CHAPTER-V

RURAL LOCAL SELF-GOVERNANCE TAXATION

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Having discussed the evolution of local taxation in India and profile of the study units and study area in the previous chapters, an attempt is made in the present chapter to discuss the general rules and procedures for levying the taxes in the rural local self-government. As better levy methods and collection procedures improve the tax revenue of the local bodies and proper assessments enhance the tax base, this chapter focuses on the Karnataka Panchayat Raj (Gram Panchayat taxes and fees) Rules, 1994, and the details of finances of PRIs in Karnataka and resources of GPs.

5.1 Introduction

Karnataka has been a pioneering state in establishing and supporting Panchayat Raj Institutions; it had embarked upon a unique two-tier system of decentralized local governance through Zilla Parishads and Mandal Panchayats. The initiative of Karnataka in 1987 was a first in decentralization reforms with a central theme being the creation of strong district level local governments. Karnataka transferred all the district sector plan schemes to these institutions which were being implemented by the respective line departments of state government. GOK has devolved all the functions laid down in the Eleventh Schedule of the Constitution to incorporate in Karnataka Panchayat Raj Act, 1993. These functions consist of many schemes and programmes related to social and economic sectors. There are three methods of inter-governmental transfers from the higher level government to the lower level government in the State of Karnataka. These are:

1. Assignment of taxes, fees and user charges to GPs
2. Block grants to GPs.
3. Specific purpose grants to ZPs, TPs and GPs

The 73rd Amendment to the Constitution of India in the year 1992 made it mandatory upon all the States to establish Panchayat Raj System. An already well established Panchayat Raj System in the State of Karnataka made it easy for the State to adopt the provisions enshrined in the Articles 243 to 243(O) of the Constitution. Karnataka,
which had enacted legislation in the year 1983 to assign large number of functions to the different tiers of Panchayats passed a new Panchayat Raj Act in 1993 and duly incorporated all the provisions of 73rd Amendement Act. A three tier Panchayat Raj System viz., Grama Panchayat at the village level, Taluk Panchayat at the taluk level and Zilla Panchayat at the district level was created as per the provisions of the new “Karnataka Panchayat Raj Act 1993”.

5.2 Finances of Panchayat Raj Institutions in Karnataka

As per the Karnataka Panchayat Raj Act 1993, the State government has assigned 30 specific subjects to Grama Panchayats, 27 to Taluk Panchayats and 28 to Zilla Panchayats, comprising of numerous schemes and programmes for economic development and social justice, as listed in the Eleventh Schedule of Constituition. Although the 73rd Amendment Act does not specify which tier of Panchayat Raj should perform which function, Karnataka has taken right measures to assign specific functions and roles to each tier and has also done a detailed activity mapping of the functions assigned. Finances and functionaries should follow the functions transferred in order to realize the impact of decentralisation and empowerment of rural people. The finances of Panchayat Raj Institutions in Karnataka consist of mainly transfer of funds for specific purpose from State as well as Central governments and local revenue mobilization by way of power to levy certain taxes, fees and rates. As per the provisions of Karnataka Panchayat Raj Act 1993, the Grama Panchayats in Karnataka are empowered to have independent source of revenue in addition to the specific purpose grants which they receive from State and Central governments. Whereas, the Zilla Panchayats and Taluk Panchayats do not have independent sources of revenue, instead they depend for finances on devolution of funds from the State and Central governments. The Karnataka Panchayat Raj Act 1993 has the following provisions pertaining to financial powers of Panchayat Raj Institutions in Karnataka;

1. Section 199 empowers Grama Panchayats to levy tax on buildings and lands which are not subject to agricultural assessment, levy water rate for supply of
water for drinking and other purposes, levy tax on entertainment other than cinematography shows, levy tax on vehicles other than motor vehicles, levy tax on advertisement and hoarding, levy pilgrim fee on persons attending the jatras, festivals etc. levy market fee, levy fee on registration of cattle, levy fee on buses, taxies and auto-stands and levy fee on grazing cattle in the grazing lands.

2. Section 202 provides Grama Panchayats to levy tax on factory/industry.

3. Section 204 provides for levy of local cess on the land revenue by the government whose proceeds shall be passed on to the Grama Panchayats.

4. Section 205 provides for the levy of duty on transfer of immovable properties in the form of surcharge at the rate of three percent of the duty imposed by the Karnataka Stamp Act, 1957 on instruments of sale, etc., situated within the limits of the area of Taluk Panchayat. The entire amount collected shall be passed on to the Taluk Panchayats in the State in proportion to the population of the taluk.

5. Section 206 stipulated that the Government shall make annually a grant of rupees not less than five lakhs to each Grama Panchayat which shall be utilized for meeting the electricity charges, maintenance of water supply schemes, sanitation and other welfare activities.

6. Section 207 specifies that the Government shall make a grant to every Taluk Panchayat and Zilla Panchayat to cover the expenses of the establishment.

