram / Village Panchayat: Panjampatti

Panjampatti village is situated in Dindigul Teshil, Dindigul District and in the State of Tamil Nadu, India. The village has population of 6393 as per census data of 2011, in which male population is 3154 and female population is 3239. Total geographical area of Panjampatti village is 722.76 Hectares. Population density of Panjampatti is 9 persons per Hectares. Total number of households in village is 1667 (approx.). 4516 people in Panjampatti Village are literate, among them 2436 are male and 2080 are female. Literacy rate of Panjampatti is 78.55%, for male literacy rate is 85.59% and for female literacy rate is 71.65%.

The Panchayat generates OSR of Rs. 22 Lakh. Major source of revenue for the GP is a Panchayat level federation which run Plastic Shredding Unit. The GP sells plastic to the federation on per Kg basis rate and plastic buyback policy is also initiated in the Panchayat. The shredding unit is effectively functioning as a successful business model for the Panchayat.



6.19 Thogaimalai GP, Tamil Nadu

Annual OSR	Rs. 24.00 Lakh
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State: Tamil Nadu

District: Karur

Block / Tehsil / Taluk: Thogaimalai

Name of the Gram / Village Panchayat: Thogaimalai

Gram Panchayat Thogaimalai belongs in Karur district situated in Tamil Nadu state, The GP has population 5176 (according to 2011 Census). The male and female populations are 2621 and 2555 respectively. The size of the area is about 9.24 square kilometre. The Gram Panchayat is generating Rs. 24 Lakhs as OSR annually through 20 shops which were constructed by the Panchayat and put on rent for the locals.



Illustrative Image:

6.20 Tripura

Annual OSR	Rs. 3.80 Cr (2019-20)
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Introduction:

The main objective is to enhance the generation of Own Source Revenue through Rural Local Bodies. The primary goal is to sensitize the functionaries of various level and elected representative to avoid the dependencies on Grants-in-Aid and make the Rural Local Bodies self-sufficient in all aspects.

Environment Generation:

A series of open door meetings/ group discussions were organized to increase participation from the rural citizen of Tripura. Local need based queries were faced off to boost confidence of the Panchayat

functionaries as well as the common people. Clause (k) of Section 31 of the Tripura Panchayats Act, 1993 provides that “the imposition, assessment and collection of taxes, rates or fees leviable under this Act”. Sub-section (1) of Section 59 of the Act provides that “Subject to such rules as may be made in this behalf, a Gram Panchayat may impose yearly, on lands and buildings within the local limits of its jurisdiction, a tax at such rate as may be prescribed on the annual value of such lands and buildings to be paid by the owners and occupiers thereof”. Section 60 of the Act provides that “Subject to such maximum rates as the State Government may prescribe, a Gram Panchayat may levy the following fees, rates and tolls namely-

- (i) fees on the registration of vehicles;
- (ii) a fee for providing sanitary arrangements at such places of worship or pilgrimage, fairs and melas within its jurisdiction as may be specified by the State Government by notification published in the manner prescribed;
- (iii) a water rate, where arrangement for the supply of water for drinking, irrigation or any other purpose is made by the Gram Panchayat within its jurisdiction;
- (iv) a lighting rate, where arrangement for lighting of public streets and places is made by the Gram Panchayat within its jurisdiction;
- (v) a conservancy rate, where arrangement for cleaning private latrines, urinals and cesspools is made by the Gram Panchayat within its jurisdiction.
- (vi) fees on licence for running trade, wholesale or retail, within the jurisdiction of the Gram Panchayat unless such license or such trade is prohibited under any law for the time being in force;
- (vii) tolls or persons, vehicles or animals or any class of them at any toll bar which is established by the Gram Panchayat on any road or bridge vested in or under the management of the Gram Panchayat; and
- (viii) tolls in respect of any ferry established by or under the management of the Gram Panchayat.

Rule 4 of the Tripura Panchayats (Taxes, Fees, Rates & Tolls) Rules, 2011 provides that “Subject to the provision of sub-section (1) of Section 59 of the Act, the Gram Panchayat may impose tax on the house/buildings at the rate not exceeding mentioned below;

- (i) Rs. 40/- per annum for pucca house/building
- (ii) Rs. 20/- per annum for semi pucca houses
- (iii) Rs. 10/- per annum for kutchha houses

Provided that no such tax will be collected from persons belonging to BPL category as per the latest BPL list in force.

Rule 5 of the Tripura Panchayats (Taxes, Fees, Rates & Tolls) Rules, 2011 provides that “Subject to the provision of sub-section(1) of Section 60 of the Act, the Gram Panchayat may levy-

A fee on the registration of vehicles, other than mechanically propelled, such as Richshaw, Carts, Boats etc. at the rate not exceeding Rs. 20/- each for every two years. The Gram Panchayat shall issue registration

certificate/place which shall be required to be renewed every two years on deposit of the sum not exceeding the registration fees in force. No fee on registration shall be imposed on the apparatus/ equipments used by physically handicapped person.

Awareness Campaign:

Awareness Campaign was given special emphasis to create positive vibration among the citizen residing in Rural Tripura. The Elected Representatives had played active role and conducted series of campaign in each Ward.

Due to aforesaid legal provision OSR in Tripura is being augmented. In 2019-20 it was 3.8 Crore for Panchayats in the State.

6.21 Purba Ganki GP, Tripura

Annual OSR	Rs. 9.24 Lakh
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State: Tripura

District: West Tripura

Block / Tehsil / Taluk: Kowai

Name of the Gram / Village Panchayat: Purba Ganki

Purba Ganki Gram Panchayat is a progressive GP. This GP is around 3 Km away from Khowai Block Headquarter. The GP comprises of 6 (Six) habitations and houses of 980 families with population of 3640 persons. The main source of income of common people of the GP is farming. The GP is surrounded with lush green forests. Purba Ganki Gram Panchayat is generating Rs. 9.24 Lakhs of OSR per annum. The sources of Own Source Revenue are as follows:

- Jungle Mahal**– It is a beautiful eco-park and it is a good source of OSR of the GP. This eco-park was constructed by utilizing the fund of BADP, BEUP, MGNREGA, PDF and handed over to Purba Ganki GP. Since then a good amount of revenue is being collected by the GP every year. Especially, in winter season people across the state visit this place and enjoy its beauty. Many schools, colleges choose this place for excursion visit for the students. Since its inception amount of **Rs. 8,36,991** has been earned from this eco-park as OSR of the GP.
- Mukut Community Hall**– It is also a good source of revenue collection of the GP. This hall is being used for organizing various programmes on rent basis. Since its inception Rs. 1,00,480/- (One Lakh Four Hundred Eighty) has been earned.
- Ponds /Water Bodies** – Total 11 Ponds are there under the control of Purba Ganki GP. Till date total an amount of **Rs. 9,24,627** has been earned by the GP from those Ponds. Basically, these ponds are being utilized by the fish farmers/ societies after taking on lease. The amounts so collected is being deposited to the bank account of of Purba Ganki GP.



6.22 Godhi GP, Uttar Pradesh

Annual OSR	Rs. 47 Lakh
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State: Uttar Pradesh

District: Moradabad

Block / Tehsil / Taluk: Moradabad

Name of the Gram / Village Panchayat: Godhi

Gram Panchayat Godhi is located in Moradabad tehsil of Moradabad district in Uttar Pradesh, India. It is situated at 12km from Moradabad, which is both district and sub-district headquarter of Gram Panchayat (GP). The total geographical area of village is 139.66 hectares. Godhi has total population of 4,035 peoples, out of which male population is 2,107 while female population is 1,928. Literacy rate of Godhi village is 43.64% out of which 49.55% males and 37.19% females are literate (according to 2011 Census). There are about 633 houses in Godhi GP.

There are many small factories (based on metal related works) in the Panchayat. The GP is situated at 12 Km. from Moradabad city, which is known as the 'Brass City'. The designs made on the brass products here display culture, heritage, history and diversity. The patterns and designs used for decorating these items are inspired from a variety of sources, varying from Hindu Gods and Goddesses to paintings of the Mughal era. The district has domestic units as well as large industries engaged in the manufacture of metal goods. The work of washing, shaping and polishing handicraft metal items are carried out in the domestic units. The exporters in Moradabad have now begun to work with other metals like aluminium, stainless steel, iron etc.

Source of Revenue:

Haat Bazar: The weekly market is held here on every Friday and it is amongst the most colourful market in the region. In the market a variety of items are found here, e.g. vegetables, utensils, clothing items, handicraft, etc. This is probably one of the finest rural market in Moradabad district and no doubt a lot of cattle trade also takes place in the market.



Utilization of Panchayat's own fund:

The income from the market is spent on the facilities of the villagers such as solid waste management, wastewater drainage management and other public welfare works.

Projects implemented through Panchayat's OSR:

Construction of Panchayat Bhawan - OSR was also used for Panchayat Bhawan.



Community Sanitary Complexes (CSC) promote cognitive development of healthy sanitation practices in the community. Major benefits of CSC are dignity and social status, 'privacy and safety' and 'convenience and comfort', avoidance of sexual harassment and assault, less embarrassment with visitors in homes etc.

OSR was also used for **road construction**.



6.23 Mohiuddinpur GP, Uttar Pradesh

Annual OSR	Rs. 8.40 Lakh
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State: Uttar Pradesh

District: Meerut

Block / Tehsil / Taluk: Meerut

Name of the Gram / Village Panchayat: Mohiuddinpur

Mohiuddinpur Gram Panchayat is located in Meerut Tehsil of Meerut district in Uttar Pradesh with population of 6233 (2011 census). The male and female populations are 3369 and 2864 respectively. The size of the area is about 3.99 square kilometer. Meerut is nearest town to Mohiuddinpur village for all major economic activities.

The Gram Panchayat was inspired by the father of our nation Mahatma Gandhi and his statements regarding sanitation *e.g.* “Sanitation is more important than independence” and “So long as you do not take the broom and the bucket in your hands, you cannot make your towns and cities clean”. In this regard, the Gram Panchayat took the oath during the Gram Sabha meeting to make their village garbage free as well as increase the income of the Gram Panchayat with the help of collected household garbage. The solutions have been discussed during the Gram Sabha meeting, based on the inputs given by the Gram Panchayat and the baseline survey findings and existing situation assessment on 22 April 2022.

Steps Followed:

- Identification of Waste Management Company for the project
- Public Awareness/ Literacy movement
- Identification of land and construction of segregation shade
- Arrangement of garbage truck / dustbin lorry
- Distribution of garbage bins to all the house holds in the Gram Panchayat for the separation of wet and dry waste
- Engagement of SHGs for the collection of waste (door-to-door)

Benefits:

- High thrust on awareness and behaviour change
- Basic infrastructure to aid and sustain the behaviour change envisaged
- Systematic collection and transportation of segregated solid waste with dedicated service delivery team (SHGs)
- Full ownership of community and Gram Panchayat to execute, manage, monitor, evaluate proposed SLWM system
- Complete transparency and accountability with management and reporting system and having a dedicated monitoring committee consisting mainly of local villagers
- Self-sustainability of operation and maintenance with the help of user fee collection and waste by-products etc.
- Employment Creation – 6 manpower deployed for the activity

6.24 Bhanukumari-I GP, West Bengal

Annual OSR	Rs. 11.08 Lakh
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State: West Bengal

District: Koch Bihar

Block / Tehsil / Taluk: Tufanganj II

Name of the Gram / Village Panchayat: Bhanukumari

Bhanukumari GP is located in Tufanganj II subdivision of Koch Bihar district in West Bengal. It is situated 6.9 Km away from sub-district Baksirhat and 39 Km away from district headquarter Cooch Behar. The total geographical area of village is 836.57 hectares. Bhanukumari has total population of 14,340 peoples. There are about 3,344 houses in the village as per 2011 census.

Bhanukumari Gram Panchayat generates Rs. 11.08 Lakhs as Own Source Revenue (OSR). The Gram Panchayat has taken initiatives towards mobilization and utilization of OSR as local Governments. Majority of the people are farmers, labourers and daily wage earners. Despite limitations, Bhanukumari GP has been able to gradually increase its own funds during last three financial years. This may be due to spontaneous participation of the citizens. The elected members, employees and local community of the GP have made it possible to augment OSR. Major sources of OSR are through organizing regular camps at village level for community sensitization and collection of tax and non-tax revenue. In addition to these, Gram Panchayat keeps in touch with the local business entities and ensures registration of their trade or renewal of trade as per existing norms. Gram Panchayat attempts for ensuring its prior permission before construction of building within its area.

The Gram Panchayat utilizes its OSR fund to provide support and services to the poor mothers and children, helpless students, distribute relief materials during natural disasters. OSR fund is also utilized for repairing and maintenance of public utility service. In addition to these, health awareness of the citizens and various expenses in connection with public health are also being borne out from this fund. The GP has a plan to provide bike ambulance services utilizing its own fund keeping in mind to provide service to the people of the remote areas of the locality.



Analysis of OSR

7

Analysis of OSR

7

For understanding of the status, trend and future prospect of OSR, a detailed analysis was undertaken both quantitatively based on data collected through the framework and qualitatively through interactions and best practices. The best performing States and Panchayats were analysed for identifying variables supporting the augmentation of the OSR. The analysis of OSR is very critical for making appropriate recommendations for its augmentation. In this context comprehensive analysis of the OSR has been undertaken in the succeeding sections.

7.1 Analysis of Collection of OSR

As mentioned in Chapter 5, the Committee had developed a data collection framework (Annexure IV). Accordingly, the data was collected from States and Union Territories of India. Details of OSR generated by Panchayats have been given in table 2.9. For the Panchayat to be established as institution of rural governance, they must have substantial amount of OSR. They should not be completely dependent on grants of Central and State governments. However, various studies of Panchayat finance, have found that the proportion of OSR in the total receipt of Panchayats is miniscule as compared to grants given on the recommendation of State Finance Commissions and Central Finance Commissions. But, there is a lot of scope of the augmentation of their OSR.

There are variations across States with respect to levying of tax / non-tax by Panchayats. In most States, tax on house, building and land are obligatory with some exception in few States. The major variations across states are also in collection of user charges such as water rate, lighting rate, sanitation rate, drainage rate etc. Table 2.10 provides details of common tax and non-tax that are devolved to different tiers of Panchayats. The Fifteenth Finance Commission has estimated potential house tax in rural area. A comparison has been made between the suggested potential tax and actual OSR collected in 2019-20 in table 7.1. From the comparison it is obvious that total OSR being collected in all States except Goa is for less than potential of even house tax.

Table 7.1 Comparison between potential tax and actual OSR collected in 2019-20

Sl. No.	Name of State	Potential House Tax (Rs. in Crore)	Actual OSR Collection(FY 2019-20)	
			Rs. in Cr	% age
1	Andhra Pradesh	1368	685.09	50%
2	Arunachal Pradesh*	52	NA	NA
3	Assam	1766	15.25	1%
4	Bihar	4256	0	0%
5	Chhattisgarh	1325	159.69	12%
6	Goa	72	220.54	306%
7	Gujarat	1793	881.46	49%
8	Haryana	1179	0	0%
9	Himachal Pradesh	582	0.42	0%
10	Jharkhand	1159	1.78	0%
11	Karnataka	2232	671.36	30%
12	Kerala	2300	792.05	34%
13	Madhya Pradesh	2322	0	0%
14	Maharashtra*	3067	NA	NA
15	Manipur	163	0.18	0%
16	Meghalaya*	134	NA	NA
17	Mizoram	42	0.06	0%
18	Nagaland	87	0	0%
19	Odisha	1146	42.13	4%
20	Punjab	1652	170.93	10%
21	Rajasthan	2784	49.48	2%
22	Sikkim	35	2.87	8%
23	Tamil Nadu	2114	433.49	21%
24	Telangana	950	321.02	34%
25	Tripura	155	3.8	2%
26	Uttarakhand	510	14.4	3%
27	Uttar Pradesh	6494	0	0%
28	West Bengal	2420	487.23	20%
Total		42159	4953.23	

*Three States viz. Arunachal Pradesh, Maharashtra and Meghalaya did not provide data.

It may be seen that against the potential of Rs. 42159 Crore for 28 States of house tax, total OSR from all sources was Rs. 4953 Crore for 2019-20 in 25 States. Thus at present the collection of house tax is very low.

7.2 Analysis of Composition of Tax and Non-Tax Revenue in OSR

Both tax and non-tax revenue are very important components of OSR. Therefore, there is need to analyse the composition of tax and non-tax revenue in OSR. In this context the state/UT-wise average tax and non-tax revenue collected by Panchayats during 2017-18 to 2021-22 have been given in table 7.2. Further, the five-year average percentage of tax and non-tax revenue collected by Panchayats in total OSR in States/UTs have been depicted in graph 7.1.

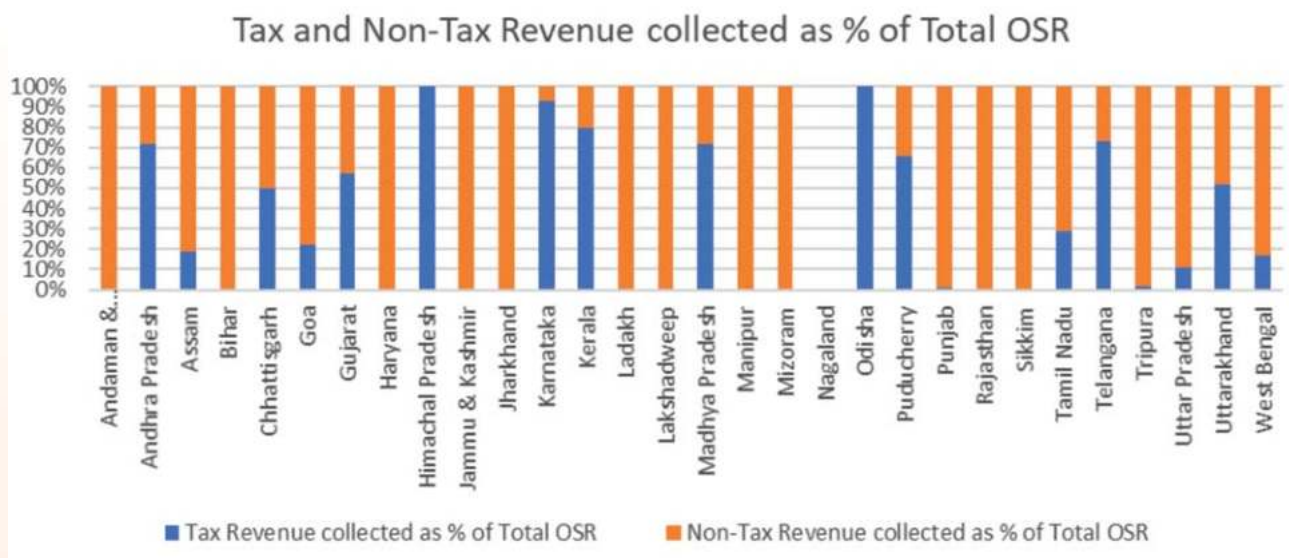
Table 7.2 State/ UT-wise Average Tax and Non-Tax OSR of Panchayats during 2017-18 to 2021-22

(Rs in Lakh)

Sl. No.	State/UT	Tax	Non-Tax	Total	Tax Revenue collected as % of Total OSR	Non-Tax Revenue collected as % of Total OSR
1	Andaman & Nicobar Islands	0.00	241.71	241.71	0%	100%
2	Andhra Pradesh	57046.68	22146.12	79192.80	72%	28%
3	Assam	428.98	1865.69	2294.67	19%	81%
4	Bihar	0.00	3789.00	3789.00	0%	100%
5	Chhattisgarh	7407.40	7494.00	14901.40	50%	50%
6	Goa	3561.35	12663.51	16224.86	22%	78%
7	Gujarat	41493.84	31107.60	72601.44	57%	43%
8	Haryana	0.00	7498.56	7498.56	0%	100%
9	Himachal Pradesh	56.88	0.00	56.88	100%	0%
10	Jammu & Kashmir	0.00	341.70	341.70	0%	100%
11	Jharkhand	0.00	557.40	557.40	0%	100%
12	Karnataka	58553.30	4202.43	62755.74	93%	7%
13	Kerala	63993.46	16301.14	80294.60	80%	20%
14	Ladakh	0.00	10.49	10.49	0%	100%
15	Lakshadweep	0.00	3.08	3.08	0%	100%
16	Madhya Pradesh	6067.50	2390.00	8457.50	72%	28%
17	Manipur	0.00	49.21	49.21	0%	100%
18	Mizoram	0.00	5.44	5.44	0%	100%
19	Nagaland	0.00	0.00	0.00	0%	0%
20	Odisha	4208.75	0.00	4208.75	100%	0%
21	Puducherry	2590.57	1349.78	3940.35	66%	34%

Sl. No.	State/UT	Tax	Non-Tax	Total	Tax Revenue collected as % of Total OSR	Non-Tax Revenue collected as % of Total OSR
22	Punjab	219.73	15616.55	15836.28	1%	99%
23	Rajasthan	0.56	5088.26	5088.82	0%	100%
24	Sikkim	0.00	124.68	124.68	0%	100%
25	Tamil Nadu	14962.34	36667.80	51630.14	29%	71%
26	Telangana	25159.40	9149.66	34309.06	73%	27%
27	Tripura	7.67	351.07	358.74	2%	98%
28	Uttar Pradesh	1992.72	15458.82	17451.54	11%	89%
29	Uttarakhand	768.96	699.99	1468.95	52%	48%
30	West Bengal	7585.60	35931.00	43516.60	17%	83%
	Total	296105.70	231104.69	527210.39	56 %	44 %

Graph 7.1: State/ UT-wise Average Percentage of Tax and Non-Tax Revenue in Total OSR collected by Panchayats during 2017-18 to 2021-22



Note: Average value does not include years for which no collection is reported by some states.