7. Section 208 states that the Government may make discretionary grant to Grama Panchayats, Taluk Panchayats and Zilla Panchayats.

8. Sections 214, 220 and 229 empower the three tiers of Panchayat Raj Institutions in Karnataka to raise loans and form a sinking fund with the previous sanction of the Government and subject to conditions imposed by it from time to time.
9. Sections 221 and 228 state that the Taluk Panchayat and Zilla Panchayat may charge fee for any license or permission issued by them and levy rent and fee for the occupation or use of land or other property placed under their control.

5.2.1 Resources of Gram Panchayats

In Karnataka, the GPs are empowered to have independent source of revenue in addition to the specific purpose grants which the central and State Governments transfer to them. Income from collection of tax, cess, fees et cetra: Government grants and scheme bound funds are the resources of GPs. The State has adopted a three-tier panchayat raj system in conformity with the 73rd Amendment Act. The powers, functions and resources devolved vary from tier to tier. The lowest tier i.e., the GP assumes greater importance due to its proximity to the people and enormity of the problems at the village level. The first task of any public institution is to meet the basic necessities of the people. The State has given tax powers only to the GPs viewed from the angle of autonomy, local bodies ought to have own resource-raising powers.

5.2.2 Tax Revenue

Taxation is one of the important sources of income to the Panchayati raj bodies. Its importance, however, varies between the various Panchayati Raj Institutions. The Act classifies the taxes to be levied by the Village Panchayat into obligatory and discretionary categories. The taxes which the Village Panchayat is compelled to levy are: house tax, and tax on trades. The discretionary or optional taxes are: tax on fairs; on bus stands; markets; fee on cart stands and for supply of water from water works vested in the Panchayat. Schedule I of the Act lays down the maximum rates at which the taxes can be imposed by the Panchayat. In addition, the Panchayat is permitted to collect fees for the construction of factories and installation of machinery; penalties for conducting offensive and dangerous trades and fees for running dairies, hotels, restaurants and other places of public utility.

In the three tier panchayat raj system only GPs have been assigned powers to levy taxes. Taxes, fees, rates et cetra are the main sources of own revenue of GPs. The
higher two tiers enjoy no tax powers. Only GPs have this privilege. Further, no individual tax shared with PRIs except the surcharge on stamp duty with the TPs. It is obvious that the Zilla Panchayats entirely depend upon State and Central grants. Similarly, the present TPs by and large depend upon government grants for their needs.

Every GP has been given powers to levy tax upon buildings and lands which are not subjected to agricultural assessment. Every GP should prepare a list of properties and regularly revise the same and incorporate necessary changes. Once in four years taxes should be revised. The list of properties should contain the properties which are leviable and also non-leviable.

5.2.3 Non-tax Revenue

Non-tax is another important source of revenue for the PRIs. The non-tax sources consist of rents from shops and buildings, sale of assets, auctions of trees and fruits etc. In Karnataka all the three tiers of panchayats are empowered to collect non-tax revenue and utilize the same for their own needs.

5.2.4 Resources of Taluk Panchayats

1. Government grants
2. State and Central Plan grants
3. Share in stamp duty and others

5.2.5 Resources of Zilla Panchayats

Zill Panchayats have no taxing powers. The resources of ZPs are dependent on transfer of funds under plan and non-plan grants by the Government.

5.3 Extracts from the Karnataka Panchayat Raj Act, 1993 (Section 267) relating to setting up of State Finance Commission

5.3.1 Finance Commission:

1. The Government shall as soon as may be within one year from the date of commencement of this Act and thereafter at the expiration of every fifth year
constitute a Finance Commission to review the financial position of the Zilla Panchayt, Taluk Panchayat and Grama Panchayat and to make recommendation to the Government as to:

a) The principles which should govern:

i) The distribution between the State and the Zilla Panchayats, Taluk Panchayats and Grama Panchayats and the net proceeds of the taxes, duties, tolls and fees leviable by the Government which may be divided between them and allocation between the Zilla Panchayats, Taluk Panchayats and Grama Panchayats 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 the Zilla Panchayats, Taluk Panchayats and Grama Panchayats;

iii) The grants-in-aid to the Zilla Panchayat, Taluk Panchayats and Grama Panchayats from the consolidated fund of the state;

5.3.2 Financial Assistance from State Government

Government financial assistance is essential not only to assist the Panchayat Raj bodies in the discharge of functions assigned to them but also to overcome the inequalities arising out of the natural advantages that the local areas enjoy or suffer. The Government assistance to the Panchayati Raj bodies at present is extended in the form of: (a) share in land revenue, (b) grants-in-aid and (c) loans.

5.4 Taxes and Fees

199. Levy of taxes, rate, etc. by Grama Panchayats

(1) Every Grama Panchayat shall in such manner and subject to such exemptions as may be prescribed and not exceeding the maximum rate specified in Schedule-IV levy tax upon buildings and lands which are not subject to agricultural assessment, within the limits of the Panchayat area:
(2) A Grama Panchayat may levy water rate for supply of water for drinking and other purposes.