The analysis of data of OSR reveals that both tax and non-tax revenues are collected in several States. In Himachal Pradesh and Odisha tax revenue accounts for 100% of the total revenue implying that they do not collect non-tax revenue. Tax revenue is the dominant source in some States such as Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh, Puducherry and Telangana. Both components contribute equally to revenues of local bodies in Chhattisgarh. Gujarat also has almost balanced emphasis on collection of tax and non-tax revenues. However, only non-tax revenue is collected in Andaman and Nicobar Island, Bihar, Haryana, Jammu and Kashmir, Jharkhand, Ladakh, Lakshadweep, Manipur, Mizoram, Rajasthan and Sikkim. Further, higher proportion of OSR comes from non-tax component in States like Assam, Tripura, Uttar

Pradesh and West Bengal. Local bodies in those States, which collect only tax or only non-tax revenue or predominantly depend on only one source may explore collection from the other source.

7.3 Comparative analysis of Per Capita OSR Collection

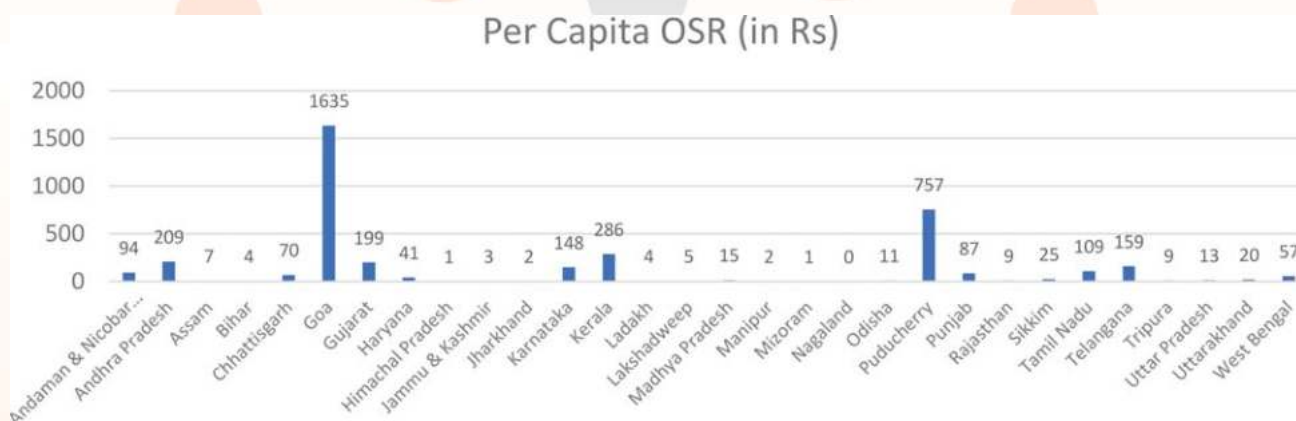
Though total amount of OSR collected in States/UTs given in table 2.9 provide status of OSR, given diversity of size of States/UTs a much better perspective comes out with per capita collection of OSR. Therefore, a comparative analysis of the status of OSR collection across States has been undertaken in terms of per capita OSR collection. Table 7.3 and graph 7.2 provides average per capita OSR collection by Panchayats in different states during 2017-18 to 2021-22.

Table 7.3: State/UT-wise Average Per Capita OSR by Panchayats (2017-18 to 2021-22)

Sl. No.	State/UT	Average OSR (Rs in Lakh)	Average Population	Per Capita OSR (in Rs)
1	Andaman & Nicobar Islands	242	257270	94
2	Andhra Pradesh	79193	37870409	209
3	Assam	2295	31224416	7
4	Bihar	3789	99347675	4
5	Chhattisgarh	14901	21213310	70
6	Goa	16225	992170	1635
7	Gujarat	82975	41723435	199
8	Haryana	7499	18281907	41
9	Himachal Pradesh	57	7265349	1
10	Jammu & Kashmir	342	10710174	3
11	Jharkhand	557	29841263	2
12	Karnataka	62756	42477078	148
13	Kerala	80295	28058470	286
14	Ladakh	10	244906	4
15	Lakshadweep	3	58706	5
16	Madhya Pradesh	8458	57656562	15
17	Manipur	49	2418717	2
18	Mizoram	5	620495	1
19	Nagaland	0	0	0
20	Odisha	4209	37177485	11
21	Puducherry	3940	520405	757
22	Punjab	15836	18167287	87

Sl. No.	State/UT	Average OSR (Rs in Lakh)	Average Population	Per Capita OSR (in Rs)
23	Rajasthan	5089	56222862	9
24	Sikkim	125	505026	25
25	Tamil Nadu	51630	47237378	109
26	Telangana	34309	21542108	159
27	Tripura	359	3779734	9
28	Uttar Pradesh	21814	168974377	13
29	Uttarakhand	1469	7217368	20
30	West Bengal	43517	76025444	57
	Total	511898	869509845	59

Graph 7.2: Average Per Capita Total OSR Collection by Panchayats in Different States/UTs (2017-18 to 2021-22)



Note:

1. Average value does not include years for which no collection is reported by some states.
2. Population from 2017-18 to 2021-22 has been taken from the website of JJM DDWS Ministry of Jal Shakti where data has been uploaded by the respective states after calculating the population based on census 2011 and the decadal growth rate.
3. Data have not been supplied by a few states/UTs. The graph shows only those states which have reported a positive number.

From the analysis of data given in table 7.3 and graph 7.2 it is obvious that there are considerable variations in per capita OSR collection among States. Goa and Puducherry have collected the highest per capita OSR at Rs. 1635 and 757 respectively on annual average basis. It is followed by Kerala, Andhra Pradesh, Gujarat, Telangana, Karnataka, Tamil Nadu, Andaman & Nicobar Islands, Chhattisgarh and West Bengal,

which have collected per capita OSR ranging between Rs. 286 and Rs. 57. Per capita OSR turns out to be Rs. in single digit for most of the other States. Therefore, there is need to give boost to OSR collection in those States particularly, in which per capita OSR collection by Panchayats is in single and even double digits.

7.4 Comparative Analysis of OSR Collected by Three Tiers of Panchayat

State-wise OSR details by three tiers of Panchayats is given in Chapter 5.4 of this report. State wise average total tax and non-tax revenue collection by Panchayats have been given in table 5.3 and 5.5 respectively. Further, State wise average percentage of total tax and non-tax revenue collected by GP, IP and DP during 2017-18 to 2021-22 have been given in table 5.6 and 5.7 respectively. Moreover, table 7.4 provides and graph 7.3 illustrates the share of OSR generated by all three tiers of Panchayats.

Table 7.4: OSR by all three tiers of Panchayats (2017-18 to 2021-22)

Panchayat	OSR (Rs. In Lakh)	%age
Gram Panchayats (GP)	1999461.25	78.12%
Intermediate Panchayats (IP)	271958.18	10.63%
District Panchayats (DP)	288070.22	11.25%
Total	2559489.65	100.00%

Graph 7.3: Percentage share of OSR generated by Three Tiers of Panchayat.



Note: Data received from 30 States/UTs.

It is obvious from the analysis that Intermediate Panchayat is lagging behind in generating Own Source Revenue in comparison to Gram Panchayat and even District Panchayat. It has been observed that most of the powers of collecting taxes has been given to Gram Panchayats and non-tax revenue to Gram Panchayats and District Panchayats. Powers given to Intermediate Panchayats for collection of revenue should be reviewed and augmented.

7.5 Comparative Analysis of OSR and Grants

Panchayats receive grants from Central Government and State Government on the basis of the recommendations of Central Finance Commission (CFC) and State Finance Commission (SFC) respectively. Further, they have powers to generate their own funds through OSR. State wise financial resources of Panchayats have been given in table 2.2 of this report. Table 7.5 and graph 7.4 provides comparative analysis of CFC and SFC grants and OSR.

Table 7.5: OSR and CFC and SFC Grants during 2017-18 to 2021-22

(Rs. in Crore)

FY	OSR	CFC	SFC	Total
2017-18	5,379	33,087	25,339	63,805
2018-19	5,459	36,049	27,554	69,062
2019-20	5,100	48,181	28,719	82,000
2020-21	4,844	54,510	28,550	87,905
2021-22	4,812	40,289	32,215	77,316

Graph 7.4: OSR and CFC and SFC Grants for last five financial years

(Rs. in Crore)



Note: Data received from 30 States/UTs.

It is obvious from graph 7.4 and table 7.5 that proportion of OSR as compared to CFC and SFC grants have been very low in all year during 2017-18 to 2021-22. Further, state/UT- wise comparison between average OSR and CFC grant during 2017-18 to 2021-22 have been made in the table 7.6 and graph 7.5.

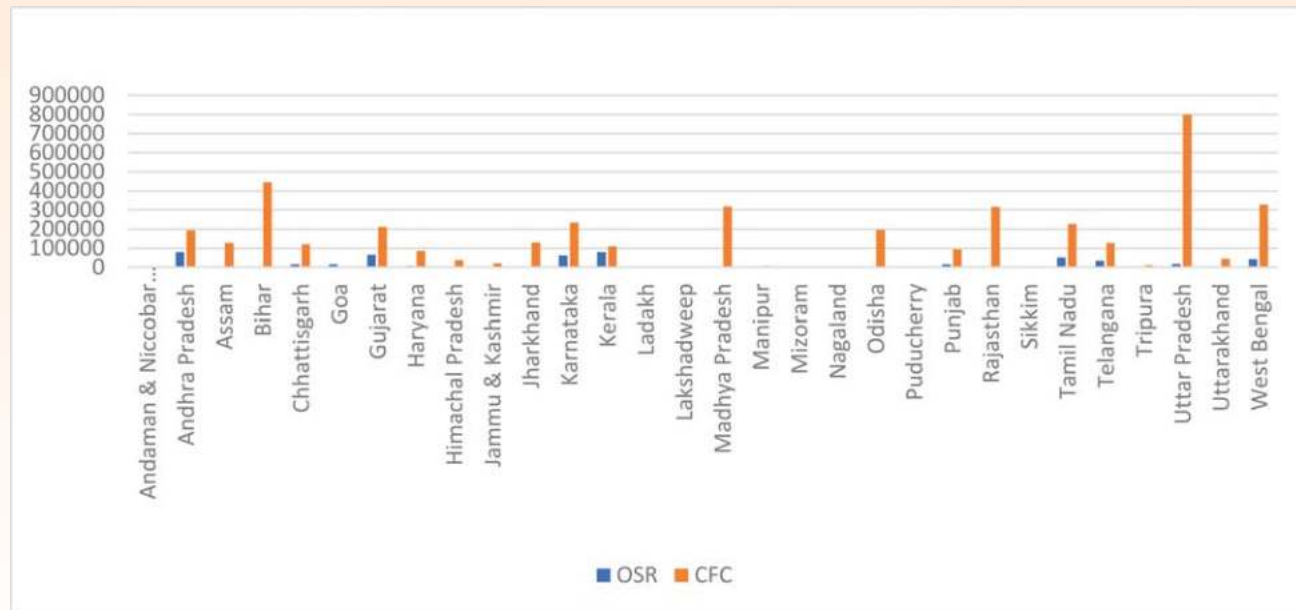
Table 7.6: State/UT-wise Comparison of Average OSR and CFC Grant during 2017-18 to 2021-22

(Rs in Lakh)

Sl. No.	State	OSR	CFC Grant
1	Andaman & Nicobar Islands	242	0
2	Andhra Pradesh	79193	194310
3	Assam	2295	127811
4	Bihar	758	444636
5	Chhattisgarh	14901	120299
6	Goa	16225	3828
7	Gujarat	66380	211763
8	Haryana	7499	86260
9	Himachal Pradesh	57	38177
10	Jammu & Kashmir	342	20316
11	Jharkhand	557	128972
12	Karnataka	62756	234449
13	Kerala	80295	109841
14	Ladakh	10	0
15	Lakshadweep	3	0
16	Madhya Pradesh	3383	318703
17	Manipur	49	7589
18	Mizoram	5	2550
19	Nagaland	0	3788
20	Odisha	3367	196202
21	Puducherry	3940	0
22	Punjab	15836	94698
23	Rajasthan	5089	315574
24	Sikkim	125	3434
25	Tamil Nadu	51630	227282
26	Telangana	34309	127463
27	Tripura	215	11103
28	Uttar Pradesh	17452	798957
29	Uttarakhand	1469	44479
30	West Bengal	43517	328843
Total		511898	4201327

Graph 7.5: State/UT-wise Comparison of Average OSR and CFC Grant during 2017-18 to 2021-22

(Rs. in Lakh)



Sources: Compiled by MoPR, based on the information provided by State Governments and data received from 30 States/UTs

From Table 7.6 and graph 7.5 it is obvious that OSR is less than CFC in almost all the states except for Goa, where OSR is greater than CFC. The extent of difference is not large in Kerala, Andhra Pradesh, Karnataka and Gujarat, which have significant OSR collection as compared to CFC grants. Whereas OSR is significantly lower than CFC grants to Panchayats in Bihar, Himachal Pradesh, Jharkhand, Madhya Pradesh, Manipur, Uttar Pradesh, Tripura etc. A comparison between OSR and SFC grant for last 5 Years has been made in the table 7.7 and graph 7.6.

Table 7.7: State/UT-wise Comparison of Average OSR and SFC Grant during 2017-18 to 2021-22

(Rs. in Lakh)

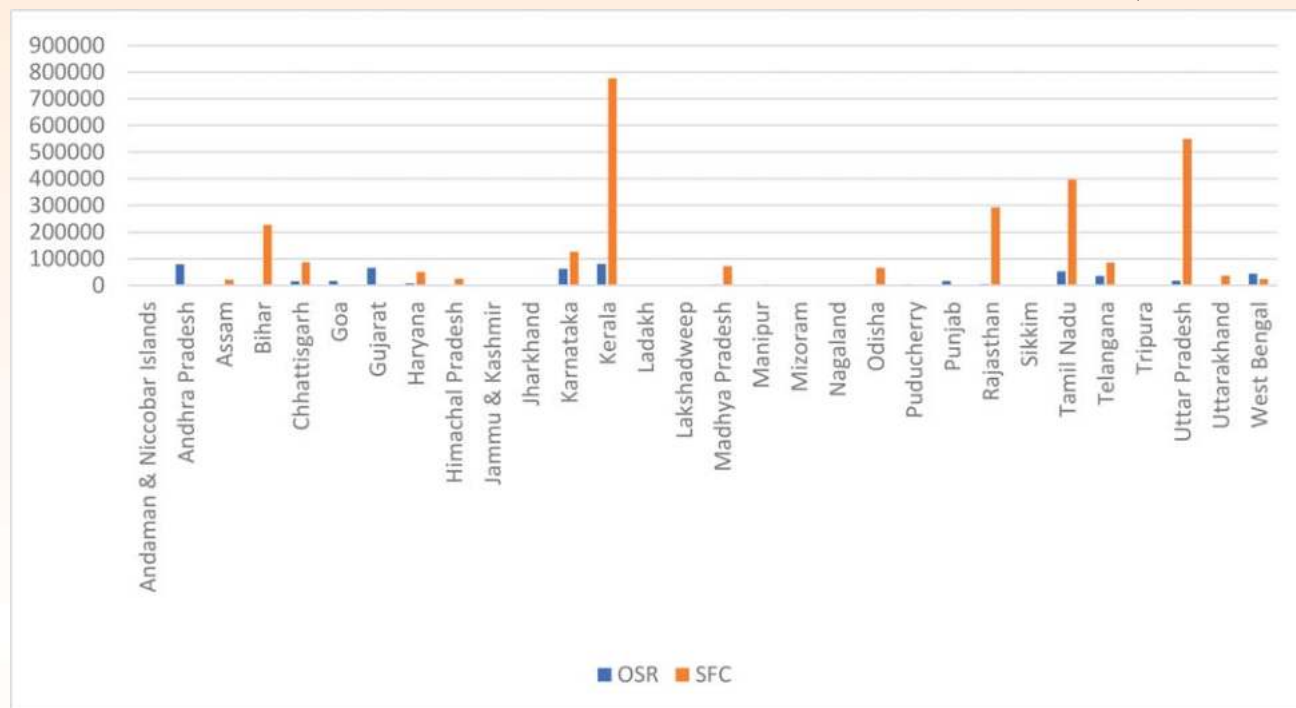
Sl. No.	State	OSR	SFC
1	Andaman & Nicobar Islands	242	0
2	Andhra Pradesh	79193	85
3	Assam	2295	21568
4	Bihar	758	227018
5	Chhattisgarh	14901	86619
6	Goa	16225	0
7	Gujarat	66380	0
8	Haryana	7499	49615

Sl. No.	State	OSR	SFC
9	Himachal Pradesh	57	25334
10	Jammu & Kashmir	342	0
11	Jharkhand	557	0
12	Karnataka	62756	125217
13	Kerala	80295	777989
14	Ladakh	10	0
15	Lakshadweep	3	0
16	Madhya Pradesh	3383	72535
17	Manipur	49	3854
18	Mizoram	5	905
19	Nagaland	0	0
20	Odisha	3367	66230
21	Puducherry	3940	0
22	Punjab	15836	0
23	Rajasthan	5089	292878
24	Sikkim	125	2257
25	Tamil Nadu	51630	396396
26	Telangana	34309	86091
27	Tripura	215	2654
28	Uttar Pradesh	17452	550133
29	Uttarakhand	1469	36090
30	West Bengal	43517	24058
Total		511898	2847527

It is obvious from table 7.7 and graph 7.6 that SFC grants are high in Kerala, Uttar Pradesh, Tamil Nadu and Bihar as compared to respective OSR of Panchayats whereas OSR is higher in Andhra Pradesh, Gujarat and West Bengal as compared to respective SFC grants in these States. There is need to keep balance among CFC, SFC and OSR.

Graph 7.6: State/UT-wise Comparison of Average OSR and SFC Grant during 2017-18 to 2021-22

(Rs. in Lakh)



Note: Based on the data received by the ministry from 30 States and UTs.

7.6 Factors Affecting Augmentation of OSR

The operationalization of the financial power of Panchayats depends on the enabling framework *i.e.* fixing tax base, tax rates, provision for tax rates revision, tax administration and tax enforcement, provided by the States through their respective Financial Rules. The devolution of taxation powers varies from State to State. The majority of State Finance Commissions recommend providing autonomy to local bodies in fixing tax rates and user charges. It is important to assess the supportive and hindering factors, which affect the augmentation of the OSR of Panchayats.

7.6.1 Supportive Factors

The major factors supporting the augmentation of OSR by Panchayats are as follows:

- **Proper empowerment to Panchayat for collecting OSR:** There are States/UTs such as Goa, Puducherry, Kerala, Andhra Pradesh and Gujarat, under which Panchayats are performing well in the collection of OSR. These States have empowered Panchayats for collecting OSR. Best practices from these States/UTs may be shared with other States and UTs for learning and replicating with or without modification.
- **Incentivization of OSR collection:** Example of Andaman and Nicobar Islands can be considered where UT Administration is providing matching grant against the OSR collected.

- **Awareness on OSR:** Effective augmentation of the OSR at the grassroots is strongly aligned to awareness of rural citizens. Gram Panchayats, in which are elected representatives understand the role of OSR in governance and development, are expected to have greater augmentation of OSR.
- **Capacity Building and training:** The augmentation of OSR entails various steps, and Panchayat functionaries need to be adequately skilled for this purpose. Panchayat functionaries must be adequately trained to understand and use by-laws for assessment, demand fixation, collection especially arrears, record keeping, use of POS etc.
- **Adequate regulations and accountability mechanisms:** Regulations pertaining to the generation and augmentation of OSR enable Panchayat functionaries to enforce the necessary rules/guidelines and their compliance for the collection of OSR. There have been instances of limited directions at the Panchayat level towards collection and utilization of OSR, which does not promote adequate utilisation of OSR potential. Therefore, adequate regulation and accountability mechanism should be developed.
- **Visible Display of Benefits:** The potential benefits derived from utilization of OSR collection should be discussed openly in Gram Sabhas so that villagers develop a sense of participation and ownership. When potential community benefits are displayed, it will help to overcome their hesitancy to pay taxes and non-taxes.

7.6.2 Challenging Factors

Although, there are several enabling variables to improve own sources of revenue, the Expert Committee has identified challenging factors, which have impeded the development of a vibrant OSR ecosystem for Panchayats. Some of those factors are described briefly below.

- **Lack of willingness to impose taxes and fees:** It has been observed that Panchayats hesitate in imposing taxes and fees on the residents of the Panchayat. It is thought that imposing taxes and fees may affect the popularity of the elected representatives. It is necessary to provide thorough training and spreading awareness about the benefits of OSR. Best practices of Panchayats in this field may be disseminated widely. Also, study tours to successful Panchayats may be organised for the elected representatives for their encouragement and inspiration. Incentivization is another way to motivate them for the augmentation of OSR.
- **Non-cooperation of villagers:** Due to lack of awareness about the benefits of OSR the villagers are not keen on paying taxes and fees to Panchayats. Social campaigns such as experience sharing sessions by representatives from best performing Panchayats may be introduced in the Gram Sabhas, Nukkad Nataks reflecting the benefits of OSR etc. may be organised.
- **Over caring by the Government:** The dependency of Panchayats on State's and Center's funds is very high. Regular funds from Center or State or both are catering the basic needs of Panchayats and it has become a precedent that they look for grants for any developmental activity. It is a necessity to make OSR an integral part of finance of Panchayat for the welfare of their citizen and further making infrastructure for the augmentation of OSR.