(3) A Grama Panchayat may also levy all or any of the following taxes and fees at such rates as the Grama Panchayat may by bye-laws determine but not exceeding the maximum specified in Schedule-IV and in such manner and subject to such exemptions as may be prescribed, namely:

(a) Tax on entertainment other than cinematograph shows;
(b) Tax on vehicle, other than motor vehicles;
(c) Tax on advertisement and hording;
(d) Pilgrim fee on persons attending the jatras, festivals, etc., where necessary arrangement for water supply, health and sanitation are made by the Grama Panchayats;
(e) Market fee on persons who expose their goods for sale in any market place;
(f) Fee on the registration of cattle brought for sale in any market place;
(g) Fee on buses and taxies and auto-stands provided adequate facilities are provided for the traveler by the Grama Panchayat; and
(h) Fee on grazing cattle in the grazing lands.

200. Recovery of taxes and other dues

(1) When any tax, cess, rate or fee becomes due, Grama Panchayat shall, with the least practicable delay, cause to be presented to the person liable for the payment thereof a bill for the amount due from him, specifying the date on or before which amount shall be paid.

(2) If any person fails to pay any tax or fee or any other sum due to the Grama Panchayat under this Act or the rules or bye-laws on or before the specified date of payment the Grama Panchayat shall cause a notice of demand in the prescribed form to be served on the defaulter.
(3) The presentation of every bill under sub-section (1) and the service of every notice of demand under sub-section (2), shall be effectuated by the Secretary or an officer duly authorized by him in this behalf;

(a) By giving or tendering the bill or notice to the person to whom it is addressed; or

(b) If such person is not found, by leaving the bill or notice at his last known place of abode, if within the limits of the Panchayat area or by giving or tendering the bill or notice to some adult member or servant of his family; or

(c) If such person does not reside within the limits of the Panchayat area and his address elsewhere is known to the person directing the issue of the bill or notice, the by forwarding the bill or notice to such person by registered post, under cover bearing the said address; or

(d) If none of the means aforesaid be available then by causing the bill or notice to be affixed on some conspicuous part of the building or land, if any, to which the bill or notice relates.

(4) If the tax, rate, fee or other amounts for which a notice of demand has been served is not paid within thirty days from the date of such service, the Grama Panchayats may recover the amount due along with a penalty of ten per cent of the sum due, by distraint and sale of the movable property of the defaulter in the prescribed manner.

(5) Fees for,-

a) Every distraint made under sub-section (4);
b) Every notice of demand issued under sub-section (2);
c) The cost of maintaining any live-stock seized under sub-section (4), shall be chargeable at such rates as may be prescribed.

(6) Notwithstanding anything contained in the foregoing subsections, any tax, rate or fee payable to a Grama Panchayat shall be recoverable as arrears of land revenue.
201. Appeal against assessment, etc

Subject to such rules as may be prescribed, any person aggrieved by the assessment, levy or imposition of any tax, rate or fee under Section 199 may appeal to the prescribed authority, whose decision shall be final.

202. Composition of taxes in factory area

(1) Subject to such rules as may be prescribed, when the owner of any industry or factory established in any Panchayat area provides sanitary and other amenities for the buildings and land used for the industry or as factory quarters for employees and for other purposes connected with the undertaking the Grama Panchayat may in lieu of the taxes, rates or fees, payable under this Act in respect of such buildings and lands receive such amount annually as may be agreed upon between the Grama Panchayat and such owner.

(2) Where no such agreement as is referred to in sub-section (1) can be reached, the matter may be referred to the Chief Executive Officer and the Chief Executive, may after giving to the Grama Panchayat and the owner concerned an opportunity of being heard, determine the amount payable by such owner and such determination shall be binding on the Gram Panchayat and such owner.

"The Chief Executive Officer shall settle the matter within three months from the date of receipt of such reference and before making such reference such owners shall pay compulsorily fifty percent of the rates or tax or fee in question to the Grama Panchayath and the Chief Executive Officer shall accept the reference only after such payment of fifty percent of rates or tax or fees".

203. Agency for collection

The tax, rate, fee or other amount payable to the Grama Panchayat may be collected by such agency as the Panchayat may appoint in this behalf, provided that it shall be lawful for a Grama Panchayat to lease the right to levy and collect any tax, rates, fees
or other amount that may be imposed under this Act, by public auction or by tender, subject to the rules prescribed and the amount due under such lease shall be recoverable in the manner provided in the act.

5.5. General Rules and Procedure for levying taxes

These rules may be called the Karnataka Panchayat Raj (Grama Panchayat Taxes and Fess) Rules, 1994.