- **Non penalization:** Panchayats are not so strict on penalizing the defaulters and levying penalty on the residents who do not comply with the rules and regulations set by Panchayats or Government. This makes people to be relaxed and non-serious on paying dues to Panchayats. After making people aware about the benefits of OSR, resolution may be passed in the Gram Sabha to penalize the defaulters which will bring discipline in collection of OSR.
- **Non uniformity in tax imposition activity:** Lack of set of rules to impose or relaxed taxes and fees on residents create confusion and doubt for the payers and become reasons for the resistance against payment. It is important to have a transparent and impartial set of rules to impose and collect taxes and fees to generate confidence in the villagers on the system.
- **Lack of infrastructure and funds at disposal:** Although, the Panchayati Raj System has evolved over the years, there is a large scope of development at the grassroots level. Several States have indicated that large number of GPs lack adequate infrastructure and funds to develop its OSR system. In some cases, the poor quality of infrastructure, facilities, civic amenities, or services have been limiting factors for development of own sources of revenue at the Gram Panchayat level.
- **Absence of Support and Cooperation from Higher Authorities:** In order to develop OSR system, support and cooperation of officials from the State Panchayati Raj Department as well as other Government agencies need to be provided to Panchayats. Block Development Officers (BDOs) and District Level Officers may be advised to provide due support to Panchayats for the collection of OSR.
- **Non-Compliance of Tax Payment by Rural Citizens:** The lack of awareness and weak regulations have also led to reluctance among the villagers to pay taxes, which in turn has led to low OSR generation.
- **Less utilization of existing Taxation Powers:** Apart from non-compliance and reluctance on part of the villagers, there have been instances where Panchayats have not exercised their powers of levying taxes.
- **Other factors** may include the following:
 - Weak accountability mechanisms at the grassroots level.
 - Reliance on only taxes and lease money from land as OSR
 - No new initiatives like rural tourism, organic farming, Carbon credit etc being explored by most of Panchayats
 - Decreasing land pool of Panchayats leading to low lease money from land
 - Low enforcement capacity of Village Panchayat in implementation of its decisions
 - Lack of proper evaluation mechanisms for property assessment within the P&RD eco-system.

7.7 Summary of Analysis

It may be concluded that OSR is important for strengthening the local government and its decision making. Financial independence can make them self-sufficient in bringing the development in their area. Based on the data received from 30 States/UTs it can be inferred that there is need for focused attention for augmenting OSR as despite the potential, the collection of OSR is minimal in most of the States.

It is obvious from table 7.2 that some States such as Andhra Pradesh, Gujarat, Goa, Karnataka, Kerala, Tamil Nadu, Telangana, and West Bengal are comparatively better in collection of OSR by Panchayats. OSR generation by States and UTs are merely average of 7% of the total revenue (including CFC and SFC) for Panchayats for the period 2017-18 to 2021-22. It has been observed that per capita OSR at national level is Rs. 59 annually which needs to be enhanced significantly although the State of Goa is doing better at Rs. 1635 followed by Puducherry at Rs 756, but these are exceptions. Most of the States are below the national average in the collection of OSR and as many as 11 States/UTs are in single digit in per capita OSR. It has also been observed in table 7.2 that 56% of the OSR revenue is collected through taxes and 44% are through non-tax sources. It may also be concluded that most of the revenues are collected at Gram Panchayat level. There are States where Panchayats are empowered to collect taxes but they are not exercising the given powers. From the inter tier comparison in table 7.4 and graph 7.3, it may be concluded that maximum OSR is generated by Gram Panchayat (78.12%). Whereas, Intermediate and District Panchayats are way behind. Hence the improvement is required at these levels of Panchayats. Comprehensive training and guidance are required for the elected representatives and Panchayat officers on the augmentation of OSR.

There is huge scope of augmentation of OSR through non-tax sources like licence fee, rent, permit fee, registration fee, other fees, penalties and fines, user charges, income from investment, interest income, sales and hire charges, market receipts etc. Many States have made provisions for the generating revenue through the above mentioned sources. This may increase with the enhanced awareness in Panchayats and society. Though Covid 19 Pandemic has affected many States in generating OSR, it is clear from the data received that now Panchayats have started collecting OSR. The analysis has been used in making recommendations for all three tiers of Panchayat viz. Gram, Intermediate and District Panchayats along with recommendations for State Government and Ministry of Panchayati Raj, Government of India in succeeding chapter.

**Recommendations
for Augmentation of
OSR**

8

Recommendations for Augmentation of OSR

8

According to an estimate by the Fifteenth Finance Commission the potential of the house tax collection for rural areas at 2019 prices is Rs. 42,160 Crore (FC, 2021). Further, a study commissioned by World Bank reviewed various legislations of the States and identified 78 types of taxes, surcharges, cess, user charges and fee devolved to Panchayats at different levels (Rao and Mahendiram, 2014). However, as mentioned in Chapter 5 of this report Own Source Revenue (OSR) of Panchayats across the three tiers is by and large miniscule. Thus, there is huge scope of augmenting the OSR as the collection is far below potential. Most of Panchayats are financially dependent on grants from Central and State Governments and they need additional resources to cater to their mandate and fulfill the aspirations of rural people from them. Moreover, Panchayats, to develop themselves as institutions of self-governance, need to be financially strong. Therefore, augmenting OSR substantially is critically important for all three tiers of Panchayats. In this context recommendations have been made by the Committee for the augmentation of OSR in logical framework from strategy to action points in this chapter. Accordingly, the recommendations for Central Government, State Government and all three tiers of Panchayats along with road map for the implementation have been outlined in systematic manner. Further, in due appreciation of special conditions, recommendations have also been made specific to Panchayats in PESA areas and Panchayats like Institutions in non-part IX area separately.

8.1 Specific Strategies for Augmentation of OSR

Appropriate strategies are very important so that their implementation would lead to optimal activities / actions / plans for achieving the augmentation of OSR. Given the gap between the potential and actual collection of the OSR and their critical importance for development of rural areas, there is need to strategise their augmentation. The specific strategies may be as follows:

(i) Bringing OSR from margins to centre of Panchayat Finances –

OSR has huge potential and this is yet to be tapped substantially. At present the proportion of OSR in Panchayat finance is very low. In most of States it is less than even 5% whereas it can go up to 40% of total Panchayat receipt. The substantial augmentation of OSR will bring it from margins to centre of Panchayat finance both in terms of amount and coverage, with respect to taxation and services.

(ii) Developing comprehensive system of OSR –

There is need to develop comprehensive OSR system encompassing different components, sectors and items and catering to the needs for all group of stakeholders appropriately so that its potentiality may be tapped for the development of rural India. There is need to develop well demarcated OSR system for all three tiers of Panchayats and revenue distribution system among them.

(iii) Creating stake of all three tiers of Panchayats and State Governments in collection of house/property and other taxes –

In many States house/property tax remains with Gram Panchayat. Sharing of the taxes including house/property tax with Intermediate Panchayat, District Panchayat and State Government would help them in getting their cooperation for maximizing the collection of the OSR without comprising present status of tax amount of GP and ensuring smooth system of distribution.

(iv) Non-conventional and innovative sources – Resource envelope of Panchayat may have revenue from non-conventional and innovative sources (NCIS) *e.g.* Carbon Credit. Further, innovative ways

Box No.8.1: Specific Strategies for Augmentation of OSR

1. Bringing OSR from margin to the centre of Panchayat Finance
2. Developing comprehensive system of OSR
3. Creating stake of all three tiers of Panchayats and State Governments in collection of house/property and other taxes
4. Non-conventional and innovative tax sources
5. Revenue linked to quality of public services
6. Incentivising performance in the augmentation of OSR
7. Use of state of art technology for smooth and transparent collection and utilization of OSR
8. Comprehensive Capacity Development of Panchayats and orienting State Government on OSR
9. Creating flawless legal system for OSR
10. Providing administrative and regulatory support to Panchayats for collection of OSR
11. Private Public Panchayats partnership (PPPP)
12. Assessment and analysis for existing and new sources of OSR
13. Tier-wise distribution of mobilization responsibilities of OSR
14. Taking locational advantage for optimizing OSR
15. Transparency and accountability in augmentation and utilisation of OSR

such as organizing camps, discount for early payment, giving commission to collectors for OSR, may help in enhanced collection of OSR. NCIS needs to be further strengthened, broad based and brought under the purview of OSR. This requires effective capacity building efforts to understand the various potential non-conventional new sources, which might vary from place to place and State to State.

- (v) **Revenue linked to quality of public services** – It is not only the collection of tax and non-tax revenue, but also these have to be linked with improvement in quality of public services. This will lead to better compliance by people with prompt payments and active support for augmenting the OSR.
- (vi) **Incentivising performance in the augmentation of OSR** – Incentivisation of performance would inculcate competitive spirit and passion for excellence and thereby make Panchayat learn fast, innovate and strive for augmenting OSR.
- (vii) **Use of State of art technology for smooth and transparent collection and utilization of OSR** - Adoption of fully e-banking enabled online system of collection of tax and non- tax revenues and expenditure by Panchayats would bring transparency in collection, expenditure and accounting system and minimize delay in collecting OSR and undertaking activities. The use of the state-of-the-art technology is urgently needed for augmenting OSR and people's trust on Panchayats.
- (viii) **Comprehensive Capacity Development of Panchayats and orienting State Government on OSR** – By and large most of Panchayats and State Govt. need orientation for OSR. Moreover, there should be comprehensive capacity development of Panchayats for collection and utilisation of OSR. This would inculcate required infrastructure, knowledge, skill, technique and experience for the collection of OSR.
- (ix) **Creating flawless legal system for OSR** – Presently in few States even GPs are not authorized for collecting tax. In most of States IP and DP are not empowered to collect taxes. Further, in most of States Panchayats need to be duly authorized to collect taxes with clear demarcation of authority to impose taxes.
- (x) **Providing administrative and regulatory support to Panchayats for collection of OSR** – Administrative and regulatory support would improve the collection of OSR and encourage the citizens to pay taxes and non-taxes in time.
- (xi) **Private Public Panchayats partnership (PPPP)** – Private sector partnership and flagship schemes of Government can be used for augmenting OSR. Private sector participation needs to be encouraged to ensure efficient service delivery with higher quality at lower cost. This has to be carefully worked out so that Panchayats and the people benefit the most. For this partnership, support system has to be developed and capacity to be built. PPPP mode needs to be encouraged for creating additional source and maximizing the augmentation of OSR.
- (xii) **Assessment and analysis for existing and new sources of OSR** – The augmentation of OSR should be dynamic and based on assessment and analysis of existing system at regular interval. New sources may be identified and rate and coverage of existing OSR may be modified accordingly.

- (xiii) **Tier-wise distribution of mobilization and responsibilities of OSR** – There are three tiers of Panchayats and it is important to have tier-wise need and efficiency based distribution of mobilization and responsibilities of OSR. The OSR thus generated could be shared among the various tiers based on well justified formula.
- (xiv) **Taking locational advantage for optimizing OSR** – Panchayats may use local potential *e.g.* proximity to urban area, National and state Highways, minor forest produce, pisciculture etc. for the augmentation of OSR. Panchayats can cess important roads passing through and if they have railway stations in their area, they may provide services to travellers and collect OSR from them and shop owner. There is rapid growth of peripheral areas of cities and towns. This has led to the need for providing various services, which were not usually the normal activities of the Gram Panchayat. Further, Panchayats near to National and State highways are placed in advantageous position for supporting commercial and industrial activities. Such Panchayats should take full advantage of their location and plan and implement for maximizing their OSR.
- (xv) **Transparency and accountability in augmentation and utilisation of OSR** – There is need to maintain high standards of transparency and accountability in collection and utilisation of OSR so that rural people come forward willingly to pay the OSR to Panchayats.

8.2 Overall Recommendations

Following are overall recommendations in consonance with the strategies outlined in Chapter 8.1:

- i) **Orienting States and Panchayats** – In spite of huge potential to contribute for the development of rural areas, OSR has not got desired importance in most of States. Therefore, orienting States and Panchayats regarding OSR may be the first step towards its augmentation. In the orientation, the need of augmented OSR, feasibility of augmentation, best practices, processes etc. should be incorporated.
- ii) **Legal empowerment of Panchayats for collecting OSR** - Few States have not empowered Panchayats legally for collecting taxes and even non-taxes revenue. Further, many States have not authorized collection of tax by Intermediate and District Panchayats. Furthermore, many States have not updated their Acts, Rules and Guidelines for the collection of OSR by Panchayats. In many States the process for utilization of OSR is cumbersome. Besides, in many States, even when Panchayats are allowed to collect OSR, they require permission and approval for using it. These hindrances disincentivise the augmentation of OSR. Therefore, there is a need to analyse the existing legal system critically and establish comprehensive proper legal system for collection and utilization of the OSR by Panchayats. The legal system shall include appropriate and clear enactment, rules, regulations and guidelines authorising different tier of Panchayats to collect well demarcated tax and non-tax revenues and donations.
- iii) **Appropriate mechanism for sharing of OSR** – Most of States do not have the system of sharing of OSR among Panchayats. For example, Gram Panchayats collect house/property tax and use it for themselves. There is need for justifiable distribution of the OSR from the resources with overlapping jurisdiction. The distribution system includes distribution tax and non-tax revenue

from different type of property, revenues from common property resources etc. The recommended distribution system has been detailed in Chapter 8.5.

iv) e-banking enabled online collection and utilization of OSR

Though the Ministry of Panchayati Raj, Government of India has been emphasizing the need for adoption of Public Finance Management System (PFMS) and audit online for utilization of the grants being provided on the basis of recommendation of Central Finance Commission, there is need to get them implemented in comprehensive manner covering all receipts and expenditure of Panchayats. This would facilitate quick collection, appropriate distribution and transparent utilization with full accountability.

v) Strengthening of State Finance Commission

State Finance Commission can play a major role in augmenting OSR of Panchayats. However, most of SFCs face constraints in their functioning. The present status of State Finance Commissions has been analysed in Chapter 4 of this report. The State Finance Commission (SFC) is required to review the financial position of Panchayats and make recommendations regarding the principle that should govern distribution between the State and Panchayats of the net proceeds of

Box No.8.2: Overall Recommendations

1. Orienting States and Panchayats
2. Legal empowerment of Panchayats for collecting OSR
3. Appropriate mechanism for sharing of OSR
4. e-banking enabled online collection and utilization of OSR
5. Strengthening of State Finance Commission
6. Tax Autonomy for Panchayats
7. Functions and Revenue – gap study
8. Establishing OSR system based on clear norms and formula
9. Incentivising State Government and Panchayat for collection of OSR
10. Identifying existing and new OSRs and rationalizing their rates
11. Imposition and Distribution of Advertisement Tax
12. Rationalisation and sharing of Professional Tax with Panchayats
13. Income from cess or royalty from minor minerals
14. Enabling Non-tax measures regarding Common Property Resources (CPRs)
15. Use of SVAMITVA in assessing house/property tax
16. Activating Finance Standing Committee of Panchayats
17. IEC initiative on OSR
18. Penalty on non-payment of OSR
19. OSR in peri-urban areas
20. Higher OSR for Property near to National and State Highways.
21. Public Information Board to depict the collection and utilization of OSR
22. Capacity Development Framework for OSR distribution of the OSR from the resources with overlapping jurisdiction. The distribution system includes distribution of taxes and non-tax revenue from different type of property, revenues from common property resources etc. The recommended distribution system has been detailed in Chapter 8.5.

tax, duties and fees by the State. Therefore, there is need to strengthen State Finance Commissions. In this context Govt. of India may issue advisory and support to the States to draft the terms of references as well as bringing together all SFCs at one platform so that there is cross learning leading to smooth functioning of SFCs.

- vi) Tax Autonomy for Panchayats** - The principle to devolve taxation powers to Panchayats should envisage the taxes over which the local governments should have full control in terms of determination of tax rate, assessment, collection and appropriation of the proceeds. It should depend on the suitability to meet the civic obligations as the local governments provide many essential services. Their tax resources should be such that they ensure the smooth discharge of assigned functions. Each State may ensure augmentation of OSR through both tax and non-tax by all three tiers of Panchayats (including Intermediate Panchayat) as outlined in Chapter 8.5 of this report. Further, those States where per capita OSR collection given in table 7.3 is low (in single or double digit) may launch special drive to augment OSR.
- vii) Functions and Revenue – gap study** - There is need to undertake comparative analysis between the requirements based on various functions and responsibilities transferred to Panchayats and the revenue being collected by them presently. This is not only to find out the functions – revenue gaps but also to legitimise the need for expansion of the base of OSR.
- viii) Establishing OSR system based on clear norms and formula** - In many States the demand generation of OSR is not well demarcated among three tiers of Panchayats. Many times there is no updated criterion and well established formula for assessing tax. The system is not well organised and remains adhoc and unattended. Therefore, in the larger interest of people in rural areas each State Government may develop a system for OSR, based on norms and formula, which may need to be monitored, reviewed and revised every three years.
- ix) Incentivising State Government and Panchayat for collection of OSR** - Ministry of Panchayati Raj may consider to incentivize State Government and all three tiers of Panchayats by publicly awarding them on their outstanding performance in augmenting OSR. State Government may also come up with the schemes for performance linked incentivisation for encouraging excellence and innovation in the augmentation of OSR by Panchayats.
- x) Identifying existing and new OSRs and rationalizing their rates** - A review of legislation showed that as many as 78 types of taxes/surcharges/fees are devolved to three tiers of Panchayats, but not all of them are being tapped for the collection of OSR. Therefore, it is important that all States should review existing sources of OSR of Panchayat and activate their collection in accordance with targets. Further, there is need to expand the base and rationalize the rates for better compliance.
- xi) Imposition and distribution of Advertisement Tax** – The Fourteenth Finance Commission also has observed that Panchayats have been reporting low income from advertisement in cases where it was being collected by the District Administration for passing on to Panchayats. Even in cases where Panchayats were empowered to collect the advertisement tax, most of them are not doing so (FC, 2015). There is very good potential for augmenting OSR through advertisement tax. Therefore, the Committee recommends that the State Government should authorize Gram Panchayat to collect advertisement tax and this OSR should also be shared with the Intermediate Panchayat and District

Panchayat and State Government in the same proportion as recommended in the case of property/house tax in Chapter 8.5.

- xii) Rationalisation and sharing of Professional Tax with Panchayats** – The Fifteenth Finance Commission has recommended to enhance annual professional tax from Rs.2500/- fixed in 1988 to Rs.18000/- at 2019 prices and proposed amendments in Article 276 (FC, 2021). Thus, the amount of the professional tax would be enhanced more than seven times even with the same number of persons paying the professional tax. Professional tax is collected by either State Government or by the urban bodies. The Committee recommends that the professional tax collected by State Government or municipal bodies should be shared with Panchayats in case the professional is residing in the rural areas or peri-urban areas. The tax may be collected electronically and shared with Panchayats and the shared amount may be distributed among respective Gram Panchayat, Intermediate Panchayat and District Panchayat in proportion of 85%, 10% and 5% respectively.
- xiii) Income from cess or royalty from minor minerals** – Royalty on minor minerals is shared by some states with local bodies mainly Panchayats. In due appreciation of the fact that mining puts a burden on the local environment and infrastructure, the Fourteenth Finance Commission had recommended sharing of the income from royalties with local bodies in whose jurisdiction the mining is carried out. This is also important step to ameliorate the effects of mining on local population. The Committee also recommends that State Government should share cess on royalty on mining minerals or authorize Panchayats to collect it and share it among themselves as well as the State Governments in proportion decided by the State Government. This will also help in enhanced collection of such revenue even for the State Government.
- xiv) Enabling Non-tax measures regarding Common Property Resources (CPRs)** – The Fourteenth Finance Commission had recommended the State Government to take action to assign productive local asset to Panchayats by stating that *“In this context, we recommend that State Governments take action to assign productive local assets to Panchayats, put in place enabling rules for collection and institute systems so that they can obtain the best returns while leasing or renting common resources”* (FC, 2015). The Committee also noted that many States have transferred such asset to Panchayats. Some States have neither transferred assets nor authorized Panchayats to collect the OSR on such resources. The Committee recommends that the recommendation of Fourteenth Finance Commission should be implemented immediately in letter and spirit, if not implemented yet or implemented partially by State Government.
- xv) Use of SVAMITVA in assessing house / property tax** - House / property tax is very important tax source of revenue for Panchayats. However, there is need to streamline the system of collection. As mentioned in Chapter 1.4.6. SVAMITVA is very important initiative for providing land records of inhabited area in villages. Therefore, SVAMITVA should be used for assessing house/property tax in rural areas in transparent manner.
- xvi) Activating Finance Standing Committee of Panchayats** - The Finance Standing Committee of Panchayats should be made active. The Standing Committee should undertake detailed review of the demand collection balance (DCB) every month and record its observations. Every State may develop a dash board to be used by the Standing Committee. The preparation of demand collection statement should be made mandatory and inspected by concerned officers at the higher levels. The

procedure to be followed by the Finance Standing Committee may be issued in forms of Rules/ Guidelines. This may include reviewing different aspects of finance management and transactions and recording observation and follow up action.

- xvii) IEC initiative on OSR** - There is lack of awareness about OSR among villagers and elected representatives. Large scale Information, Education and Communication (IEC) initiative on taxes and non-taxes revenue by Panchayats needs to be initiated so that they understand the need for augmenting OSR. Further, citizens in rural areas should also be made aware of the importance of paying taxes, fee, cess etc. in time.
- xviii) Penalty on non-payment of OSR** - It appears that at present the payment of OSR is very lax. There is need to impose a penalty after educating the citizens regarding the importance of OSR for the development of rural areas. Administrative and Police persons may be roped in compliance of Acts, Rules and Guidelines related to OSR.
- xix) OSR in peri-urban areas** – There has to be clear rules and guidelines for resource mobilization in peri-urban areas. Population growth, economic development and rural-urban migration have contributed to the rapid growth of peripheral areas of the cities and expanding towards peri-urban Gram Panchayats, thereby strongly influencing the peripheral rural settlements in terms of natural and social resources. There are gated communities, commercial establishments, Residents Welfare Associations, Builder groups and many other actors and stakeholders. The potentials of OSR generation have to be tapped as services are being provided by Panchayats. For house tax on such establishment, total super area should be used for calculation instead of the system based on house area. However, for houses occupied by owner may be taxed on the basis of house (base) area even in peri- urban areas.
- xx) Higher OSR for Property near to National and State Highways** – Panchayats may be authorized to collect higher taxes on commercial and industrial property and housing for rent purposes nearer to National and State highways. This matter has been further detailed in Chapter 8.5.
- xxi) Public Information Board to depict the Collection and Utilisation of OSR** – Since 2018 Public Information Board (PIB) in Gram Panchayat has been showing receipt and expenditure under GPDP for high standards of transparency and accountability. Therefore, it is recommended that GP, IP and DP should also show the collection and utilization of OSR on their respective PIB.
- xxii) Capacity Development Framework for OSR** – Considering the various points mentioned above, there is huge need of capacity building of Panchayats for OSR. Therefore, capacity building framework have been developed and detailed in Chapter 9 of this report.

8.3 Broad Framework of Guidelines for Recommendation of State Finance Commission Regarding Augmentation of OSR

The recommendations of State Finance Commission (SFC) are very important for Panchayats in the augmentation of OSR. SFC recommends *inter-alia* determination of taxes, duties, tolls, fees etc. which may be assigned to each tier of Panchayats and appropriation by them. SFC has been discussed in details

in Chapter 4 of this report. In view of the analysis of performance of SFC as detailed in various studies and consultation with the State Government, Panchayats and other stakeholders following may be the broad framework of guidelines for SFC regarding the augmentation of OSR :

- i. SFCs should collect data on OSR from all Panchayats for which a comprehensive questionnaire given in Annexure V may be used with suitable modifications by respective SFC. Past five-year data may be considered for collection and analysis. State Govt. may facilitate this process by providing due support.
- ii. SFCs should initiate specific studies on assessment and analysis of OSR and analyse case studies on specific successful and unsuccessful initiatives by Panchayats on OSR. These quantitative and qualitative data would provide basis for recommendation regarding OSR.
- iii. A detailed assessment of specific taxes and non-tax revenue, which are the highest contributors of OSR *e. g.* house/property tax should be undertaken so that realistic and convincing recommendations are made by the respective SFC on important OSR.
- iv. Audit agency for Panchayat should be asked to give a report on their findings with regard to the OSR covering *inter-alia* shortfalls, barriers, good practices etc. and suggestions for measures for augmenting OSR. This third-party view, observation, analysis and suggestion would help SFCs in making focused recommendations on the rationalization and the augmentation of OSR.
- v. A detailed assessment of the various laws, rules and executive orders, which are directly or indirectly affecting OSR of Panchayats needs to be undertaken and analysed comprehensively. This would help the SFC to recommend for creating proper legal environment for the augmentation of OSR.
- vi. An expert agency may specifically be asked to conduct a sample study on the mismatch among the demand, collection, tax potentials etc. This study could especially cover important OSRs *e.g.* house/property tax.
- vii. SFCs should also examine how various policies and actions have affected OSR generation possibilities of Panchayats and this should be followed by recommendations for fair compensation for adverse impact.
- viii. SFCs should undertake consultations with stakeholders for identifying the potential areas for the augmentation of OSR by Panchayats. These stakeholders may include Panchayat representatives, officials, managers of the flagship programmes, businesses, industries etc.
- ix. A detailed listing of good practices by Panchayats on OSR should be prepared and incorporated in the report of SFCs.
- x. SFCs should recommend clear demarcation of tax and non-tax OSR to be collected by each tier of Panchayats along with proportion of distribution among them, wherever required.
- xi. In their recommendation SFCs should also incorporate guidelines for Panchayats for the utilization of OSR including donation and contribution. It needs to be ensured that OSR should not be misutilised.
- xii. The Thirteenth Finance Commission had observed that the quality of the SFC report were patchy

- and the recommendations of the SFC do not follow uniform pattern. This issue was deliberated by them and they even constituted a task force to prepare a template of the SFC. After deliberations they finalized a template for reports of the SFCs after comprehensive consultation process. The Committee recommends that State Finance Commission should consider the template (**Annexure VI**) recommended by the Thirteenth Finance Commission for using it for their report (FC, 2010).
- xiii. While SFCs are formed on a term basis, there should be a permanent cell of SFC continuing, which can follow up, monitor and review as well as continue concurrent data collection and management.
 - xiv. SFC should consider balanced growth of OSR and State grants to all three tiers of Panchayats.
 - xv. SFC may recommend matching grants with a higher cap for Panchayats on the basis of OSR collection as being done in Andaman and Nicobar Islands.
 - xvi. SFC may recommend compensating Panchayats on the basis of tax revenue subsumed in GST.
 - xvii. SFC may recommend *inter-alia* specific rates for property tax, CPR, liquor tax, trade license etc. for collection and appropriation by Panchayats.
 - xviii. SFC may ensure that State may not increase its own share more than 2% as proposed in Chapter 8.5.
 - xix. In due appreciation of specific needs of Panchayats in PESA area and Panchayats like institutions in non-part IX areas, SFCs of those States may give specific recommendations for these areas.

8.4 Recommendation to Ministry of Panchayati Raj, Government of India

The Committee recommends to the Ministry of Panchayati Raj to undertake following activities within timeline indicated against them:

- (i) Ministry should organise a dissemination workshop for launching the campaign for augmenting OSR in mission mode and orient State Govt. regarding its importance.
- (ii) Ministry should organise separate similar dissemination workshops on the augmentation of OSR one each for PESA States and States with Non-Part IX Area.
- (iii) Separate advisories should be issued one each for PESA States and States with non-part IX areas for the augmentation of OSR.
- (iv) Ministry of Panchayati Raj (MoPR) may take up the matter of taxes (*e. g.* Octroi, entertainment tax) subsumed in GST with Ministry of Finance, Govt. of India so that Panchayats are preferably compensated directly.
- (v) MoPR may issue a guideline based on chapter 8.3 and 8.5 to the States for the State Finance Commission.
- (vi) Ministry should organise a meeting with Chairman and Members of State Finance Commissions and orient them about OSR and discuss recommendations and template for their report as outlined in preceding Chapter 8.3. This is to be followed up with regular annual conferences.

- (vii) MoPR should consider submitting a detailed memorandum to the Central Finance Commission for incorporation of various recommendations on OSR in their report.
- (viii) Capacity Building framework for augmentation of OSR to be launched at NIRDPR with the training of State level master trainers.
- (ix) Advisory should be issued to State for the augmentation of OSR on the basis of chapter 8.5.
- (x) Discussion with Ministry of Finance, Government of India should be organised on OSR including required amendment / advisory for Professional Tax.
- (xi) MoPR may establish a cell on OSR in the Ministry *inter-alia* for monitoring system in the Ministry should be established for reviewing the progress of the implementation of this report. And, the Ministry should also create a web portal by making available all Acts, Rules and government orders relating to PRIs on a web portal so as to facilitate state level and central level monitoring and for supporting policy options and initiatives.
- (xii) National level separate training workshops may be organised for master trainers for training on OSR for Panchayats in PESA areas and non-part IX area.
- (xiii) Training on cascading mode from State level to Block level should be organised on the augmentation of the OSR under Rashtriya Gram Swaraj Abhiyan Scheme.
- (xiv) Annual National Workshop may be organised for reviewing the progress made in States in the implementation of the recommendations of the Committee.
- (xv) MoPR may make suitable provision in eGramSwaraj to accommodate OSR collection and distribution with consent from State Government.
- (xvi) MoPR may include OSR utilization in audit online for 100% auditing and monitoring.
- (xvii) MoPR may establish annual awards exclusively on the basis of OSR collection to GP, IP, DP and State Government.
- (xviii) MoPR may establish a portal for hosting all recommendations of SFCs and action taken by respective State Government on them.
- (xix) A conference on Panchayats and Cooperatives should be organised at the national and State levels. The deliberations may define the scope and guidelines for cooperation between Panchayats and Cooperatives.
- (xx) MoPR should issue separate guidelines on OSR for Panchayats in PESA area and for Panchayats in non-part IX area and organise Capacity Building systems for them.

All of the above-mentioned recommendations are expected to be implemented over the course of two years. Furthermore, an annual status review should be conducted for effective implementation.

8.5 Recommendations to State Government

- i. State governments should review the existing system of Own Source Revenue (OSR) being collected by Panchayats. The review may include legal and administrative instruments in place, identifying the barriers, potentials of OSR and how to bridge gap between the potential and actual with respect to important OSR.
- ii. A detailed assessment and analysis of OSR collection and functions-revenue gap study should be undertaken by each State. The assessment and analysis may be based on consultations with all groups of stakeholders and SFC, comprehensive study etc.
- iii. Based on the review and detailed assessment and analysis, a strategy for action to augment OSR may be developed, which should lead to policy, legislation and administrative actions for the augmentation of OSR of Panchayats.
- iv. A compilation of various successful models on the OSR by Panchayats should be prepared and disseminated.
- v. The Fifteenth Finance Commission had estimated the house tax potential for rural and urban areas for all States using unit level data from NSSO, 76th round on drinking water and sanitation, hygiene and housing condition. The house floor area was estimated separately for different sizes of houses viz. one room, two rooms, three rooms, four rooms, five rooms and six and more rooms. Further, they used a cost index and the value of floor area was calculated to Rs. 2280 per square feet at 2019 prices uniformly for all states. Furthermore, they also took house tax rates adopted by economic survey 2017-18 *i.e.* 0% for house of one room, 0.1% for two rooms, 0.2% for three, four and five rooms and 0.3% for six and above rooms. The tax potential was estimated by multiplying the tax rate with the respective tax base, which came to Rs. 42160 crore for rural area (FC 2021). **Therefore, the Committee recommends that the taxes like house/property tax should be collected at the rate used by the FFC for the aforesaid estimated initially and State Govt. may modify it up to 50% on either side in each of two stages. Households living in one room accommodation and/or below poverty line should be exempted from house tax. Further, in due appreciation of variation among States, each State may adopt base value up to 50% either side of Rs. 2280 per square feet. Furthermore, within State relief up to 50% in rate per unit area may be granted for District/ Block in remote area or less developed area. Later on, the rate may be revised in due appreciation of inflation.** Further, it has been noticed that in many States house tax is not being collected at all. Therefore, imposing house tax at the rate prescribed above may create inappropriate environment for Panchayat. In many other States the rate may be very low as compared to the rates proposed. With the intention to creating OSR without any adverse feeling it is recommended that in the States where no house tax is being collected, Panchayat may be allowed to start collection at the 20% of the amount coming from the above calculation as modified by State and it should be stepped up 10% of the amount every year so that the full potential of the house tax may be achieved in 8 years. Whereas in case of States with low rates, they may be allowed to step up the house tax of the 20% gap per year to achieve the above mentioned calculated amount in five years. **Furthermore, it is recommended that the collected tax may be shared with all three tiers of Panchayats and State Government in proportion of 84% to be kept with GP, 10% to**

Intermediate Panchayat, 4% to District Panchayat and 2% to State Government. However, to avoid any confusion the distribution among Panchayats and State Government should be initiated only when computerized system for collection is put in place with automatic distribution. Moreover, to avoid any ill- feeling, particularly among GP it may be ensured that distribution should not lower overall OSR collection of the GP as compared to the same in 2022-23. House Tax may be based on SVAMITVA data. In peri-urban areas super floor areas should be used as basis for the taxation. Property tax on commercial property should be four time more than rate of house tax and that for industrial property be eight times the rate for house tax.

- vi. Some taxes are collected by State Govt. and appropriate share are not given to those Panchayats, which have jurisdiction over the site. Such unjustified system needs to be clearly amended to ensure justice by giving due share to Panchayats.
- vii. With regards to Tax revenue by Panchayats, State Government may examine whether the House/ Property Tax, Professional Tax, Entertainment Tax, Advertisement Tax etc. are presently allowed to be collected by Panchayats. If already existing, it may be ensured how this can be augmented and how the rates can be rationalized. If not, these powers should be devolved to Panchayats immediately. Important taxes for OSR are described briefly as follows:
 - Property Tax including House tax is among the most important tax instruments for local governments with great potential to influence social policy and economic decisions. It is a recurring tax levied by local governments on buildings and appended land and an important source of revenue for them.
 - Property may be classified into residential, commercial and industrial units. **It is recommended that three tiers of Panchayat may be authorized for the collection of property tax e.g. tax on residential property, small commercial property and cottage industry by GP, larger commercial unit and micro industrial unit to IP and small industrial unit by DP.**
 - Every company / person who transacts business / practices profession for not less than sixty days in the aggregate, for a half year is liable to pay Professional Tax. It is levied based on half-yearly income. **State Governments should authorize District Panchayat to collect Professional Tax or if they or urban local bodies are collecting it and assessee is residing in rural area, they should share the Professional tax with respective Panchayats.**
 - Entertainment Tax may be introduced for cable and internet.
 - For Advertisement Tax, State Government may fix the minimum rate for taxation for different kinds of advertisement for different types of locations by issuing Advertisement Tax Rules, which could be set out the basis for Panchayats to asses the tax. There should be a system of authenticating advertisements. Penal provisions for unauthorized advertisement should be at least five times the normal tax.
- viii. State should frame rules/regulation/guidelines for distribution mechanism of taxes being collected by itself or Panchayat. **It is recommended that the taxes like property tax should be shared with**

all three tiers of Panchayats and State Government. The rate and proportion of sharing may be the same as outlined in para (v) above. Some taxes are collected by State Govt. and appropriate share are not given to those Panchayats, which have jurisdiction over the site. Such unjustified system needs to be clearly amended to ensure justice. **In case property tax being collected by IP or DP, it is recommended that the ratio of proportion may be 58% for the Panchayat authorized for collection, 30% the GPs in the area, 10% to IP/DP, which not collecting the OSR and 2% to the State Government. This recommendation regarding distribution should be activated with the operationalization of computerized software of the purpose.**

ix. With regard to **non-tax revenue**, State Government may examine and establish the following system for the augmentation of OSR:

- License Fees have been a major source of revenue for the Local Governments. The important sources of license fees are industries, factories, trades, other entrepreneurs, and other license fees (IFTE & OS) formerly known as Dangerous and Offensive (D&O) License Fees. Places of public resort license, cinematograph regulation license etc. may be other important license fees.
- Income from cess or royalty from minor mineral including sand is to be collected by GP, IP and DP depending upon area of the mines. However, revenue is to be shared with all three tiers of Panchayats with jurisdiction on the mine and State Government.
- **Proceeds from auction of common property revenues listed in table 3.3 may be shared with Panchayats. These CPRs may be categorized in three types, one fully in a GP area to be managed by the respective GP. Those falling in more than one GP but fully covered in one IP area to be managed by respective IP and those in more than one IP area, but in one district to be managed by District Panchayat. However, revenue is to be shared by GPs, IPs and DP and State Government in proportion of 84%, 10%, 4% and 2% in case the CPR falls in one GP. In case of IP or DP collecting the OSR on CPR, the Panchayat collecting the OSR should retain 58%, 30% to GP in proportion to the area of cover, 10% to the IP or DP, which is not involved in managing or collecting the OSR and 2% to State Government.**
- Market Receipts/ fee on market is a fee, which is levied on persons, who sell their goods in any market place. The fee on market is levied and collected at the Gram Panchayat (GP) level. The state determines the maximum rate within which GPs are allowed to levy a fee on market and collect revenue from it. GP may be given autonomy for levying and collecting the fee.
- The water, lighting and sanitation rate are user charges which may be levied and collected by Panchayats for providing these services to the public. Water rate is the most common user charge, which is levied and collected by Gram Panchayats in some states. In a few states it is collected by Intermediate and District Panchayats. In few states, there is a variation of sanitation rate, which is levied and collected by the GPs termed as conservancy rate. The conservancy rate is a fee, which is levied by the GP in cases where the cleaning of private latrines and urinals is made by the GP. It should be noted that GPs in few states levy a service fee for the

cleaning of streets. **GP should be fully authorized to collect these user charges/fees.**

- Vehicle Tax levied by Panchayat refers to tax on non motorized vehicles such as rickshaws, carts, bullock carts etc. The vehicle tax is levied at the GP level. The District and Intermediate Panchayats are not empowered by the legislature to levy tax on vehicles.

If the following sources are not being used or partially used State should authorise Panchayats to collect OSR against them:

- Rent from various assets of Panchayats
 - Permit Fee
 - Registration Fee
 - Penalties and Fines
 - User Charges
 - Income from Investment
 - Interest Income
 - Sales and hire charges
- x. Policy on the possibilities of loan to Panchayats with government guarantee may be adopted.
 - xi. An institution for providing loan to Panchayats for income generating initiatives as well as facilitating Panchayats in augmenting OSR may be established.
 - xii. A system to be established to review regularly the capacity for loan / bank linkage (dynamic grading/ rating) of Panchayats. Similarly, a system to review the bankability of specific projects / initiative by Panchayats needs to be developed. This will help the Panchayat to approach the banks, donors and CSR companies and for the latter groups, to assess Panchayats.
 - xiii. Lead Banks should be asked to play a facilitator role for Panchayats in mobilising resources from Banks. In addition, District Panchayat Presidents should be included in the District Level Bankers Committee. Potential for forming Panchayat/Block level Bankers Committee with IP and GP Presidents also as members should be explored wherever possible.
 - xiv. Many States have the strong presence of Cooperative Banks and Cooperative Societies. Being local entities, it is important for Panchayats and the cooperatives to work together and in the process Panchayats could mobilise resources of various kinds from and through cooperatives.
 - xv. Regulatory and Institutional Framework for Panchayat borrowing should be established.
 - xvi. A system and policy should be established to cover voluntary contribution/donation as an approved mechanism for OSR by Panchayats (in cash and kind) which are accounted and quantified (Guidelines for accepting contribution/donation).
 - xvii. State Govt. should constitute State Finance Commission regularly in time as required under Article

243-I of the Constitution of India. Further, the State Government should consider and accept as far as possible the recommendations of the SFC at the earliest and implement them in right earnest.

- xviii. State Govt. should formulate a scheme to incentivize best performing Panchayats in collecting OSR and utilizing it, by awarding them publically and financially every year. While formulating incentivisation scheme following may be considered for incorporation in the scheme:
- **A scheme for matching grant up to three times of OSR collection is being successfully implemented in Andaman and Nicobar UT.**
 - Incentive grants from the special fund created for this purpose can be provided to Panchayats that are identified as best practices for OSR generation.
 - Panchayats, which collect OSR more than the previous year's collection can be given a matching grant in proportion to the incremental collection.
 - Panchayats performing excellently in OSR collection should be awarded publicly and provided cash grant on National Panchayati Raj Day.
 - Panchayats which are successful in recovering their full arrears of previous years should be given additional matching grant and rewarded accordingly.
 - Cash rewards to specific persons can be given who are identified as crucial figures in collecting the taxes and other revenues for the local bodies.
 - Ranking of Panchayats on the basis of OSR generation may be undertaken annually.
- xix. State should undertake comprehensive Capacity Development of Panchayats for the augmenting OSR including organizing training in cascading mode from State level to GP level.
- xx. States should create and maintain a database of local finances. Karnataka Government has set up a Decentralization and Analysis Cell (DAC), under the Department of Rural Development and Panchayati Raj, which collects the PRIs' financial data regularly and uploads it on the department's web site. It is recommended that similar cell may be established by all State Governments.
- xxi. State should prepare a compendium of taxes and non-taxes district-wise for PRI along with the rates (maximum and minimum) and collection process.
- xxii. State should undertake a study on the OSR potentials in peri-urban Panchayats and those near to National and state highways and rules and regulations have to be developed to support Panchayat in augmenting OSR in such areas. Different modalities may be considered including direct linkages with services and infrastructure provided as well compensation for various issues like environment, natural resources etc.
- xxiii. Local taxation guide, in local language should be made available to all GPs, which would be useful to elected representatives as well. This may cover different taxes levied, exemptions, efficient ways of collection, cross referencing with information on electricity connections, ration cards etc to update and verify the assessment lists as well as the data on the collections in the Block or District.

- xxiv. Since 2018 Public Information Board (PIB) in Gram Panchayat has been showing receipt and expenditure under GPDP for high standards of transparency and accountability. Therefore, it is recommended that State Government should incorporate in its regulation / guidelines for OSR that GP, IP and DP must also show the collection and utilization of OSR on their respective PIB.
- xxv. State should fix higher rate of Property/ House tax in Panchayats in peri-urban areas and nearer to National and State Highways. Moreover, rate of tax in peri-urban area may be 50% of the rate of adjoining municipalities for the commercial and industrial property. For houses it should be calculated on the basis of floor area. Similarly for commercial and industrial property near National and State Highway may be at the rate 50% of the same in adjoining municipal area. However, tax on commercial and industrial area may be not less than four times and eight times respectively of house tax in that area.
- xxvi. State Government should activate Finance Standing Committee by assigning specified activities to the committee.
- xxvii. State should make it mandatory that all Panchayats property can be given on rent maximum for 5 years. After 5 years new agreement is to be made on market rate.
- xxviii. State Government should authorize Panchayats to involve SHG/ Federation of SHG in collection of OSR and give them small percentage of the collected OSR.