3. Procedure for levying taxes on Buildings and Lands.-

(1) Every Grama Panchayat Shall, before levying the taxes on buildings and lands under sub-section (1) of the Section 199,-

(a) Pass a resolution to levy the taxes;

(b) Publish a notice of such resolution by affixing copies thereof on the notice board of the office of the Grama Panchayat and at other conspicuous places in the Panchayat area, specifying therein the rate of tax and the date not earlier than thirty days from the date of such publication with effect from which the said taxes shall be levied and also announce by beat of drum in the Panchayat area the fact of such publication.

(2) The taxes under sub-rule(1) shall be levied for any year or part thereof and shall be paid for every quarter commencing from the 1st day of April, 1st day of July, 1st day of October and 1st day of January of the year.

4. Procedure for levy of taxes and fees under sub-section (3) of Section 199.-

(1) Every Grama Panchayat shall, before levying a tax or fee under sub-section (3) of Section 199,-

(a) Pass a resolution proposing to levy such of the taxes or fee under the said sub-section and

(b) Publish for the information of the public the proposal to levy the said taxes of fee by affixing the same on the notice board of the office of the Grama Panchayat, and at other conspicuous places in the Panchayat area specifying a date not earlier
than thirty days from the date of such publication on or after which the Grama Panchayat shall take into consideration the said proposal.

(2) Any inhabitant of the Panchayat area objecting to the levy of the tax or fee proposed by the Grama Panchayat may make any objection or suggestion in writing on or before the date on which the Grama Panchayat takes up the proposal for consideration.

(3) On or after the date fixed under clause (b) of sub-rule (1), the Grama Panchayat shall consider all objections and suggestions made under sub-rule (2) and may either approve, modify or reject the proposal.

(4) If the proposal is approved by the Grama Panchayat under sub-rule(3) and it decides to levy any of the taxes or fees specified in sub-section(3) of the Section 199, a notice specifying the rate at which and the date not earlier than thirty days from the date of publication of the notices, from which such tax or fee shall be levied, shall be published by the Grama Panchayat by affixing copies thereof on the notice board of the office of the Grama Panchayat and at other conspicuous places in the Panchayat area. It shall also announce by beat of drum in the Panchayat area the fact of such publication. The tax or fee shall thereafter be levied from the date specified in the said notice.

**Tax on Building and Lands**

5. **Rate of Tax.**

Tax shall be levied.

(a) On the building at the rate of ten per cent of the annual letting value of such building, per annum; and

(b) On the land, at the rate of one rupee per annum for every one hundred square meter.
6. Exemption.-

The following buildings and lands shall be exempted from the levy of tax under subsection (1) of Section 199 namely.-

(a) Buildings and lands belonging to the Zilla Panchayats, Taulk Panchayats and Grama panchayats.

(b) Buildings and lands belonging to Central Government or any State Government and used for the purposes of such Government and not used for intended to be used for residential or commercial purposes;

(c) Buildings and lands, used solely for charitable or public religious purposes and not let out for rent; and

(d) Lands measuring less than one hundred square meter and buildings having an annual letting value of less than rupees twenty-five.

7. Assessment list.-

The Secretary shall, as soon as may be after the publication of the notice of resolution under Rule 3 but not later than the 1st day of December next following, prepare an assessment list relating to the buildings and lands in the panchayat area showing the-

(a) serial number of each house or land;
(b) name of the owner and occupier, if any;
(c) annual letting value of the buildings; and
(d) amount of tax assessed thereon.

8. Objection to the assessment list.-

When the assessment list is completed, a notice shall be published by affixing it on the notice board of the office of the Grama Panchayat, and also by beat of drum in the Panchayat area stating that the list is open for inspection at the office of the Grama Panchayat and that objections will be considered and decided by the Grama Panchayat
on a date which shall not be earlier than thirty days from the date of publication of the aforesaid notice.

9. **Inspection of assessment list.**

Every person whose name appears in the assessment list, every person claiming to be the owner or occupier of any building or land, and the agent of any such person shall be at liberty to inspect the list and to make extracts there from without any charge.

10. **Authentication of assessment list.**

(1) All objection to the assessment shall be considered and decided by the Grama Panchayat on the date, specified in the notice published under Rule 8 or on any later date and decision of the Grama Panchayat shall be communicated to the person objecting to the assessment.

(2) The Grama Panchayat shall cause to be made necessary amendments, if any, in the assessment list in accordance with the orders under sub-rule(1) or the orders of the Zilla Panchayat under Rule 39 and thereafter the assessment list shall be authenticated by the Adhyaksha.

(3) The entries in the list authenticated under sub-rule (2) shall be conclusive evidence of the amount of tax leviable.

11. **Alteration of the Assessment list.**

(1) Grama Panchayat may at any time alter the assessment list by inserting or deleting an entry.

(a) In respect of any building or land, if such entry has been omitted from, or erroneously made in, the assessment list through fraud, accident or mistake;

(b) In respect of any building constructed, altered, added to or reconstructed after preparation of the assessment list, after giving the person interested in the alteration of the list, a notice of not less than one month calling upon to file objections, if any, to such alteration.
(2) An objection made under sub-rule (1) before the time specified in such notice shall be considered and decided by the Grama Panchayat.