8.6 Recommendations to Gram Panchayat

- i. Historically, Local Governments, especially Gram Panchayats have very positive experience in mobilising contributions from the public. In the initial days, it was through “Shramdan” (free contribution of labour) most of the roads, canals, and wells were dug, particularly in the early days of the Community Development experiment. Also, land used to be generously donated by people for the construction of facilities like hospitals, schools, and libraries. In fact, when the Primary Health Centres (PHC) were expanded to cover all Gram Panchayats in some states, this became a remarkable exercise in public contribution. It is worth recalling that almost all Balawadi buildings (the precursors of Anganwadis) were constructed with the public contribution in locally donated land. Traditional “Shramdan,” particularly from the youth is encouraged in many of the interventions by Panchayat. The Committee recommends that such voluntary contribution by villagers for public cause may be continued, appreciated and treated as OSR (non-monetised).
- ii. As estimated by the Fifteenth Finance Commission the overall potential for house tax collection from the rural areas is Rs. 42160 crore (GoI, 2021) whereas the collection of the total OSR is less than 10% of this fund. Therefore, collection of proper house tax becomes very important source for the augmentation of OSR. On analysis of why house tax is not being properly collected, it appears that elected representatives fear that the villagers will not like to pay tax. Therefore, it is proposed to issue clear directives from the State Government regarding imposition and collection of house tax by Gram Panchayat. However, people below poverty line or living in one room accommodation may be exempted from house tax. GP should make all out efforts to collect house tax and utilize for

- the development of respective area.
- iii. Gram Panchayat should be authorized (if not authorized till date) to collect advertisement tax, pilgrim tax on goods sold in market, water tax, sanitation tax, lighting tax, conservancy tax, trade tax, mining tax, irrigation tax etc. The rate of these taxes should be reviewed after every two years. GP should collect all taxes duly authorized to them without any hesitation and reluctance.
 - iv. Panchayats should use common property resources as means of augmenting OSR. Many CPRs are lying in bad state and needs to be developed. GP can use their own untied fund to develop common CPRs so that this can become a source of OSR *e.g.* in waste land, Panchayat can develop good plantations of fruit / medicinal / commercial species, which can help in generating additional OSR. Similarly, pisciculture in common ponds can be used for enhancing OSR. Major CPR listed in table 3.3 may be developed and used for augmenting OSR by GP. In these cases, revenue may be shared by Panchayats in proportion as outlined in section 8.5 (v).
 - v. Asset mapping should be undertaken to find the scope of generating resources from existing assets of GPs. Various Govt. Schemes and GPDP may be considered for generating OSR.
 - vi. Each Panchayat should prepare OSR Augmentation Action Plan annually while preparing GPDP.
 - vii. Panchayats can develop the system of community maintenance of assets by the user groups which could be linked to the augmentation of OSR. Requisite support of formal agencies within the Panchayat like Hospital Management Societies (HMS) and Parent-Teacher Associations (PTA) and alumni, in the case of schools may be solicited for additional revenue.
 - viii. Possibility of getting donations for up-gradation of facilities, especially schools and hospitals to be looked into. Partial donations towards long-awaited local facilities like drinking water, connectivity, playfields, parks etc. in cash and kind should also be explored by every Panchayat. The businesses and industries may be identified for approaching and focused efforts may be made to receive funds from them for development as part of their Corporate Social Responsibility (CSR). Sponsorship from philanthropical individuals, organizations, both profit and non-profit, would be other good source of OSR for specific welfare activities.
 - ix. Panchayats should also use the grants from Central Government on the recommendations of the Fifteenth Finance Commission and develop water and sanitation, solid waste management facilities and maintain them and take appropriate user charges from the villagers, who are using these resources. This could be additional source of OSR.
 - x. Most of the villages are in unique position and they have good natural resources. This potential can be tapped for augmenting OSR. Many such best practices have been given in Chapter 7. Depending upon local situations, Panchayats may consider replicating them with needed modifications.
 - xi. Gram Panchayats should prepare a white paper or strategic note on how services and OSR are interrelated and how service delivery can be improved by augmenting OSR and vice versa too.
 - xii. A new concept of Academic Social Responsibility is emerging, which means that academic institutions would provide their professional services *pro-bono* for local development initiatives. Panchayat to

establish linkage with such institutions within the Panchayat and nearby and seek their support based on projects.

- xiii. Water tax may be another important OSR. The water tax may be charged on the basis of utilisation. It is better to use water meter. Panchayat may also put RO facility at a common place to use it like water ATM. In absence of exact measurement instruments the water tax may be charged on the basis of number of members in household or the size of the water storage unit.
- xiv. Gram Panchayat may facilitate important services and charges, cess, fees, licenses etc. on registration of animal sold, grazing, dharmasala, rent houses, slaughterhouses and registration *e.g.* birth, death, marriage etc. on payment. These could be good source of OSR.
- xv. Peri-urban Panchayats should give importance to tapping the potential of OSR in the above mentioned areas and through commercial and industrial activity.
- xvi. GP should identify non-conventional sources of revenue. Regular brainstorming sessions have to be held by the GP or its Finance Standing committee for this purpose.
- xvii. GPs should work closely with the cooperatives in the area and tap the potential of OSR associated with them.
- xviii. GPs should create awareness among the villagers regarding their roles and responsibilities. Tax collection and charging fee are their role so that better services may be provided to villagers.
- xix. Since 2018 Public Information Board (PIB) in Gram Panchayat has been showing receipt and expenditure under GPDP for high standards of transparency and accountability. Therefore, it is recommended that each GP should also show the collection and utilization of OSR on its PIB.
- xx. There is need for imparting training to elected representatives and functionaries of GPs for augmenting OSR.
- xxi. Gram Panchayats should strive innovative measures including home stay tourism, carbon credits etc. for the augmentation of OSR.

8.7 Recommendations to Intermediate Panchayat

- i. All Intermediate Panchayats should undertake assessment and analysis of the present status of generation of OSR by them, individually and collectively in groups and try to identify barriers in maximizing the augmentation. All Intermediate Panchayat (IP) should go through best practices of IPs in their State and outside States and find out which practice may be replicated in them with or without modification.
- ii. In States, where the Intermediate Panchayats have been given the power for taxation and non-tax revenue collection, a comprehensive analysis including spatial and temporal analysis of each component of OSR particularly for important sources should be undertaken.

- iii. Based on the analysis, steps should be taken to enhance the tax and non-tax revenue collection as well as innovative ways for enhancing OSR need to be found out.
- iv. States in which the Intermediate Panchayats have not been given much power to collect taxes or non-tax revenue, should authorize them at the earliest for the collection of OSR.
- v. All Intermediate /Block Panchayats should develop an OSR Augmentation Action Plan. This should include not only the tax and non-tax revenue approved by the State government, but also new modes of revenue generation.
- vi. All Intermediate Panchayats should consider how assets being developed through their Plan activities may become means of revenue generation. This approach has to be taken right from the time the activity is being planned. Accordingly, all infrastructure and related projects should also be considered from the point of the augmentation of OSR.
- vii. Intermediate Panchayats as part of their historical CD Blocks might have created a lot of assets over the decades and these have to be mapped and can be used as sources for revenue generation.
- viii. Intermediate Panchayats should coordinate with Gram Panchayats to raise revenue through local interventions and models, which can be shared based on an understanding/MoU with clear norms and criteria for sharing.
- ix. Intermediate Panchayat should actively participate in capacity building program of State Govt. for the augmenting of OSR.
- x. Finance Standing Committee of Intermediate Panchayat should monitor OSR collection and its proper utilization. They should also identify sources of donation and contribution including innovative ways for augmenting OSR.
- xi. Since 2018 Public Information Board (PIB) in Gram Panchayat has been showing receipt and expenditure under GPDP for high standards of transparency and accountability. Therefore, it is recommended that each IP should also show the collection and utilization of OSR on its PIB.

8.8 Recommendations to District Panchayat

- i. Most of the District Panchayats have been authorized to collect non-tax revenue. They should strive to optimize the collection of OSR from non-tax revenue. They should also try to generate new sources of OSR such as solar energy, charging station of electric vehicle etc.
- ii. Each District Panchayat should undertake assessment and analysis of the present status of OSR generation by them and try to identify barriers in maximizing its augmentation. All District Panchayat should go through best practices of DPs in their State and other States and find out which practice may be replicated by them with or without modification.
- iii. In States, where the District Panchayats have been given the power for tax and non-tax revenue collection, a comprehensive analysis including spatial and temporal analysis of each component of

OSR particularly for important sources, should be undertaken.

- iv. Based on the above mentioned analysis, steps should be taken to enhance the tax and non-tax revenue augmentation as well as innovative ways for enhancing the OSR need to be found out.
- v. States in which the District Panchayats have not been given much power to collect taxes or non-tax revenue, should authorize them at the earliest for the collection of OSR.
- vi. All District Panchayats should develop an OSR Augmentation Action Plan. This should include not only the tax and non-tax revenue approved by the State Government, but also new modes of revenue generation.
- vii. All District Panchayats should consider how the assets being developed through their Plan activities may become a means of revenue generation. This approach has to be taken right from the time the activity is being planned. Accordingly, all infrastructure and related projects should also be considered with respect to the augmentation of OSR.
- viii. Apart from augmenting their own revenue generation, District Panchayats should undertake assessment of the OSR by other tiers of Panchayats from sharing and maximizing those, which may be shared.
- ix. Based on this assessment, if State Govt. has not provided mechanism for sharing OSR being collected by other tiers of Panchayats, District Panchayat need to approach State Govt. for issuing necessary regulations/guidelines for sharing mechanism of the concerned OSR. The District Panchayats should guide the lower tiers for enabling them to augment OSR.
- x. A mapping of district level CSR companies and firms is to be undertaken by District Panchayats. All out efforts should be made to tap their CSR through Panchayats.
- xi. Along with the mapping, a committee or team to be specially formed to follow up on various sources of CSR funds and its distribution among the lower tiers of Panchayats based on set criteria.
- xii. A monitoring committee on OSR should be constituted in the District Panchayat which would monitor the OSR generation by the District Panchayat.
- xiii. Since 2018 Public Information Board (PIB) in Gram Panchayat has been showing receipt and expenditure under GPDP for high standards of transparency and accountability. Therefore, it is recommended that each DP should also show the collection and utilization of OSR on its PIB.
- xiv. District Panchayat should actively participate in capacity building program of State Govt. for the augmenting of OSR.

8.9 Action Point for Panchayats regarding Augmenting OSR

- i. **Component-wise listing of present OSR being collected**
- ii. **Listing of those OSR authorized by State Govt. but not being collected**

- iii. Analysis of the present status of the collection of OSR and how they are being used
- iv. Considering best practices of Panchayats on the augmentation of OSR
- v. A workshop on the augmentation of OSR with Finance Standing committees and other experts based on the analysis
- vi. Listing of issues which hinder the augmentation of OSR presently
- vii. Listing of new/potential sources of revenue – both the ones, which are already approved, but not being collected and yet to be approved by the State Government
- viii. Preparing a submission to the State Government on those which require their approval
- ix. Preparing a submission to the State Government on addressing hindering factors for the augmentation of OSR
- x. Finalising OSR Augmentation Action Plan annually along with respective GDP/BDP/DDP of rural area
- xi. Panchayats in peri-urban area and/or nearer to National and State highways to focus on new avenues of OSR due to their proximity to urban areas and connectivity respectively
- xii. Monitoring system to be instituted for OSR

8.10 Recommendation Specific to Panchayats in PESA Areas

The Panchayat (Extension of the Scheduled Areas) Act, 1996 (PESA Act) was enacted for extending the provisions of Part IX of the Constitution of India relating to Panchayats to the Schedule Areas subject to required exceptions and modifications. It legally recognizes the right of tribal communities, residents of the scheduled areas, to govern themselves through their own systems of self-government, and also acknowledges their traditional rights over natural resources. Panchayat in PESA areas have been described in Chapter 1.2.1 of this report. Following are recommendations of the Committee for the augmentation of OSR specific to Panchayats in PESA areas:

- i. **Minor forest produce** - Gram Sabha/Gram Panchayat has been given ownership right over the minor forest produce under section 4(m)(ii) of PESA Act. Further, it has been given rights to them to safeguard and preserve *inter-alia* the “community resources”, under section 4(d) of PESA Act, which also includes forests of all types. Gram Sabha can also go for formation of Gram Sabha federations through which they can collectively sell the minor forest produce in far higher quantity than what is collected in individual villages. Model of Gram Sabha Federations formed in Gadchirauli district of Maharashtra may be followed. However, caution should be exercised to ensure that the minor forest produce are not exploited in unsustainable way that affects their sustainable regeneration. Through this whole process, a portion of the money gained through auction/sale/trade of such minor forest produce can be retained by the Gram Sabha as royalty/tax as OSR for effective management of forests and minor forest produce and other part of this money can also be used for developmental activities of the village. Moreover, MGNREGA and funds from CAMPA and other Forest Department

scheme should be converged with the plantation/resource augmentation of OSR. In PESA area share of State Govt. should be provided to GP for resource augmentation of MFP.

- ii. Processing of minor forest produce** - Under the scheme of Pradhan Mantri Jan Jatiya Vikas Mission of Ministry of Tribal Affairs, Gram Sabha/Gram Panchayats can encourage SHGs, not only to procure MFPs but also to undertake their processing, which would enhance their shelf life and make value addition leading to exponential increase in their market prices and thereby enhancing income of tribal people. Gram Sabha can tax these processed goods and charge royalty over MFPs. Also, these goods could be used to reduce the dependence on villagers on outside market too. There is very high scope of processing of tamarind, mahua, harra, behda, aamla, sal & mahul leaves, tikhur etc at village level.
- iii. Regulating the sale of medicinal plants, tubers, roots, herbs and spices** - Forests in fifth schedule areas have lot of medicinal plants of very high importance to the AYUSH pharmaceutical, herbal supplement, wellness and nutraceutical industry. Gram Sabha or its federation can liaison with the companies involved in its production and ensure the collection and delivery of medicinal plants, tubers and roots by practising sustainable harvesting technique along with genetic improvement of planting stock. Also, Gram Sabha can facilitate commercial production of certain herbs and spices, which are native to the area and in high demand and can grow easily in their respective area. This would provide with additional income to people and OSR to Panchayats.
- iv. Social forestry activities** – Gram Sabha may promote social forestry activities by establishing nursery and providing seedlings and getting planted in common or private land under MGNREGS. Care may be taken in selection of species for creating sustainable livelihood systems for tribal people. They may also be provided marketing support including MSP for MFP schemes of Ministry of Tribal Affairs, Government of India.
- v. Community right** – Gram Sabha should forward cases for community right over forest under FRA if not undertaken in PESA areas, which has many forest areas in degraded condition. Panchayats should undertake resource augmentation in the areas, where right is conferred to communities. Common fallow land can also be used for community use, cultivating and other public use or individual

Box 8.3: Recommendation Specific to Panchayats in PESA Areas

1. Minor forest produce
2. Processing of minor forest produce
3. Regulating the sale of medicinal plants, tubers, roots, herbs and spices
4. Social forestry activities
5. Community right
6. Tourism activities in forests and mountains
7. Management of minor water bodies
8. Management of minor minerals
9. Management and regulation of markets
10. Regulation of grazing
11. Maintenance fee for places of cultural, social and religious significance
12. Raising funds through Government schemes

purpose on payment of appropriate charges.

- vi. **Tourism activities in forests and mountains** - Gram Sabhas in many places have started charging fee for tourism activities happening in an around their forests. For parking, access to places of interest, cleanliness and maintenance etc. fee can be charged. Gram Sabha can also carry out guiding, trekking and adventure activities through local youths and charge a certain percentage of it as tax. Home-stays have also come up in various villages over which Gram Sabha can impose certain fee. Boating activities can also be carried out in village ponds/rivers over which Gram Sabha can charge specific fee. They may also organise cultural event to attract tourists.
- vii. **Management of minor water bodies** - Section 4(j) of PESA Act mandates the task of planning and management of minor water bodies to Gram Panchayats. These water bodies have immense potential to augment the income of Gram Panchayat. These ponds can be leased out for fishery activities on short term and long term basis. Also, water from these water bodies can be supplied for irrigation to nearby farm lands over which water tax can be imposed. Ponds can also be used for fisheries and growing commercially/locally viable water crops such as water chestnut, fox nuts/lotus seeds (Makhana), lotus etc. and revenue earned from it can accrue to Gram Panchayat.
- viii. **Management of minor minerals** - According to sections 4(k) and 4(l) of the PESA Act, the recommendation of Gram Sabha or Panchayats at the appropriate level is mandatory prior to grant of prospecting license or mining lease or grant for the exploitation of minor minerals by auction. Gram Sabha may levy royalty/tax over sale of minor minerals such as sand, murrum, stones, granite etc. If the auction of minor minerals is carried out then a share from the auction should also come to Panchayats as OSR.
- ix. **Management and regulation of markets** - The power to manage village markets is given to Gram Sabha under Section 4(m)(iv) of the PESA Act. Gram Sabhas can form a market committee, which can regulate the village market on behalf of Gram Sabha. The committee can collect certain market fee for trading and may also charge different rates from traders based on the volume of trade. Gram Sabha can also charge maintenance fee for village market so as to provide basic services such as clean drinking water, toilets, waste disposal facility etc. Gram Sabha can also facilitate auctions of commodities such as Mahua, Imli etc. in village markets so that the traders can buy it in bulk at competitive rates. A commission over the auction process can be charged by Gram Sabha over the sale proceeds.
- x. **Regulation of grazing** - Gram Sabhas could regulate grazing in the forest and other areas through traditional grazers/shepherds and levy a grazing tax according to the number of animals owned by household. Gram Sabha can also use excreta of animals to produce organic manure, fertilizers and pesticides, which can then be sold to villagers for farming activities. This would reduce the number of villagers engaged in grazing and provide steady livelihood to tradition grazers.
- xi. **Maintenance fee for places of cultural, social and religious significance** - According to Section 4(d) of PESA Act, Gram Sabha has power to safeguard its traditions and customs. Thus, Gram Sabha can annually levy such maintenance fee for cultural, social and religious institutions/places in the village. This can especially be charged during the various rituals being practised in the institutions/ places on special occasions such as mela, madai, jaatra etc. Also, Gram Sabha may levy a fee on

outside visitors/tourists too. Fees for toilets, drinking water, parking, common space lighting etc. may also be charged.

- xii. Raising funds through Government schemes** - Section 4(m)(vii) of PESA Act provides power to Gram Sabha to control local plans and resources for such plans including tribal sub-plans. Accordingly, such local funds and their resources should be transferred to Gram Sabha as follows:
- a) District Mineral Fund (DMF) - DMF may be devolved to Panchayats in a fixed proportion to area affected directly and indirectly by mining. This would give Gram Sabhas better control over the developmental activities they may have to carry out. The current practice of a committee taking all the decisions regarding DMF spending should be discontinued for better utilization of revenues for development and replaced by mechanism to devolve funds to the affected Panchayats.
 - b) Tribal Sub Plan (TSP) – Certain percentage of TSP may be devolved directly to Panchayats as is being done in Maharashtra, which transfers 5 percent of total TSP funds directly to Gram Panchayat. This would provide Gram Panchayat with a recurring grant in fifth schedule area. Such untied funds would give Gram Panchayat better planning and decision making capabilities.

8.11 Recommendation Specific to Panchayat like Institutions in Non-Part IX Area

Panchayat like institutions in non-part IX area are very important for the development of their area and there is need to strengthen them through the augmentation of OSR. They have been described in Chapter 1.3 of this report. Specific recommendations for the augmentation of their OSR are as follows:

- i. **Power of Taxation** - The Autonomous District Councils and similar institutions including those at village level in the Non-Part IX areas may be bestowed with the power for taxation as provided for the District Panchayat and Intermediate Panchayat in Part IX area.
- ii. **Levy of fees** - District Councils and similar institutions including those at village level may impose taxes, fee, cess etc. at such rates not exceeding the maximum limit prescribed, subject to the approval of the concerned higher authority. They may convene meeting regarding taxes, fee, cess etc. from time to time expressly for the purpose with prior notice, for area of its jurisdiction.
- iii. **Identification/specification of sources** - There should be clear identification of sources of revenue in the Act/Rule to avoid duplicity in collection.
- iv. **Utilization of the Fifteenth Finance Commission Grant for augmentation of OSR** - As grants are being provided on the recommendation of the Fifteenth Finance Commission also recommended to the non-part IX areas, local rural bodies may ensure creation of OSR generating assets *e.g.* multipurpose halls, setting up custom hiring center of agricultural machineries & equipment etc.
- v. **Conditionality of generating OSR for State Finance Commission Grant** - For incentivizing Autonomous Districts Councils and similar institutions including those at village level for the augmentation of OSR, the State Finance Commission may place conditionalities for generating OSR for receiving State Finance Commission Grant by the Councils.

vi. Engagement of tax Collector under Local bodies of the Councils – A tax collector in each local bodies may be appointed for better collection of OSR. In case of non-availability of such provisions, the local bodies may engage a person on commission basis at the rate of a percentage of tax collected by the engaged person. The rate of percentage may be decided by the respective local body.

vii. Training of Public Representatives - The elected representatives of councils should be trained about OSR and possibilities may be discussed for augmenting OSR.

viii. Periodic revision of the value of the assets and revision of tax rates - The value of every asset should be revised at regular interval so that maximum possible revenue can be generated through these resources. The annual sale value may be determined before auctioning the assets and an institutional system be put in place so that best return is received while leasing out these common resources. The revision of the tax rates may be carried out periodically.

ix. A Suggestive procedure for augmentation of own source of revenue - The non-part IX areas may follow a definite procedure for collection of own sources of revenue suitable to their areas. A model procedure for collection of taxes may be as follows:

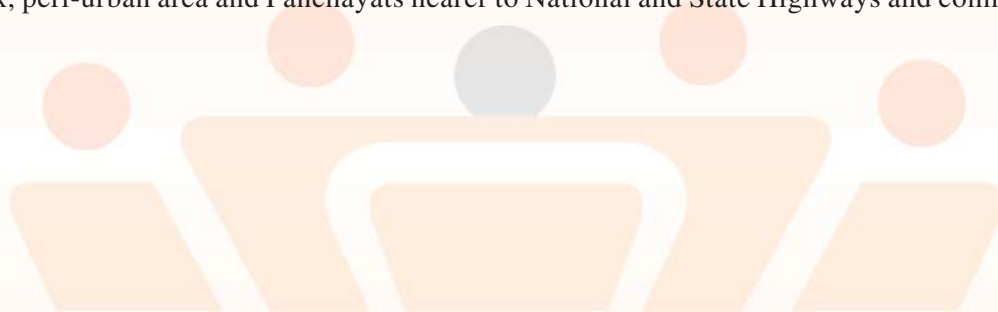
- Clear division of functions of respective local bodies i.e. District Councils, Sub District Councils, Village Councils/Committees etc.
- Framing of bye-laws by the local bodies to maintain uniformity of taxes, which must be approved by immediate higher authorities of the local bodies. All such bye-laws must reflect the purpose of imposition, assessment and collection of taxes.
- Settlement of Haat, Ghat, fisheries, cattle pound etc. may be ensured through proper tendering procedure and ensure that the highest bidder gets the opportunity for better augmentation of OSR. “Bidding by all” irrespective of jurisdictions should be permitted.
- The Executive officer of the District/Block/Village may issue the notice for inviting tender for the areas of its jurisdiction with due approval from the District Council.
- The percentage of share of OSR among the various tiers may be decided by the council.

Box No. 8.4: Recommendation Specific to Panchayat like institutions in Non-Part IX Area

1. Power of Taxation to be bestowed to district Council
2. Levy of fees by District Council
3. Identification/ Specific of sources
4. Utilization of 15th Finance Commission Grant for augmentation of OSR
5. Conditionality for State Finance Commission Grant
6. Engagement of tax Collector under Local bodies of the Councils
7. Training of Public Representatives
8. Periodic revision of the value of the assets and revision of tax rates
9. A suggestive procedure for augmentation of own source of revenue

- An online monitoring system for collection and utilization of own source of revenues may be put in place by the District Councils.
- Activities providing OSR may be given priorities under Village Development Plan and Council Development Plan.
- OSR Augmentation Plan may be prepared by Council at District, Block and Village level.

The aforesaid set of recommendations are expected to go a long way in augmentation of OSR of Rural Local Bodies. Though the Committee has not gone in details of estimating the impact of these recommendations in exact monetary terms, it may be expected that the OSR may be increased to One Lakh Crore gradually in eight years. The estimate is based on Rs. 50,000 Cr coming from house tax including peri-urban area and Rs. 15,000 Cr coming from other property tax from ongoing commercial and industrial activities. Similarly, Rs. 15,000 Cr may come from Common Property Resource. The balance Rs. 20,000 Cr may come from other sources including special provisions under PESA Act. Aforesaid measures may be taken in phased manner. To begin with more emphasis should be laid on the OSR related to house/property tax, peri-urban area and Panchayats nearer to National and State Highways and common property resources.



Panchayati Raj

**Capacity Development
Framework for
Augmentation of OSR**

9

Capacity Development Framework for Augmentation of OSR

9

There is huge potential for the augmentation of OSR of Panchayats. The Committee has made various recommendations for the augmentation of OSR in the preceding chapter. There is immense and urgent need for the capacity development of Panchayati Raj Institutions for the augmentation of OSR as many Panchayats representative are not aware of existing provisions of Acts, Rules and Guidelines issued by the State Government and despite the provisions for the collections of OSRs, Panchayats have not been able to collect them sufficiently. Moreover, new initiatives have to be taken by the Central Government, State Government and Panchayats in view of the recommendation of the Committee. Therefore, there is urgent need of comprehensive capacity development framework for the augmentation of OSR.

9.1 Objective of Capacity Development Framework for OSR

The actual augmentation of OSR depends on the efforts made by the Panchayat and State Government to mobilise the local revenues. Empirical studies indicate that the Panchayats in many cases do not even make efforts to collect the legally authorised taxes. Therefore, there is a necessity to enlighten, enable and motivate Sarpanch / Pradhans, members of Finance Standing Committees and the functionaries of Panchayats to augment and utilize their OSR. Further, it has also been noticed that in many States State Government has not authorized sufficiently to Panchayats for the collection of OSR. Furthermore, even in many cases where State Governments have authorised Panchayats to collect the OSR, necessary guidelines/regulations have not been issued by them to facilitate the collection. Therefore, the following may be the main objectives of the proposed capacity development framework for the augmentation of OSR:

- i. **To Promote better understanding among the Panchayat functionaries to identify, assess, collect and monitor OSR**
- ii. **To improve the demand and increase the efficiency in the collection of OSR**
- iii. **To discuss practical strategies to expand the revenue base of Panchayats**
- iv. **To keep proper records of demand, collection and outstanding balance of OSR**
- v. **To impart training to State Resource person for undertaking training need assessment and impart training for the augmentation of OSR**

- vi. To prepare model training design for the augmentation of OSR
- vii. To prepare strong teams of trainers at State, District and Block levels
- viii. To guide the documentation of best practices for the augmentation of OSR and use them for on-site training
- ix. To impart training to Panchayat functionaries and stakeholders on OSR in cascading mission mode.

9.2 Training of Trainers at National, State, District and Block Levels for Augmentation of OSR

Focused and sustained attempts are needed to strengthen the capacity building and training through customized training modules and systematic training of trainers (ToT) programmes to develop State, District and Block level Master Trainers for imparting knowledge, skills and experience and bring attitudinal changes among the three tiers of Panchayat functionaries and other stakeholders regarding the augmentation of OSR. The suggestive format of three days ToT on augmentation of OSR has been suggested in table 9.1.

Table 9.1: Suggestive Format of Three Days ToT for National, State, District and Block Level Resource Persons

1	Duration of training	Three days
2	Indicative list of Target Audience	Identified resource persons from the following categories:
		1. NIRDPR, SIRDPR, ETC, PRTC, PRIT Faculty
		2. DPRC, BPRC Faculty Trainers
		3. Certified Master Resource Persons/Master Trainers
		4. Officials of Panchayati Raj Department
	5. State, District, Intermediate level trainers for GPDP, LSDGs	
3	Training Objectives	To develop a pool of trainers at state and district levels for organising field level training to Panchayat functionaries and other stakeholders on augmenting OSR
4	Training Methodology	Interactive and participatory sessions in classroom (both in online and offline mode) - comprising of presentations, case studies, group discussions, group presentation, field visit, snippets/video clippings etc.
5	Training Outcomes	It is expected that ToT programmes would enrich the Master Trainers with substantial and in-depth knowledge, awareness, attitude and skill to impart training to Panchayat functionaries on the augmentation of OSR

Approach to the Training - To build the capacity of key Panchayat functionaries *viz.* Sarpanch, Panchayat Secretary and the Chairperson of the Finance Standing Committee on the augmentation of OSR, it is recommended that a pool of resource persons for each State may be created by conducting three days of ToT programme. The respective SIRDPRs would identify the required number of participants to attend the ToT. The trained resource persons will be actively involved along with SIRDPRs in delivery of one day training at the block level to the Sarpanch / Pradhan and Panchayat staff based on a common training design, content and methodology. The SIRDPRs will be made responsible for the implementation and monitoring of training programmes with aim at augmenting OSR.

National Training Workshop - A three-day national level training workshop/ write shop may be organised at NIRDPR for creating a standard content on the augmentation of OSR of rural local bodies. The faculty/ representatives from SIRDs can contribute on creating a customizable training content (Transaction Manual and reading material) as per local needs by adding State specific rules and regulations for comprehensive coverage of training. This will ensure uniformity of curricula and inputs of knowledge, skills, attitude etc.

State and District Level Training – After national level training workshop three days focused State and district level trainings on OSR may be organised for developing team of master trainers and orienting representatives of District and Intermediate Panchayats. Further, one day inter-departmental/inter-sectoral workshop at the State level may be organised to initiate convergence and coordination among the different departments for augmenting OSR of rural local bodies. The three days training for elected representatives and functionaries of Panchayats may include field visit / exposure visit to good performing GPs, IPs and ZPs.

9.3 Training at Gram Panchayat Level for OSR

Augmenting OSR is critically important for Gram Panchayats. They need OSR to fulfill mandate assigned to them through the Constitution of India and the aspiration of people in their area. Therefore, it is recommended to organise one day training for the elected representatives, functionaries and other stakeholders of GP on the augmentation of OSR. Further, award winning President of different Gram Panchayats and beacon Panchayat leaders in the field of OSR may be invited to orient and motivate the functionaries of GPs. Moreover, Gram Panchayats may be motivated to take Sankalp / pledge to develop as model GP on OSR as source of inspiration for others.

Training forms important aspects of human resources development. Training enhance the efficiency and effectiveness of people at work by providing them the functional knowledge, skills and attitudes required for discharging functional responsibilities at a desirable level of performance. The trainers are responsible for designing and implementing training plans in an integrated manner with aim at the improved performance of trainee. A suggestive one-day training format has been given in table 9.2.

Table 9.2: Format of One Day Field Level Training to Panchayat Functionaries on Augmentation of OSR by Panchayats

1	Duration of training	One Day
2	Target Audience	Sarpanch / Pradhan / President of Gram Panchayats Panchayat Secretaries Functional Committee Members Staff of Gram Panchayats
3	Training Objectives	Enhance the understanding of: 1. The context and essence of mobilisation of OSR 2. The legal framework for OSR 3. Effective augmentation of OSR
4	Training Methodology	Interactive-comprising of presentations, case studies discussions, group work, brainstorming and video clippings etc.
5	Training Outcomes	The key functionaries of Gram Panchayats would be enlightened, enabled and motivated to augment and manage their OSR

Guidelines for Training Facilitators and Participants:

Guidelines for Training Facilitators

- i. Before commencement of the session, the trainers should refer to training module, facilitator's notes and the relevant State PR Acts for presenting the subject matters in sequence and within stipulated time;
- ii. The trainer should be proficient and know the subject matter (knowledge on local OSR). The trainer must read widely beyond the information provided in the training module;
- iii. Before commencement of the session the trainer should ensure that all the training modules and learning materials are in place and ready to be used;
- iv. The trainer may prepare his own power point presentations, or other audio-visual support aids based on the content in each topic;
- v. The trainer should be prepared to address any training related problems as they arise in the course of the training;
- vi. Minor changes/innovations can be made in the content as per local needs and time-spills;
- vii. The training methodology must be essentially participatory and interactive, combining various methods like, group work, brainstorming, experience sharing, exercises and case studies etc.
- viii. The trainers should lead and motivate the participants to identify the action points required for OSR generation by rural local bodies;

- ix. The trainers can make presentation covering the topic and then the session could be opened for discussion and experience sharing for conceptual clarity on the subject;
- x. The trainer should have positive attitude about the training, the participants and other co-facilitators;
- xi. The trainer may apply appropriate training techniques based on the participants' training needs and level of understanding;
- xii. Participants should be involved to share their experiences and expertise in regards to successful local revenue mobilization.

Guidelines for the Participants

1. The participant should actively participate and share his/her positive as well as negative experiences from field. This would help in formulation of better strategies in mobilizing OSR.
2. The participant needs to understand and appreciate the relevance of the sessions.
3. The participant may connect the points raised in the sessions to the prevailing conditions in the field.
4. The participant may share the concerns and doubts in general discussion. This would help him/her gain clarity and ensure identification of practical solutions in the augmentation of OSR.

Expected outcome of the proposed training at State, District, Block and GP level –

The following may be the expected outcome of the training programme:

- i. Sarpanch / Pradhan, Panchayat Secretary and Panchayat staff get oriented on the financial profile of Panchayats,
- ii. The knowledge & skills to the key Panchayat functionaries will be improved on augmenting OSR.
- iii. Panchayats get encouraged to explore the possible means for improvement in the augmentation of OSR.
- iv. The interface between Sarpanch and the Panchayat Secretary and villagers be improved in the matter of tax administration,
- v. Panchayats will be able to maintain their records and registers relating to OSR properly.

9.4 Creation of Awareness at Community level for OSR

Proper Communication with the Panchayat functionaries are very important for the augmentation of OSR. Since the objective of the trainer is to motivate and encourage Panchayat functionaries to raise OSR, the

first task of the trainer would be to make them aware about the need to augment OSR. Research studies indicate that Panchayats in many cases do not even make efforts to collect the legally authorised taxes. Therefore, there is a necessity to motivate the Sarpanch / Pradhans, Members of Finance Standing Committees and the functionaries of Panchayats to mobilize and manage their OSR. Proper communication brings change in a given practice from non-collection/ low collection of all or some of OSR to collection of high percentage of them. Sarpanch of Panchayat can essentially work with two variables, namely the tax and non-tax base and their rate to augment OSR. To optimize the potential collection of OSR following steps may be taken:

- i. Awareness:** There is need to ensure that the Panchayat functionaries know why Panchayats have been authorized to collect OSR. They need to get the bigger picture of the principle of fiscal decentralisation to create interest in them to generate and augment OSR for community development and better service delivery. The message should be delivered in a simple and clearer way by involving them in group discussion or group work.
- ii. Interest:** Panchayat functionaries must be interested in assessing and collecting OSR. If they realise that the locally generated revenue contributes to local development and bring recognition to them, then they will certainly drive the augmentation of OSR. Therefore, their interest may be created in OSR.
- iii. Knowledge:** It is very important that Sarpanch and Panchayat staff know about the process of assessment, levy and collection of OSR. They must have clear knowledge about how the demand is calculated and what mechanism to be followed for tax and non-tax administration and management. When they understand processes minutely, they will augment OSR.
- iv. Legitimization:** This aspect is related to the overall OSR policy adopted by Panchayats. If Panchayats put only legal mandate at the fore-front of the communication process with the citizen, then the chances are that they may defy or deny payments. If the citizens are sensitized about the benefits they get in terms of better service delivery and their development, the augmentation of OSR would improve.

9.5 Campaigning and Publicity for Augmenting OSR

Campaigning and publicity may be understood as specifically designed strategies that are carried out across several mediums with an intention to achieve certain desired targets. It helps in increasing awareness, thereby contribute in achieving the desired target of any endeavour. For augmentation of OSR by Panchayats too, campaigning and publicity are certainly expected to play a crucial role. To augment OSR by Panchayats, the following campaigning and publicity efforts may be made:

- (i) Campaigning and Publicity at Nation and State Levels:**
 - One of the major factors of lower OSR augmentation by Panchayats is limited knowledge and awareness about the very existence of such a provision and its benefits among people. Hence, publicity and campaigning about OSR in national and local daily newspapers would certainly help in building awareness among people about its benefits for common citizens.

- National Level Conference involving Panchayati Raj Ministers, Chief Secretaries and Principal Secretary, Panchayati Raj Department of State may be organised for highlighting the importance of augmentation of OSR by Panchayats. The Conference/Conclave may be organised by MoPR preferably at Delhi.
- Publicity and advertising about the benefits of paying taxes and revenues to local governments should also be carried out on local and national TV and radio. Small commercials about the importance of OSR can be aired through All India Radio, FM channels and community radio stations.

(ii) Campaigning and Publicity at District and Intermediate Panchayat (Mandal / Block / Taluka) Levels:

- At the district and intermediate Panchayat level, several campaigning and publicity activities can be organised with the aim at augmenting OSR. For instance, small films, short videos and snippets on best practices of the augmentation of OSR as well as community initiatives for OSR can be shared through social media and WhatsApp groups of concerned stakeholders such as Panchayat functionaries, elected representatives, civil society groups and citizen groups. If such groups are absent or limited, appropriate networking groups may be formed for easy and seamless communication within such groups.
- Workshops, conferences and orientation events can be organised at the district and Intermediate Panchayat levels for awareness building and information sharing regarding OSR and its benefits for Panchayats.
- Best practices regarding the augmentation of OSR should be documented and publicised within and across districts. Exposure visits to these best practising Panchayats, which have pioneered in OSR generation can be organised, which would provide an opportunity to learn the benefits of OSR from these unique initiatives.
- Debates and discussions on OSR generation may be organised in local colleges and universities for greater dissemination.

(iii) Campaigning and Publicity at GP Level:

- Campaigning and publicity about OSR at Gram Panchayat level would have a direct and crucial impact on the augmentation of OSR. GPs may arrange collection campaigns, which would provide impactful visibility to OSR collection at the local level and create a demonstration among households to remit taxes and non-tax revenues to Panchayats. They can organise campaigns to encourage online remittances to enhance OSR by Panchayats.
- Gram Panchayats may organise special Gram Sabha for awareness on OSR.
- GPs can publicise the augmentation of OSR at the local level through various media such as putting up hoardings, billboards, flex banners, wall paintings etc.

- Debates and discussions about the augmentation of OSR can be organised in local schools for wider dissemination of the OSR among children, through whom the message can pass on to parents.

9.6 Hand-holding Support to GPs for Augmentation of OSR

Hand-holding support to GPs can play an effective and crucial role in the augmentation of OSR, especially for those GPs, which have the potential for OSR, but have not been able to tap these opportunities due to lack of awareness, experience and capacities. GPs may be provided hand-holding support in the following manner:

- Exposure visits may be organised outside and inside the state for the exchange of ideas about the augmentation of OSR. Through exposure visits, the stakeholders may learn from best practices, which would enable GPs to augment their OSR demands. GPs can also learn how to create potential resources that may help them augment OSR from successful initiatives.
- The expertise and services of young fellows posted at the cluster level may be tapped and used to support the GPs to augment OSR at the local level. While creating model GP clusters, these young fellows can work with GP and provide handholding support to augment OSR.
- The local level trainers, young fellows posted at the cluster level, civil society groups along with SIRDs, ETCs and PRTIs may provide the following handholding support to the GPs for the augmentation of OSR:
 - Hand holding support to GP functionaries and representatives by providing them with enough information and skill required to augment OSR
 - Mobilisation of citizens, explaining the benefits of paying local taxes and other fees and encouraging them to augment OSR
 - Creating awareness among GP functionaries, representatives and citizens about the benefits of augmenting OSR
 - Sensitization campaign at the Gram Panchayat level
 - Ensuring involvement of SHGs for providing hand-holding support to elected representatives and functionaries
 - Conducting one-day workshops/orientation programmes to create awareness
 - Helping GPs to pass resolutions to achieve 100 % collection of OSR
 - Identifying sources for OSR and helping GPs to tap their potentials
 - Helping GPs to formulate and implement projects (such as SLRM, plastic shading units, plastic waste management units, vermin- compost units etc.), for augmenting OSR.

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Constitution of Expert Committee on Own Sources of Revenue (OSR) of Rural Local Bodies (RLBs)

M-11015/449//2020-FD

Government of India
Ministry of Panchayati Raj

11th Floor, Jeevan Prakash Building,
25 Kasturba Gandhi Marg, New Delhi-110001

Dated 13th May, 2022

Order

Subject: Constitution of the Expert Committee on Own Source Revenues (OSR) of Rural Local Bodies(RLBs).

Ministry of Panchayati Raj has felt a need to constitute an Expert Committee on Own Source Revenues (OSR) of Rural Local Bodies (RLBs) as under:

- | | |
|---|-------------------|
| i. Dr Bala Prasad, Special Secretary (Retd.), MoPR, Government of India | - Chairman |
| ii. Dr Manoj Panda, IEG Chair Professor | - Member |
| iii. Professor VN Alok, IIPA, New Delhi | - Member |
| iv. Dr Pratyusna Patnaik, Asst Professor, NIRDPR, Hyderabad | - Member |
| v. Dr Joy Elamon, Director General, KILA, Kerala | - Member |
| vi. Principal secretary PR, Government of Odisha | - Member |
| vii. Principal Secretary PR, Government of Assam | - Member |
| viii. Principal Secretary PR, Government of Maharashtra | - Member |
| ix. Joint Secretary, MoPR, Government of India | - Member Convenor |

2. The Task Force shall have the following terms of reference:

- To review the current status of Acts/ Rules/ Framework prevalent in the States for enablement of Own Source Revenue (OSR) Generation by Rural Local Bodies (RLBs)
- To suggest broad guidelines on which the State Finance Commissions (SFCs) can make recommendations for augmentation of OSR generation by RLBs
- To suggest specific strategies for augmentation of OSR levels of RLBs.

- To study best practices of OSR generation by RLBs and suggest suitable benchmarks.
- To prepare a broad roadmap for implementation by States / RLBs with specific targets and timelines towards augmentation of OSR of RLBs
- To make any other suggestions having bearing on the subject under consideration.

3. The Expert Committee will submit its report within 6 months.



(Tara Chandar)

Under Secretary to the Government of India.