(3) Any entry or alteration made under this rule shall be deemed to have been made.-
(a) In the case of building constructed, altered, added to or reconstructed, on the date on which such construction, alteration, addition or reconstruction was completed or of the date on which the building was first occupied after such construction, alteration, addition or reconstruction, whichever is earlier; and
(b) In other cases, on the date of which the circumstances justifying the entry or alteration existed.

(4) The Tax or the enhanced tax, as the case may be, which becomes leviable on account of alteration of the assessment and after the first day of April of a year, shall be levied in respect of the remaining period of such year as nearly as may be in the same proportion in which the remaining period bears to the whole year.

12. Liability to pay the tax etc.-

(1) Where the owner of any building or land assessed to tax transfers such building or land to any person, such owner as well as the transferee shall, within two months from the date of such transfer, give a notice of the same to the Grama Panchayat.

(2) Where the owner of any building or land assessed to tax dies his heirs who succeed to the building or land shall, within two months from the date of the death of such person give notice of the same to the Grama Panchayat.

(3) Where such transfer of ownership of the building or land or the death of the owner of the building or land comes to the knowledge of the Grama Panchayat, either through a notice under sub-rule (1) or (2) or otherwise it shall, after such enquiry as it may deem fit, substitute the names of the transferee or the legal heirs of the deceased owner, as the case may be, in the records of the Grama Panchayat.
13. Liability to give notice in case of demolition or removal of a building.-

Owner of the building or any portion of the building assessed to tax under these rules shall, if such building or part thereof, is demolished give notice of the same in writing to the Secretary failing which he shall continue to be pay the tax in respect of such building till it is communicated to the Grama Panchayat:

Provided that nothing in this rule shall apply in respect of a building or portion of a building which has fallen down or is burnt.

14. Revision of the assessment list.-

(1) It shall not be necessary to prepare a new assessment list every year but every part of the assessment list shall be completely revised not less than once in every four years.

(2) Gram Panchayat may adopt the valuation and assessment in the list of the previous year for the year immediately following with such alteration as may be deemed necessary.

15. Occupier’s right to recover the tax paid by him.-

Where the occupier of any building or land has paid the tax under sub-section (2) of Section 199, in respect of such building or land, he shall be entitled to be reimbursed by the owner of such building or land and may in addition to, any other remedy open to him deduct the amount of tax so paid from the rent or any other amount payable by him to the owner.

16. Remission of assessment when done.-

Where any building or land assessed to tax has remained vacant and unproductive for the whole or part of a year the Gram Panchayat shall remit or refund proportionately the amount of tax in respect of the period of such vacancy:
Provided that no such remission or refund shall be granted unless the building or land is vacant and underproductive for not less than sixty consecutive days and that notice in writing of the fact of the building or land being vacant and unproductive has been given to the Secretary:

Provided further that no remission or refund shall be granted for any period prior to the date of the receipt of the notice.

Tax on Entertainment Other than Cinematograph Shows

17. Interpretation.-

For the purpose of this chapter, unless the context otherwise requires.-

(1) Entertainment means and includes a drama, exhibition, amusements, games or sports to which persons are entertained on payment for admission;

(2) ‘Payment for admission’ means and includes.-

(a) Any payment for seats or other accommodation, a place of entertainment; and

(b) Any payment for a programme or synopsis of an entertainment;

(3) ‘Proprietor’ in relation to any entertainment includes owner, manager, agent or any other person responsible for the management thereof.

18. Exemption.-

No tax on entertainment shall be levied in respect of an entertainment.-

(a) Which is not open to the general public,

(b) The proceeds of which are intended to be utilised for the public, educational, cultural or charitable purposes.
19. Levy and Recovery of Tax on Entertainment

(1) The tax on entertainment shall be levied before the beginning of an entertainment and shall be recovered from the proprietor.

20. Refund of Entertainment Tax.-

(1) If after the payment of tax on entertainment the entertainment is not held on account of any extenuating or unavoidable circumstances the amount of tax paid shall be refunded to proprietor.

(2) Grama Panchayat shall, unless there are reasons to believe that a claim for refund under sub-rule (1) is not admissible sanction the refunds of tax if,-

(i) An application in writing is made to the Adhyaksha within three days from the date fixed for the entertainment; and

(ii) The receipt for having paid the entertainment tax is produced.

Tax on Vehicles Other than Motor Vehicles

21. Exemptions.-

No tax under this chapter shall be levied on.-

(a) Vehicles belonging to Central or State Government;

(b) Vehicles kept solely for sale by vehicle makers and dealers;

(c) Vehicles which are under repairs or kept at a vehicle maker for a period not exceeding six months;

(d) Vehicles belonging to the Grama Panchayat, Taluk Panchayat or Zilla Panchayat.

22. Levy of Vehicle Tax.-

(1) Grama Panchayat may levy vehicle tax on the person having possession, custody or control of any vehicle specified in Schedule IV to the Act, if such vehicle has
been kept or used within the Panchayat area for an aggregate period of not less than one hundred and twenty days in a year:

Provided that no tax shall be levied on a vehicle for any year,-

(a) If full tax for that year in respect of such vehicles has already been paid to the Grama Panchayat by some other person; or

(b) If the tax equal to or in excess of the amount payable in the Panchayat area in respect of such vehicle for that year has already been paid to any other Grama Panchayat.

(2) If during the middle of the year any person having possession, custody or control of any vehicle liable to tax replaces such vehicle being incapable of use, by another vehicle of the same description, no tax shall be levied again on the replacing vehicle for the rest of the year.

Fee on Bus stand

23. Fee on Buses etc.-

Subject to the provisions of sub-section (3) of Section 199 a Grama Panchayat may levy fee on buses and taxies and auto stands at the rate specified in the bye-law and the fee so levied shall be collected from every person bringing the bus, taxi or auto riksha into the bus stand.

Fees on Market

24. Determining Market Area.-

The Grama Panchayat shall determine the limit of the market area within which the market fee shall be levied.
25. Levy of Market Fee

The Grama Panchayat may levy market fee at the rate specified in the bye-law on every person occupying any plot or part thereof in the market are determined under Rule 24.

26. Period of Levy

(1) The water rate under sub-section(2) of Section 199 may be levied on the owner of a building for a year or part thereof and shall be paid every quarterly commencing from the 1st day of April, 1st day of July, 1st day of October and 1st day of January of such year.

(2) Where such owner has left the Panchayat area or cannot otherwise be found the occupier of such building shall be liable for the water rate levied under sub-rule(1).

(3) The Occupier of the building who has paid the water rate under sub-rule (2) shall be entitled to be reimbursed by the owner of such building and may, in addition to any other remedy open to him, deduct the amount of water rate so paid from the rent or any other amount payable by him to the owner.

27. Remission for temporary stoppage of Water Supply.

If through any accident in the water works arrangements or due to any other cause there is a temporary stoppage in the water supply, no reduction shall be claimed in the water rate nor the Grama Panchayat shall be liable for damages for any loss or inconvenience sustained by the rate payer; so, however, the Grama Panchayat may grant proportionate remission in water rate if there is a stoppage of water supply continuously for more than a month.
Miscellaneous

28. Person to Recover Tax or Fee.-

The secretary shall cause to be recovered the tax or fee imposed or levied by the Grama Panchayat.

29. Receipt for Payment.-

For all sums paid on account of any tax or fee or other amount due under these rules, a receipt shall be issued by the person receiving the same.

30. Presentation of Bill.-

The bill presented under sub-section (1) of Section 200 shall be in Form I and shall be signed by the Secretary and shall contain.-

(a) A statement of the period of occupation, a description of the property or thing for which the tax, fee or any other sum due to Grama Panchayat is charged and other particulars of the demand; and

(b) A notice of the liability which may be incurred in default of payment.

31. Writ of Demand

(1) Every writ of demand under sub-section (2) of Section 200 shall be in Form II.

(2) For every writ of demand issued under sub-rule(1), a fee of rupee two shall be charged.

32. Distraint and Sale.-

(1) If the amount due on account of any tax, fee or any other dues is not paid within thirty days from the date of service of the writ of demand and if the person from whom the tax or fee or other amount due has not shown cause to the satisfaction of the Grama Panchayat why it should not be paid, the Grama Panchayat may, by distraint under its warrant issued sell the moveable property of the defaulter
wherever it may be within the Panchayat area or if the defaulter is the occupier of any building or land in respect of which a tax is due, by distraint and sale of any moveable property which may be found in or on such building or land, recover the amount due on account of the tax, fee or other dues together with the fee on writ of demand, and distress fee and such further sums as will satisfy the probable charges, that will be incurred in connection with the detention an sale of the property so distrained:

Provided always that moveable property described in the proviso to sub-section (1) of Section 60 of the Code of Civil Procedure, 1908 (Central Act 5 of 1908) shall not be liable to distraint.

(2) Every warrant of distraint and sale issued under sub-rule (1) shall be in Form III and shall be signed by the Adhyaksha and such warrant shall be executed by the Secretary.

33. Manner of Executing Warrant.-

(1) The Secretary shall before making a distraint, demand payment of the tax, fee or other dues and the fee on writ of demand if the tax fee and other dues and the, for a writ of demand are paid, no distraint shall be made but if it is not paid the Secretary shall:-

(a) Seize such moveable property of the defaulter as he think necessary.

(b) Make an inventory of the property seized; and

(c) Give to the person in possession of the property seized at the time of the seizure, a copy of the inventory and a notice of sale in Form IV:

Provided that a period of seven days shall be allowed for paying the amounts due and redeeming the properties seized.