To

1. All the members of the Expert Committee
2. Principal Secretaries/ ACS, Panchayati Raj Deptts of All States

Copy to:

1. PPS to SPR
2. PPS to AS(PR)
3. PS to JS(APN)
4. PS to EA

Addition of Committee Members

M-11015/449/2020-FD
Government of India
Ministry of Panchayati Raj

11th Floor, Jeevan Prakash Building,
25 Kasturba Gandhi Marg, New Delhi-110001
Dated 29th June, 2022

Order

Subject: - Constitution of the Expert Committee on Own Source Revenues (OSR) of Rural Local Bodies.

In continuation to the Order of even No. dated 13th May, 2022 on the above subject, (copy enclosed) the following members are also included in the Expert Committee with approval of Competent Authority.

- i. Shri Kartikeya Goyal, Director, Panchayati Raj, Government of Chhattisgarh
- ii. Dr. Ganesh Prasad, Deputy Director, SIRD, Mysuru, Karnataka
- iii. Ms. Pravina Chaudhary, Deputy Director, RD&PR, Government of Uttar Pradesh
- iv. Shri Rajendra Dhiwar, Sarpanch, Sipat Gram Panchayat, Chhattisgarh
- v. Smt Kiran Sharma, Pradhan, Chakmoh Gram Panchayat, Himachal Pradesh
- vi. Shri Atiyar Rahaman, Pradhan, Dhalhara Gram Panchayat, West Bengal


(Tara Chandar)

Under Secretary to the Government of India
Tel: 011-23753812

Encl:a/a

To

- 1.All the members of the Expert Committee
- 2.Principal Secretaries / ACS, Panchayati Raj Depts of All States

Copy to:

1. PPS to SPR
2. PPS to AS(PR)
3. PS to JS(APN)
4. PS to EA

Additional Item in Terms of Reference

M-11015/449/2020-FD
Government of India
Ministry of Panchayati Raj

11th Floor, Jeevan Prakash Building,
25 Kasturba Gandhi Marg, New Delhi-110001
Date: 19 October, 2022

Order

Subject: Constitution of the Expert Committee on Own Source Revenues (OSR) of Rural Local Bodies (RLBs).

In para 2 of the Order of even number dated 13th May, 2022 on the subject mentioned above (Copy enclosed), the following additional item is added to the Terms of References (ToR): -

To analyse and give specific recommendations for augmentation of OSR through new revenue sources in panchayats which are located in peri urban areas and near national and state highways with specific reference to:

- Leveraging monetarily facilities provided to builders of residential / commercial / industrial / logistical / facilities in their jurisdiction.
- Negotiating with private organisations, i.e. builder, industrialist, etc., regarding utilization of natural resources of respective panchayats.
 - o Getting monetary compensation on fixed and / or continuous basis for the utilization of natural resources by the above builders.
- The building society/ industrialist augmenting the social infrastructure of respective panchayats. Eg. sharing of schools / medical / recreational facilities.

This issues with the approval of the Competent Authority.



(K.S. Parthasarathi)

Under Secretary to the Government of India

To

1. All the members of the Expert Committee
2. Principal Secretaries/ ACS, Panchayati Raj Deptts of All States

Copy to:

1. PPS to SPR
2. PPS to AS(PR)
3. PS to JS(APN)
4. PS to EA

Annexure IV

Data Framework on OSR of Rural Local Bodies

1. Name of State:

- 1.1 Number of Gram Panchayat (GP) in the State/UT -
- 1.2 Number of Intermediate Panchayat (IP) in the State/UT -
- 1.3 Number of District Panchayat (DP) in the State/UT -

2. Grant on the Recommendation of Central Finance Commission (CFC)

(Rs. in Lakh)

Year	Number of GP with fund allocated from CFC	Total Fund allocated to GPs under CFC	Number of IP with fund allocated from CFC	Total Fund allocated to IPs under CFC	Number of DP with fund allocated from CFC	Total Fund allocated to DPs under CFC
2017-18			NA	NA	NA	NA
2018-19			NA	NA	NA	NA
2019-20			NA	NA	NA	NA
2020-21						
2021-22						

NA = Not Applicable as Fourteenth Finance commission had not recommended grant for the Intermediate and District Panchayat

3. Grant on the Recommendation of State/UT Finance Commission (SFC)

(Rs. in Lakh)

Year	Number of GP with fund allocated from SFC	Total GPs with fund allocated from SFC	Number of IP with fund allocated from SFC	Total Fund allocated to IPs under SFC	Number of DP with fund allocated from SFC	Total Fund allocated to DPs under SFC
2017-18						
2018-19						
2019-20						
2020-21						
2021-22						

A Status of Implementation of Recommendation regarding OSR of last SFC

Sl. No.	Recommendation of SFC Regarding OSR	Status of Approval of the Recommendation by State Gov.	Status of Implementation of Recommendation of SFC Regarding OSR

4. Collection of Own Source of Revenue(OSR)

(Rs. in Lakh)

	YearCollection of Tax						Collection of Non-tax Revenue					
	No. of GP collecting Tax	Total Tax collected by GP	No. of IP collecting Tax	Total Tax collected by IP	No. of DP collecting Tax	Total Tax collected by DP	No. of GP collecting Non TaxRev.	Total Non-tax Revenue collected by GPs	No. of IP collecting Non TaxRev.	Total Non-tax Revenue collected by IPs	No. of DP collecting Non TaxRev.	Total Non-tax Revenue collected by DPs
2017-18												
2018-19												
2019-20												
2020-21												
2021-22												

If there is difference between existing number of GP/IP/ DP and the same collecting Tax and non-tax Revenue, the reason may be specified in the Note below.

Note-

4.1 Demand, Collection and Balance of OSR

(Rs. in Lakh)

	YearDemand, Collection and Balance								
	Gram Panchayat			Intermediate Panchayat			District Panchayat		
	Demand	Collection	Balance	Demand	Collection	Balance	Demand	Collection	Balance
2017-18									
2018-19									
2019-20									
2020-21									
2021-22									

5. Existing Legal Provision in State Acts for Collection of Tax by Panchayats

Sl. No.	Name of Act	Provision in State Act for Tax for GP		Provision in State Act for Tax for IP		Provision in State Act for Tax for DP	
		Section	Provision	Section	Provision	Section	Provision

6. Existing Legal Provision in State Acts for Collection of Non-Tax Revenue by Panchayats

Sl. No.	Name of Act	Provision in State Act for Non-Tax for GP		Provision in State Act for Non-Tax for IP		Provision in State Act for Non-Tax for DP	
		Section	Provision	Section	Provision	Section	Provision

7. Existing Provisions and their Implementation of Different Type of Tax (Item wise)

7A As per Panchayati Raj Act(s) / Other Enabling Act(s)

Sl. No.	Name of Act with Year of Passing	Type of Taxes	Provision of Taxes for Panchayats mentioned in the Act			Whether the Tax provision is actually being implemented by Panchayats (Yes/No/Partially)		
			Gram Panchayats	Intermediate Panchayats	District Panchayats	Gram Panchayats	Intermediate Panchayats	District Panchayats

7 B Provisions made in the Rules for Tax

Sl. No.	Name of Act	Name of the Rules / Executive Instructions	Type of Tax	Provision in the Rules for the Tax			Whether the provision is actually being implemented by Panchayats (Yes/No/Partially)		
				Gram Panchayats	Intermediate Panchayats	District Panchayats	Gram Panchayats	Intermediate Panchayats	District Panchayats

8. Existing Provisions and their Implementation for Different Type of Non- Tax

8A. As per Panchayat Act(s) / Other Enabling Act(s)

Sl. No.	Name of Act/ Amendment along with Year of Passing	Type of Non-Taxes	Provision of Non-Taxes for Panchayats mentioned in the Act			Whether the Non-Tax provision is actually being implemented by Panchayats (Yes/No/Partially)		
			Gram Panchayats	Intermediate Panchayats	Gram Panchayats	Gram Panchayats	Intermediate Panchayats	District Panchayats

8 B Provisions made in the Rules for Non-Tax Revenue

Sl. No.	Name of Act/ Amendment	Name of the Rules / Executive Instructions enacted	Type of Non-Tax	Provision in the Rules for the Non-Tax			Whether the provision is actually being implemented by Panchayats (Yes/No/Partially)		
				Gram Panchayats	Intermediate Panchayats	District Panchayats	Gram Panchayats	Intermediate Panchayats	District Panchayats

9 Comparative Analysis of Collection of Taxes by Panchayats and Municipalities

(Rs. in Lakh)

Year	Total Tax collected by GP	Total Tax collected by IP	Total Tax collected by DP	Total Tax collected by Nagar Panchayat	Total Tax collected by Municipal Council	Total Tax collected by Municipal Corporation	Total Tax collected by Panchatyats	Total Tax collected by Municipalities
2017-18								
2018-19								
2019-20								
2020-21								
2021-22								

10. Comparative Analysis of Collection of Non-taxes Revenue by Panchayats and Municipalities

(Rs. in Lakh)

Year	Total Non-taxes Revenue collected by GP	Total Non-taxes Revenue collected by IP	Total Non-taxes Revenue collected by DP	Total Non-taxes Revenue collected by Nagar Panchayat	Total Non-taxes Revenue collected by Municipal Council	Total Non-taxes Revenue collected by Municipal Corporation	Total Non-taxes Revenue collected by Panchatyats	Total Non-taxes Revenue collected by Municipalities
2017-18								
2018-19								
2019-20								
2020-21								
2021-22								

11. Fund available with Panchayats

11A. Fund available with Gram Panchayats

(Rs. in Lakhs)

Sl. No.	Income	Revenue Collection				
		2017-18	2018-19	2019-20	2020-21	2021-22
1	Total Revenue from Taxes Collected by Intermediate Panchayats					
1.1	Property tax					
1.1.1	Tax on lands (lands not subject to agricultural assessment)					

Sl. No.	Income	Revenue Collection				
		2017-18	2018-19	2019-20	2020-21	2021-22
1.1.2	Tax on building – House tax* (inclusive of land appurtenant to such buildings)					
1.2	Profession tax					
1.3	Water Tax					
1.4	Tax on entertainment					
1.5	Tax on vehicles					
1.6	Advertisement Tax					
1.7	Stamp Duty					
1.8	Other taxes					
2	Total Revenue other than taxes (own non-tax revenue)					
2.1	Licence Fee					
2.2	Rent					
2.3	Permit Fee					
2.4	Registration Fee					
2.5	Other Fees					
2.6	Penalties and Fines					
2.7	User charges					
2.8	Income From Investment and Interest					
2.9	Sales and hire charges					
2.10	Market Receipts					
2.11	Royalties for minerals and others					
2.12	Others (pl. specify e.g. Remunerative Assets)					
3	Total (1+2)(Own Source Revenue)					
4	Total Fiscal Transfers					
4.1	Grants received on Recommendation of 14 th /15 th Central Finance Commission					
4.2	Grant received from State on recommendation of State Finance Commission (SFC)					
4.3	Other Grant received from State					
4.4	Revenue Share Received from State					
4.5	Revenue Share Received from Other Panchayat					
4.6	Grants for Staff salary					
4.7	Other grants from State (give detail)					
4.8	Receipts from Centrally Sponsored Schemes (CSS)					
4.9	Receipts from voluntary organizations/agencies					
4.10	Others (specify)					
5.	Total Revenue Receipts (3+4)					
6.	Percentage of Total Revenue Received for Intermediate Panchayats out of Receipts of all three tiers of Panchayats)					

11B Fund available with Intermediate Panchayats

(Rs. in Lakh)

Sl. No.	Income	Revenue Collection				
		2017-18	2018-19	2019-20	2020-21	2021-22
1	Total Revenue from Taxes Collected by Intermediate panchayats					
1.1	Property tax					
1.1.1	Tax on lands (lands not subject to agricultural assessment)					
1.1.2	Tax on building – House tax* (inclusive of land appurtenant to such buildings)					
1.2	Profession tax					
1.3	Water Tax					
1.4	Tax on entertainment					
1.5	Tax on vehicles					
1.6	Advertisement Tax					
1.7	Stamp Duty					
1.8	Other taxes					
2	Total Revenue other than taxes (own non-tax revenue)					
2.1	Licence Fee					
2.2	Rent					
2.3	Permit Fee					
2.4	Registration Fee					
2.5	Other Fees					
2.6	Penalties and Fines					
2.7	User charges					
2.8	Income From Investment and Interest					
2.9	Sales and hire charges					
2.10	Market Receipts					
2.11	Royalties for minerals and others					
2.12	Others (pl. specify e.g. Remunerative Assets)					
3	Total (1+2)(Own Source Revenue)					
4	Total Fiscal Transfers					
4.1	Grants received on Recommendation of 14 th /15 th Central Finance Commission					
4.2	Grant received from State on recommendation of State Finance Commission (SFC)					

Sl. No.	Income	Revenue Collection				
		2017-18	2018-19	2019-20	2020-21	2021-22
4.3	Other Grant received from State					
4.4	Revenue Share Received from State					
4.5	Revenue Share Received from Other Panchayat					
4.6	Grants for Staff salary					
4.7	Other grants from State (give detail)					
4.8	Receipts from Centrally Sponsored Schemes (CSS)					
4.9	Receipts from voluntary organizations/agencies					
4.10	Others (specify)					
5.	Total Revenue Receipts (3+4)					
6.	Percentage of Total Revenue Received for Intermediate Panchayats out of Receipts of all three tiers of Panchayats)					

11C. Fund available with District Panchayats

(Rs. in Lakh)

Sl. No.	Income	Revenue Collection				
		2017-18	2018-19	2019-20	2020-21	2021-22
1	Total Revenue from Taxes Collected by District Panchayats					
1.1	Property tax					
1.1.1	Tax on lands (lands not subject to agricultural assessment)					
1.1.2	Tax on building – House tax* (inclusive of land appurtenant to such buildings)					
1.2	Profession tax					
1.3	Water Tax					
1.4	Tax on entertainment					
1.5	Tax on vehicles					
1.6	Advertisement Tax					
1.7	Stamp Duty					
1.8	Other taxes					
2	Total Revenue other than taxes (own non-tax revenue)					
2.1	Licence Fee					
2.2	Rent					
2.3	Permit Fee					
2.4	Registration Fee					
2.5	Other Fees					

Sl. No.	Income	Revenue Collection				
		2017-18	2018-19	2019-20	2020-21	2021-22
2.6	Penalties and Fines					
2.7	User charges					
2.8	Income From Investment and Interest					
2.9	Sales and hire charges					
2.10	Market Receipts					
2.11	Royalties for minerals and others					
2.12	Others (pl. specify e.g. Remunerative Assets)					
3	Total (1+2)(Own Source Revenue)					
4	Total Fiscal Transfers					
4.1	Grants received on Recommendation of 14 th /15 th Central Finance Commission					
4.2	Grant received from State on recommendation of State Finance Commission (SFC)					
4.3	Other Grant received from State					
4.4	Revenue Share Received from State					
4.5	Revenue Share Received from Other Panchayat					
4.6	Grants for Staff salary					
4.7	Other grants from State (give detail)					
4.8	Receipts from Centrally Sponsored Schemes (CSS)					
4.9	Receipts from voluntary organizations/agencies					
4.10	Others (specify)					
5.	Total Revenue Receipts (3+4)					
6.	Percentage of Total Revenue Received for District Panchayats out of Receipts of all three tiers of Panchayats)					

12. Expenditure of Panchayats in the State

12 A. Expenditure of Gram Panchayats

(Rs. in Lakh)

Sl.No	Expenditure	2019-20	2020-21	2021-22
1	Establishment:			
1.1	Salaries paid by the State Government to core staff of Panchayat			
1.2	Salaries paid by the Panchayat to other staff			
1.3	Salaries of departmental staff			
1.4	Pension etc. for employees			
1.5	Honorarium to Panchayat members			
1.6	Any other (pl. specify)			

Sl.No	Expenditure	2019-20	2020-21	2021-22
2	Operations & Maintenance:			
2.1	Buildings and community assets			
2.2	Rural roads			
2.3	Water supply and sanitation			
2.4	Any other expenses			
3	Welfare and Developmental Expenditure:			
3.1	Expenditure on Centrally Sponsored Schemes			
3.2	State schemes expenditure			
3.3	Any other Welfare and Developmental Expenditure (pl. specify)			
4	Any other Current Expenditure			
5.	Total Current Expenditure (1 to 4)			
6	Capital Expenditure			
7	Contingencies			
8	Miscellaneous Expenditure (specify)			
9	Others (pl. specify)			
10	Total Expenditure of Gram Panchayats			
11	Percentage of total expenditure incurred by Gram Panchayats out of total expenditure of all three tiers of Panchayats			

12B. Expenditure of Intermediate Panchayats

(Rs.in Lakh)

Sl.No	Expenditure	2019-20	2020-21	2021-22
1	Establishment:			
1.1	Salaries paid by the State Government to core staff of Panchayat			
1.2	Salaries paid by the Panchayat to other staff			
1.3	Salaries of departmental staff			
1.4	Pension etc. for employees			
1.5	Honorarium to Panchayat members			
1.6	Any other (pl. specify)			
2	Operations & Maintenance:			
2.1	Buildings and community assets			
2.2	Rural roads			
2.3	Water supply and sanitation			
2.4	Any other expenses			
3	Welfare and Developmental Expenditure:			
3.1	Expenditure on Centrally Sponsored Schemes			
3.2	State schemes expenditure			
3.3	Any other Welfare and Developmental Expenditure (pl. specify)			

Sl.No	Expenditure	2019-20	2020-21	2021-22
4	Any other Current Expenditure			
5.	Total Current Expenditure (1 to 4)			
6	Capital Expenditure			
7	Contingencies			
8	Miscellaneous Expenditure (specify)			
9	Others (pl. specify)			
10	Total Expenditure of Intermediate Panchayats			
11	Percentage of total expenditure incurred by Intermediate Panchayats out of total expenditure of all three tiers of Panchayats			

12C. Expenditure of District Panchayats

(Rs.in Lakh)

Sl.No	Expenditure	2019-20	2020-21	2021-22
1	Establishment:			
1.1	Salaries paid by the State Government to core staff of Panchayat			
1.2	Salaries paid by the Panchayat to other staff			
1.3	Salaries of departmental staff			
1.4	Pension etc. for employees			
1.5	Honorarium to Panchayat members			
1.6	Any other (pl. specify)			
2	Operations & Maintenance:			
2.1	Buildings and community assets			
2.2	Rural roads			
2.3	Water supply and sanitation			
2.4	Any other expenses			
3	Welfare and Developmental Expenditure:			
3.1	Expenditure on Centrally Sponsored Schemes			
3.2	State schemes expenditure			
3.3	Any other Welfare and Developmental Expenditure (pl. specify)			
4	Any other Current Expenditure			
5.	Total Current Expenditure (1 to 4)			
6	Capital Expenditure			
7	Contingencies			
8	Miscellaneous Expenditure (specify)			
9	Others (pl. specify)			
10	Total Expenditure of District Panchayats			
11	Percentage of total expenditure incurred by District Panchayats out of total expenditure of all three tiers of Panchayats			

13. Accounting and Audit

S.No	Particulars			
1	Does the State law have provisions related to maintenance of accounts and audit of Panchayats (Yes/No)			
2	Please state recent guidelines and other initiatives introduced since April 2020 in this regard(Yes/No)			
3	Whether Budget & Account format for Panchayats as prescribed by C&AG is followed? (Yes/No)			
	If yes, in which year it was introduced?			
4	Are the following documents for 2020-21 of Panchayats available on internet? Please tick			
	Budget Proposals			
	Accounts Statements			
	Audited Accounts			
	Annual Performance Report			
	If yes, specify the website, where accounts of Panchayats are available?			
	If not, what are the actions taken to make it online?			
5	How many Panchayats have disclosed Account Statement for 2020-21 online by 30.6.2022? (Please give numbers)	Gram Panchayat	Intermediate Panchayat	District Panchayat
6	Who undertook the process of updating accounts online? (Own Staff/Outsourced)			
7	Number of Panchayats audited in the fiscal year 2020-21:			
8	Are the Consolidated Audit Reports of Panchayats for 2020-21 placed in State Assembly? (Yes/No)			
9	Has the State developed a Financial Database of 2020-21 for revenue and expenditure of Panchayats? (Yes/No)			
	If yes, how many Panchayats are included in such data? (Please give numbers)			
10	Are there trained staffs for upkeep of accounts at the GP level?			

S.No	Particulars			
11	How many Panchayats have been audited by the different agencies for 2020-21?	Gram Panchayat	Intermediate Panchayat	District Panchayat
	C&AG			
	Local Fund Audit			
	Others (Specify)			

14. Suggestions for Enhancement of Tax Revenue of Panchayat

15 Suggestion for Enhancement of Non Tax Revenue of Panchayats



Panchayati Raj

Framework for Collection of Data of Panchayats for State Finance Commission

1. Revenue of Rural Local Bodies

Information to be collected for the District Panchayats, Intermediate Panchayats, and Gram Panchayats separately for last 5 years

A. Own Revenue.

1. Tax Revenue

- a. Taxes on Buildings, and Land, other than agricultural land
- b. Taxes on vehicles, other than motor vehicles
- c. Entertainment tax, other than under the Cinematograph Act
- d. Pilgrim Tax\
- e. Profession Tax
- f. Service Tax
- g. Any Other Tax (Specify)

2. Non-Tax Revenue

- a. User Charges
- b. Fees
 - A. Licence Fee
 - B. Registration Fee
 - C. Any Other Fee (Specify)
- c. Royalty from Minor Minerals
- d. Interest
- e. Dividend
- f. Income From Property
- g. Receipt from Transferred Institutions
- h. Other Income

B. Transfers from the State

- a. Assigned taxes
- b. Share in State Taxes
- c. Unconditional grants
- d. Special Purpose Grants
 - i.