(2) No person executing any process directing or authorizing the seizure of moveable property shall enter a dwelling house after sun-set and before sun-rise.
(3) Under a special order in writing of the Adhyaksha the Secretary who is charged with the execution of a warrant of distress may, between sun-rise and sun-set, break open any outer or inner door or window of a building in order to make the distress, if he has reasonable ground for believing that such building contains property which is liable to seizure and if, after notifying his authority and purpose an duly demanding admittance, he cannot otherwise obtain admittance:

Provided that the Secretary shall not enter or break open the door of any apartment appropriated to women until he has given three hours' notice of his intention and has given such women an opportunity to withdraw.

34. Distress not to be excessive.-

The distress shall not be excessive, that is to say, the property distrained shall as nearly as possible be equal to the value of the tax, fee or other amount due by the defaulter together with all expenses incidental to the warrant, distraint, detention and sale.

35. Sale.-

(1) If the amount due by the defaulter on account of the tax, fee or other amount due and the fee on writ of demand and distraint fee and the expenses incidental to the detention of the property are not paid within the period of seven days mentioned in the writ of demand under Rule 31 and if the distraint warrant is not suspended by the Adhyaksha the property seized or a sufficient portion thereof, shall be sold by public auction by the Secretary under the orders of the Adhyaksha. The Secretary shall apply the proceeds of the sale to the payment of the amount due on account of tax, fee or other amount due and the fee on writ of demand and distraint fee and the expenses incidental to the detention and sale of the property and shall return to the person in whose possession the property was, at the time of seizure any property or sum which may remain after the sale and the application of the proceeds thereof as aforesaid. If the proceeds of the sale are insufficient for the payment of the amount due on account of the tax, fee and the
expenses incidental to the detention and sale of the property the Secretary may again proceed under these rules in respect of the sum remaining unpaid.

(2) When the property seized is perishable or subject to speedy and natural decay and the expenses of keeping it well, together with the amount of tax, fee or other amount due, exceeds the value of the property, the Secretary may sell it at any time before the expiry of the said period of seven days unless the amount due is sooner paid.

(3) The Adhyaksha shall consider any objection to the distraint of any property which is made within the said period of seven days and may postpone the sale pending investigation thereof. If the Adhyaksha decides that the property attached was not liable to distraint, he shall return it or if it has already been sold, the proceeds of the sale to the person appearing to be entitled thereto and by again proceed under these rules and all fees and expenses connected with the first distraint and sale shall be recoverable from the defaulter, if it shall appear to the Adhyaksha that he willfully permitted the distraint of the property when to his knowledge it was not liable to distraint.

36. Prosecution of a defaulter.-

(1) If for any reason the distraint or sufficient distraint of the defaulter’s property is impracticable, the Adhyaksha may prosecute the defaulter before a Magistrate.

(2) Every person who is prosecuted under sub-rule (1) shall be liable, on proof to the satisfaction of the Magistrate that he willfully omitted to pay the amount due by him or that he willfully prevented distraint or sufficient distraint, to pay a fine not exceeding five hundred rupees.

(3) Whenever any person is convicted of an offence under sub-rule (2) the Magistrate, shall in addition to any fine which may be imposed recover, summarily and pay over to the Grama Panchayat the amounts, if any due from such person on amount of the tax fee or other amount due and the fee on writ of
demand distraint fee and the expenses incidental to the detention and sale if any, and may in his discretion, also recover summarily and pay the Grama Panchayat such amount, if any, as he may fix as the costs of the prosecution.

37. Fee on Distraint.-

Fees at the rates specified in the table below shall be levied on distrains under sub-section (5) of Section 200 with reference to the amount due for which the distraint is made.

(b) Such fees shall include all expenses except,-

(i) The cost of maintaining any live-stock or the expenses incidental to the detention of the distrained property; and

(ii) The charges payable on account of staff kept in-charge of distrained property, namely, rupees five daily for such member of the staff.

38. Fee for Maintaining Live-stock, etc.-

The following fee shall be levied towards the cost of maintaining any livestock seized under these rules, namely.-

| Horse, mare, gelding, pony, colt, filly, mule, bullock, cow, keifer or buffalo | Rs.5 per day |
| Calf, pig, ram, ewe, sheep, lamb, goat or kid | Rs. 2 per day |

39. Appeal.-

An appeal under Section 201 shall lie to the Zilla Panchayat. The appeal shall not be entertained by the Zilla Panchayat unless.

(i) It reaches the office of the Zilla Panchayat within fifteen days, after the tax or fees complained of has been assessed, levied or imposed; and
(ii) The tax or fee in respect of which appeal is preferred has been paid or deposited in the office of the Grama Panchayat:

Provided that the Zilla Panchayat may admit an appeal after the period specified in clause (i) if sufficient cause is shown to its satisfaction for not preferring it within the said time:

Provided further that the Zilla Panchayat may admit an appeal ven though the tax or fee in respect of which an appeal is preferred has not been paid or deposited in the office of the Grama Panchayat, if such non-payment is on account of poverty or any other sufficient reason.