- ii.
 - iii.
 - e. Grants for Agency Functions
 - f. Grants from Finance Commission
- C. Grants from the Central Government
- a. Centrally Sponsored Schemes
 - i.
 - ii.
 - iii.
 - b. Central Sector Schemes
 - i.
 - ii.
 - iii.
 - c. Other Schemes and Programmes.
- D. Capital Receipts
- a. Borrowings
 - b. Bonds.
 - c. Other Debt Receipts
- E. Miscellaneous Receipts
- a. Aids and Donations
 - b. Other Receipts

3. Expenditure of the Rural Local Bodies from OSR

Information to be collected for District Panchayats, Intermediate Panchayats, and Gram Panchayats separately

- A. Administrative Expenditure.
- a. Salary/Honoraria of Sarpancha and Panchas
 - b. Salary of Secretary and other staff
 - c. Expenditure on traveling allowance of Sarpancha and Panchas
 - d. Expenditure on Travel of Secretary and other staff
 - e. Expenditure on medical reimbursement etc.
 - f. Audit Fee
 - g. Expenditure on Unforeseen Items (Seminar/ Relief Funds etc)
 - h. Contingent Expenditure

- B. Expenditure on Civic Services**
 - a. Water Supply
 - b. Sanitation
 - c. Street Lighting
 - d. Solid Waste Disposal
 - e. Public Health

- C. Expenditure on Maintenance of Common Property Resources**
 - a. Parks
 - b. Grazing grounds
 - c. Hats/Bazaars
 - d. Cremation grounds/graveyards
 - e. Village Roads
 - f. Village Ponds/Wells
 - g. Village Forests/Orchards/Tree Plantations
 - h. Public Buildings

- D. Expenditure on Interest on Borrowings from**
 - a. State Government
 - b. Central Government
 - c. Financial Institutions

- E. Capital Expenditure**
 - a.
 - b.
 - c.

4. Borrowings of the Rural local Bodies

Information to be collected separately for District Panchayats, Intermediate Panchayats, and Gram Panchayats separately

5 Comparative Analysis of Collection of Taxes by Panchayats and Municipalities

(Rs. in Lakh)

Year	Total Tax collected by GP	Total Tax collected by IP	Total Tax collected by DP	Total Tax collected by Nagar Panchayat	Total Tax collected by Municipal Council	Total Tax collected by Municipal Corporation	Total Tax collected by Panchayats	Total Tax collected by Municipalities
2017-18								
2018-19								
2019-20								
2020-21								
2021-22								

6. Comparative Analysis of Collection of Non-taxes Revenue by Panchayats and Municipalities

(Rs. in Lakh)

Year	Total Non-Taxes Revenue collected by GP	Total Non-Taxes Revenue collected by IP	Total Non-Taxes Revenue collected by DP	Total Non-Taxes Revenue collected by Nagar Panchayat	Total Non-Taxes Revenue collected by Municipal Council	Total Non-Taxes Revenue collected by Municipal Corporation	Total Non-Taxes Revenue collected by Panchayats	Total Non-Taxes Revenue collected by Municipalities
2017-18								
2018-19								
2019-20								
2020-21								
2021-22								

7. Fund available with Panchayats

7.1 Fund available with Gram Panchayats

(Rs. in Lakhs)

Sl. No.	Income	Revenue Collection				
		2017-18	2018-19	2019-20	2020-21	2021-22
1	Total Revenue from Taxes Collected by Intermediate Panchayats					
1.1	Property tax					
1.1.1	Tax on lands (lands not subject to agricultural assessment)					
1.1.2	Tax on building – House tax* (inclusive of land appurtenant to such buildings)					
1.2	Profession tax					
1.3	Water Tax					
1.4	Tax on entertainment					
1.5	Tax on vehicles					
1.6	Advertisement Tax					
1.7	Stamp Duty					
1.8	Other taxes					
2	Total Revenue other than taxes (own non-tax revenue)					
2.1	Licence Fee					
2.2	Rent					
2.3	Permit Fee					
2.4	Registration Fee					
2.5	Other Fees					
2.6	Penalties and Fines					
2.7	User charges					
2.8	Income From Investment and Interest					
2.9	Sales and hire charges					
2.10	Market Receipts					
2.11	Royalties for minerals and others					
2.12	Others (pl. specify e.g. Remunerative Assets)					
3	Total (1+2)(Own Source Revenue)					

Sl. No.	Income	Revenue Collection				
		2017-18	2018-19	2019-20	2020-21	2021-22
4	Total Fiscal Transfers					
4.1	Grants received on Recommendation of 14 th /15 th Central Finance Commission					
4.2	Grant received from State on recommendation of State Finance Commission (SFC)					
4.3	Other Grant received from State					
4.4	Revenue Share Received from State					
4.5	Revenue Share Received from Other Panchayat					
4.6	Grants for Staff salary					
4.7	Other grants from State (give detail)					
4.8	Receipts from Centrally Sponsored Schemes (CSS)					
4.9	Receipts from voluntary organizations/ agencies					
4.10	Others (specify)					
5.	Total Revenue Receipts (3+4)					
6.	Percentage of Total Revenue Received for Intermediate Panchayats out of Receipts of all three tiers of Panchayats)					

7.2. Fund available with Intermediate Panchayats

(Rs. in Lakh)

Sl. No.	Income	Revenue Collection				
		2017-18	2018-19	2019-20	2020-21	2021-22
1	Total Revenue from Taxes Collected by Intermediate Panchayats					
1.1	Property tax					
1.1.1	Tax on lands (lands not subject to agricultural assessment)					
1.1.2	Tax on building – House tax* (inclusive of land appurtenant to such buildings)					
1.2	Profession tax					
1.3	Water Tax					

Sl. No.	Income	Revenue Collection				
		2017-18	2018-19	2019-20	2020-21	2021-22
1.4	Tax on entertainment					
1.5	Tax on vehicles					
1.6	Advertisement Tax					
1.7	Stamp Duty					
1.8	Other taxes					
2	Total Revenue other than taxes (own non-tax revenue)					
2.1	Licence Fee					
2.2	Rent					
2.3	Permit Fee					
2.4	Registration Fee					
2.5	Other Fees					
2.6	Penalties and Fines					
2.7	User charges					
2.8	Income From Investment and Interest					
2.9	Sales and hire charges					
2.10	Market Receipts					
2.11	Royalties for minerals and others					
2.12	Others (pl. specify e.g. Remunerative Assets)					
3	Total (1+2)(Own Source Revenue)					
4	Total Fiscal Transfers					
4.1	Grants received on Recommendation of 14 th /15 th Central Finance Commission					
4.2	Grant received from State on recommendation of State Finance Commission (SFC)					
4.3	Other Grant received from State					
4.4	Revenue Share Received from State					
4.5	Revenue Share Received from Other Panchayat					
4.6	Grants for Staff salary					
4.7	Other grants from State (give detail)					
4.8	Receipts from Centrally Sponsored Schemes (CSS)					

Sl. No.	Income	Revenue Collection				
		2017-18	2018-19	2019-20	2020-21	2021-22
4.9	Receipts from voluntary organizations/ agencies					
4.10	Others (specify)					
5.	Total Revenue Receipts (3+4)					
6.	Percentage of Total Revenue Received for Intermediate Panchayats out of Receipts of all three tiers of Panchayats)					

7.3 Fund available with District Panchayats

(Rs. in Lakh)

Sl. No.	Income	Revenue Collection				
		2017-18	2018-19	2019-20	2020-21	2021-22
1	Total Revenue from Taxes Collected by District Panchayats					
1.1	Property tax					
1.1.1	<i>Tax on lands</i> (lands not subject to agricultural assessment)					
1.1.2	Tax on building – House tax* (inclusive of land appurtenant to such buildings)					
1.2	Profession tax					
1.3	Water Tax					
1.4	Tax on entertainment					
1.5	Tax on vehicles					
1.6	Advertisement Tax					
1.7	Stamp Duty					
1.8	Other taxes					
2	Total Revenue other than taxes (own non-tax revenue)					
2.1	Licence Fee					
2.2	Rent					
2.3	Permit Fee					
2.4	Registration Fee					
2.5	Other Fees					
2.6	Penalties and Fines					

Sl. No.	Income	Revenue Collection				
		2017-18	2018-19	2019-20	2020-21	2021-22
2.7	User charges					
2.8	Income From Investment and Interest					
2.9	Sales and hire charges					
2.10	Market Receipts					
2.11	Royalties for minerals and others					
2.12	Others (pl. specify e.g. Remunerative Assets)					
3	Total (1+2)(Own Source Revenue)					
4	Total Fiscal Transfers					
4.1	Grants received on Recommendation of 14 th /15 th Central Finance Commission					
4.2	Grant received from State on recommendation of State Finance Commission (SFC)					
4.3	Other Grant received from State					
4.4	Revenue Share Received from State					
4.5	Revenue Share Received from Other Panchayat					
4.6	Grants for Staff salary					
4.7	Other grants from State (give detail)					
4.8	Receipts from Centrally Sponsored Schemes (CSS)					
4.9	Receipts from voluntary organizations/ agencies					
4.10	Others (specify)					
5.	Total Revenue Receipts (3+4)					
6.	Percentage of Total Revenue Received for District Panchayats out of Receipts of all three tiers of Panchayats)					

8. Expenditure of OSR by each tier of Panchayats in the State

8.1 Expenditure of OSR by Gram Panchayats

(Rs. in Lakh)

Sl. No.	Expenditure	2019-20	2020-21	2021-22
1	Establishment:			
1.1	Salaries paid by the State Government to core staff of Panchayat			
1.2	Salaries paid by the Panchayat to other staff			
1.3	Salaries of departmental staff			
1.4	Pension etc. for employees			
1.5	Honorarium to Panchayat members			
1.6	Any other (pl. specify)			
2	Operations & Maintenance:			
2.1	Buildings and community assets			
2.2	Rural roads			
2.3	Water supply and sanitation			
2.4	Any other expenses			
3	Welfare and Developmental Expenditure:			
3.1	Expenditure on Centrally Sponsored Schemes			
3.2	State schemes expenditure			
3.3	Any other Welfare and Developmental Expenditure (pl. specify)			
4	Any other Current Expenditure			
5.	Total Current Expenditure (1 to 4)			
6	Capital Expenditure			
7	Contingencies			
8	Miscellaneous Expenditure (specify)			
9	Others (pl. specify)			
10	Total Expenditure of Gram Panchayats			
11	Percentage of total expenditure incurred by Gram Panchayats out of total expenditure of all three tiers of Panchayats			

8.2 Expenditure of OSR by Intermediate Panchayats

(Rs.in Lakhs)

Sl. No.	Expenditure	2019-20	2020-21	2021-22
1	Establishment:			
1.1	Salaries paid by the State Government to core staff of Panchayat			
1.2	Salaries paid by the Panchayat to other staff			
1.3	Salaries of departmental staff			
1.4	Pension etc. for employees			
1.5	Honorarium to Panchayat members			
1.6	Any other (pl. specify)			
2	Operations & Maintenance:			
2.1	Buildings and community assets			
2.2	Rural roads			
2.3	Water supply and sanitation			
2.4	Any other expenses			
3	Welfare and Developmental Expenditure:			
3.1	Expenditure on Centrally Sponsored Schemes			
3.2	State schemes expenditure			
3.3	Any other Welfare and Developmental Expenditure (pl. specify)			
4	Any other Current Expenditure			
5	Total Current Expenditure (1 to 4)			
6	Capital Expenditure			
7	Contingencies			
8	Miscellaneous Expenditure (specify)			
9	Others (pl. specify)			
10	Total Expenditure of Intermediate Panchayats			
11	Percentage of total expenditure incurred by Intermediate Panchayats out of total expenditure of all three tiers of Panchayats			

8.3 Expenditure of OSR by District Panchayats

(Rs.in Lakhs)

Sl. No.	Expenditure	2019-20	2020-21	2021-22
1	Establishment:			
1.1	Salaries paid by the State Government to core staff of Panchayat			
1.2	Salaries paid by the Panchayat to other staff			
1.3	Salaries of departmental staff			
1.4	Pension etc. for employees			
1.5	Honorarium to Panchayat members			
1.6	Any other (pl. specify)			
2	Operations & Maintenance:			
2.1	Buildings and community assets			
2.2	Rural roads			
2.3	Water supply and sanitation			
2.4	Any other expenses			
3	Welfare and Developmental Expenditure:			
3.1	Expenditure on Centrally Sponsored Schemes			
3.2	State schemes expenditure			
3.3	Any other Welfare and Developmental Expenditure (pl. specify)			
4	Any other Current Expenditure			
5.	Total Current Expenditure (1 to 4)			
6	Capital Expenditure			
7	Contingencies			
8	Miscellaneous Expenditure (specify)			
9	Others (pl. specify)			
10	Total Expenditure of District Panchayats			
11	Percentage of total expenditure incurred by District Panchayats out of total expenditure of all three tiers of Panchayats			

Template for Reports of the State Finance Commission

Chapter I Introduction

- a. Constitution of the Commission
- b. Terms of Reference
- c. Design of the Report

Chapter II Approach and Issues

Chapter III Status of Implementation of Previous State Finance Commission Recommendations

- a. Action Taken on Recommendations Relating to Devolution of Finances
- b. Action Taken on Other Recommendations

Chapter IV State Finances(review over a period of 5 years)

- a. Critical Analysis of State Finances
- b. Impact of Implementation of Recommendations of Previous State Finance Commission on State and Local Finances
- c. Direct Transfers to Local Bodies(LBs) by State Governments as well as line departments; Nature and Size of Transfers; Actual Outgo to LBs
- d. Direct Absorption by States of Local Body Expenditures (Salaries, Pensions and Other Liabilities)
- e. Guarantees Provided by State Governments on Behalf of LBs

Chapter V Review of the Status of Decentralised Governance and Devolution (separately for rural and urban local bodies)

- a. Functional Devolution and Activity Mapping
Progress towards the delegation envisaged in Articles 243 G and 243 W : this may be assessed (a) in terms of formal notifications issued (b) linked to financial transfers as outlined in Section C of Chapter IV
- b. Financial Accountability
Quality of accounts maintained, whether technical guidance and supervision of C&AG has been availed, audit arrangements in place, status of audit of accounts and disposal of audit objections

- c. Administrative Issues
- d. Role of Parastatals in Managing Functions Listed in XIth and XIIth Schedules and Linkages Between them and the Respective Local Bodies

Chapter VI Assessment of the Physical Services Provided by the Local Bodies – Level of Services – Availability, Access, Coverage and Quality

- a. A Quantitative Estimate of Service Deficits with a Brief Account of the Reasons for the Deficit
- b. An Inventory of Assets; Current Use and Valuation
- c. Basic Services to Slum Settlements; Availability, Coverage, Access, Quality

Chapter VII Assessment of Finances of PRIs

(To be done for Zilla Panchayats, Block Panchayats, and Gram Panchayats separately)

Analysis of all revenue sources in terms of trends, performance and efficiency as well as estimates of untapped tax potential to be provided

- A. Revenue
 - i. Tax Revenue
 - a. Taxes on Buildings and Land
 - b. Taxes on Non-motorized Vehicles
 - c. Taxes on Advertisements and Hoardings
 - d. Pilgrim Tax
 - e. Entertainment Tax
 - f. Other
 - g. Unrealised Revenue(accrual basis)
 - ii. Non-Tax Revenue
 - a. User Charges
 - b. Fees
 - c. Royalty on Minor Minerals
 - d. Dividend
 - e. Interest
 - f. Other
- B. Transfers from State Government

Trend analysis as well as a description of the nature of the transfers to be provided. Also criteria for estimating transfers including grants

- a. Assigned Taxes
- b. Share in State Taxes
- c. General Purpose Grants
- d. Special Purpose Grants
- e. Transfers for Agency Functions
- C. Transfers from the Central Government
 - a. Finance Commission Grants and impact - whether such flows were an additionality to State Government flows.
 - b. Agency Functions
- D. Capital Account Receipts & Debt Status
- E. Expenditure on Revenue Account

Expenditure analysis; component of regulatory and enforcement expenditures, operations and maintenance costs, interest payments and expenditure on services in weaker section areas/slum settlement including area improvement/slum improvement and upgrading and adequacy of such expenditures

- a. Administration
- b. Civic Functions
 - i. Water Supply
 - ii. Street Lighting
 - iii. Sanitation
 - iv. Solid Waste Disposal
- c. Expenditure on Maintenance of Community Assets
- d. Expenditure on Schemes Assigned by the State Government
- e. Expenditure on Schemes Assigned by the Central Government
- f. Expenditure of Interest.
- F. Expenditure incurred directly by State Government on behalf of Local Bodies (Salaries, Pensions and other liabilities wherever applicable)
- G. Deferred Expenditure - including unpaid bills, Annuity payments
- H. Capital Expenditure
- I. Net Budgetary Position
- J. Review of Fiscal and Financial Management

Chapter VIII Assessment of Finances of Urban Local Bodies

(To be done for Nagar Panchayats, Municipal Council, and Municipal Corporation separately)
Analysis of all revenue sources in terms of trends, performance and efficiency as well as estimates of untapped tax potential to be provided

A. Revenue

i. Tax Revenue

Receipts from all sources to be analyzed with respect to trend, performance and efficiency. Estimates of untapped potential to be provided.

- a. Taxes on Buildings and Land
- b. Taxes on Non-motorized Vehicles
- c. Taxes on Advertisements and Hoardings
- d. Pilgrim Tax
- e. Entertainment Tax
- f. Any Other Tax
- g. Unrealised Revenue (Accrual Basis)

ii. Non-Tax Revenue

Receipts from all sources to be analyzed with respect to trend, performance and efficiency. Estimates of untapped potential to be provided

- a. User Charges
- b. Fees
- c. Royalty on Minor Minerals
- d. Dividend
- e. Interest
- f. Other

B. Transfers from State Government

Trend analysis as well as a description of the nature of the transfers to be provided. Also criteria for estimating transfers including grants

- a. Assigned Taxes
- b. Share in State Taxes
- c. General Purpose Grants
- d. Special Purpose Grants
- e. Transfers for Agency Functions

- C. Transfers from the Central Government
 - a. Finance Commission Grants and Impact - whether such flows were an additionality to State Government flows
 - b. Agency Functions
- D. Capital Account Receipts & Debt Status
 - a. Sources of Receipts eg Loans from State Government, Development Institutions, Market Borrowings, Schematic Transfers, JNNURM, Other ACA etc
 - b. Trend of Such Receipts
 - c. Purpose of Such Receipts
- E. Expenditure on Revenue Account

Expenditure analysis; component of regulatory and enforcement expenditures, operations and maintenance costs, interest payments and expenditure on services in weaker section areas/ slum settlements including area improvement/slum improvement and upgrading and adequacy of such expenditures

 - a. Administration
 - b. Civic Functions
 - i. Water Supply
 - ii. Street Lighting
 - iii. Sanitation
 - iv. Solid Waste Disposal
 - c. Expenditure on Maintenance of Community Assets
 - d. Expenditure on Schemes Assigned by the State Government
 - e. Expenditure on Schemes Assigned by the Central Government
 - f. Expenditure on Interest
- F. Expenditure Incurred Directly by State Government on Behalf of Local Bodies (Salaries, Pensions and Other Liabilities Wherever Applicable)
- G. Deferred Expenditure – Including Unpaid Bills, Annuity Payments,
- H. Capital Expenditure
- I. Net Budgetary Position
- J. Review of Fiscal and Financial Management

Chapter IX Recording of best practices

- A. Rural Local Bodies

- a. Zilla Panchayats
- b. Block Panchayats
- c. Gram Panchayats
- B. Urban Local Bodies
 - a. Municipal Corporations
 - b. Municipal Councils
 - c. Nagar Panchayats

Chapter X Assessment of the Gap in Financial Resources and Scheme of Devolution

A. Assessment of the Gap

Normative adjustments made as well as assumptions for the same, population projections for the reference period, functional domain and norms for services, financial norms for services, volume of financial requirements for five years

- a. Rural Local Bodies
 - i. Zilla Panchayats
 - ii. Block Panchayats
 - iii. Gram Panchayats
- b. Urban Local Bodies
 - i. Nagar Panchayats
 - ii. Municipal Councils
 - iii. Municipal Corporations
- B. Strategy for Bridging Normative Vertical Gap
 - i. *Approach to tax and non tax domain – how can tax and non tax revenue collection efficiency be improved? What incentives should be put in place? How much more can be mobilised by better application of the existing tax domain?*
 - ii. Other Approaches – Market; PPP etc
- C. Scheme of Devolution
 - a. Assigned Taxes
 - b. Share in State Taxes
 - c. Share of the PRIs and Inter se Distribution
 - d. Share of the ULBs and Inter se Distribution
 - e. Grants-in-aid : Specific Purpose or General Purpose; Timing; Conditionality

Chapter XI General Observations and Concluding Remarks

- a. Implementation Strategy
 - i. Improving Data Bases
 - ii. Capacity Building and Training
 - iii. Computerisation and E-Governance
 - iv. Suggestions for the National Finance Commission

Chapter XII Monitoring & Evaluation System

Whether local bodies have in place a framework to monitor the levels of service provided by them in their jurisdiction in comparison to the minimum standards notified.

Chapter XIII Summary of Recommendations



Panchayati Raj



सत्यमेव जयते



Ministry of Panchayati Raj
Governments of India