5.6 Tax Rates

Table 5.1
Schedule IV
(Section 199)

<table>
<thead>
<tr>
<th>A. Tax on property</th>
<th>Maximum rate of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tax on buildings</td>
<td>10 percent of the annual letting value (per annum)</td>
</tr>
<tr>
<td>2. Tax on lands not subject to agricultural assessment</td>
<td>For every one hundred square meter, one rupee per annum.</td>
</tr>
</tbody>
</table>

| B. Tax on entertainments                  | Twenty rupees per entertainment.            |

<table>
<thead>
<tr>
<th>C. Vehicle tax</th>
<th>Rupees per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i). For every four wheeled vehicle with springs constructed to be drawn by two or more horses, bulls or bullocks.</td>
<td>25</td>
</tr>
<tr>
<td>(ii). For every two wheeled vehicle with springs constructed to be drawn by one or more horses,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10</td>
</tr>
</tbody>
</table>
### Rural Local Self-Governance Taxation

<table>
<thead>
<tr>
<th>Description</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>bulls or bullocks.</td>
<td></td>
</tr>
<tr>
<td>(iii). For every other vehicle with springs.</td>
<td>10</td>
</tr>
<tr>
<td>(iv). For every cart or other vehicle without springs.</td>
<td>10</td>
</tr>
<tr>
<td>(v). For every bicycle or tricycle</td>
<td>5</td>
</tr>
<tr>
<td><strong>D. Fees on bus stands</strong></td>
<td></td>
</tr>
<tr>
<td>Two rupees per bus per day.</td>
<td></td>
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<tr>
<td><strong>E. Fee on markets.</strong></td>
<td></td>
</tr>
<tr>
<td>(i). For every plot measuring not more than one square meter.</td>
<td>Fifty Paise per day.</td>
</tr>
<tr>
<td>(ii). For every additional plot of one square meter or part thereof.</td>
<td>Twenty five paise per day.</td>
</tr>
<tr>
<td>(iii). Per basket or bag of any commodity.</td>
<td>Twenty five Paise.</td>
</tr>
<tr>
<td>(iv) Per cart load bag of any commodity.</td>
<td>Five rupees per month</td>
</tr>
<tr>
<td><strong>F. Tax on advertisement and hoardings</strong></td>
<td></td>
</tr>
<tr>
<td>For every square meter or part thereof</td>
<td>Five rupees per month</td>
</tr>
<tr>
<td><strong>G. Fee on registration of cattle</strong></td>
<td></td>
</tr>
<tr>
<td>For every head of cattle brought for sale in shandies or fairs</td>
<td>One rupee</td>
</tr>
</tbody>
</table>
Conclusion

The 73rd Amendment of the Constitution of India made mandatory upon all the states to establish PR system. As per the provisions of the new “Karnataka Panchayat Raj Act 1993”. A three tier PR system viz., GP at the village level, TP at the taluk level ZP at the district level was created. The State government has assigned 30 specific subjects to GPs, 27 to TP and 28 to ZPs for economic development and social justice, as listed in the Eleventh Schedule to Constitution. Although the Act does not specify which tier of PR should perform which function, the government has taken right measures to assign specific functions to each tier. The powers, functions and resources devolved vary from tier to tier. The finances of PRIs in Karnataka consist of local revenue mobilization by way of power to State as well as Central governments. Of the three tiers of PRIs, the lowest tier i.e., the GP is the most important tier as it is directly involved in local governance specifically given its proximity to the rural population. These institutions are performing the basic or core civic functions. The State has given tax powers only to the GP. The higher two tiers enjoy no tax powers. Hence the TPs and ZPs entirely depend upon State and Central grants. Only GPs have tax privilege and have general rules and procedures for levying taxes as assigned by the KPR (GP Taxes and Fees) Rules, 1994. The act classifies the taxes to be levied by the GP into obligatory and discretionary categories. The obligatory or compulsory taxes are, house tax, land tax. The discretionary or optional taxes are: tax on fairs, on bus stands, markets, tax on entertainment other than cinematograph shows, tax on vehicle other than motor vehicles, tax on advertisement, fee on the registration of cattle etc.

Under the Panchayat Raj Act, the methodology of estimation of property taxes is to calculate it as a percentage of the annual letting value. However, no guidelines are available in the law or were issued as to how this calculation is to be done reasonably. The government has been remarkably silent on how GPs are to estimate and collect taxes. Further the Karnataka Panchayat Raj Act lays down only the maximum rates of taxes that the village panchayat can levy strongly; it is silent on the minimum rates of taxation. The central government properties enjoy exemption from local taxation.
References


5. The Karnataka Panchayat Raj Act 1993, pp.117-120. dpal.kar.nic.in
