

# GOVERNMENT OF TAMIL NADU

## FINANCE (FC-IV) DEPARTMENT

### EXPLANATORY MEMORANDUM ON THE ACTION TAKEN ON THE RECOMMENDATIONS MADE BY THE FOURTH STATE FINANCE COMMISSION IN ITS REPORT SUBMITTED TO HIS EXCELLENCY THE GOVERNOR OF TAMIL NADU ON SEPTEMBER 29, 2011

The Fourth State Finance Commission constituted with effect from 1.12.2009 as per Article 243 I and 243 Y and concomitant State Legislations has reviewed the financial position of local bodies and submitted its report and recommendations to His Excellency the Governor of Tamil Nadu and Hon'ble Chief Minister on 29.09.2011. The report of Fourth State Finance Commission together with the Explanatory Memorandum on the action taken on the recommendations of Fourth State Finance Commission is being laid on the Table of the House in pursuance of Article 243 I (4) and Article 243 Y (2) of the Constitution of India.

2. The decisions taken by the Government on the recommendations of Fourth State Finance Commission are as follows:

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
<b>CHAPTER – III STATUS OF IMPLEMENTATION OF THE RECOMMENDATIONS OF THIRD STATE FINANCE COMMISSION</b>				
1	III	8(i)	The departments concerned shall take follow-up action in respect of the balance 67 recommendations based on the decisions communicated in the Action Taken Report including those referred to the High Level Committee and issue orders immediately.	Accepted.
2	III	8(ii)	The existing FC wing in Finance Department be strengthened with full staff strength under the control of a senior IAS officer either outside or within Finance	Accepted in principle. Government will examine separately.

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			Department but exclusively for the purpose of preparation of Action Taken Report and monitoring the implementation of the recommendations of FSFC and local body issues relating to Central Finance Commission.	
3	III	8(iii)	The experience gained in SFCs by the staff drafted from Finance Department be utilized in the Finance Commission wing of Finance Department and vice-versa. The strengthened FC wing in Finance Department shall monitor the follow up action taken on the recommendations of SFC and update the data base/web site for the use of future SFCs.	Accepted in principle. Government will examine separately.
4	III	8(iv)	The subjects relating to the follow up action on the recommendations of State/ Central Finance Commissions and monitoring their implementation have to be dealt with exclusively by a Section each in RD&PR/ MA&WS Departments with sufficient staff who gained experience and continuity in dealing with Finance Commission issues. That Section can liaise and co-ordinate with Finance and stakeholder Departments/ Heads of Departments concerned on the purpose mentioned above.	Accepted.
<b>CHAPTER – IV</b>				
<b>ASSESSMENT OF FINANCES OF PANCHAYATI RAJ INSTITUTIONS</b>				
			<b>District Panchayats</b>	
5	IV	11(i)	A norm of 15% of SFC grant or Rs.30.00 lakh whichever is less be adopted for the administrative expenditure of each District Panchayat.	The expenditure trends of District Panchayats was analysed. Based on this, the recommendation is <b>accepted</b> with a modification that 15% of SFC grant or Rs.20.00 lakhs whichever is less shall be the administrative expenditure of each District Panchayat.

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6	IV	11 (ii)	There is no need to share Pooled Assigned Revenue with District Panchayats since all the civic works are implemented at the Village Panchayat level.	Accepted.
			<b>Village Panchayats – House Tax</b>	
7	IV	29(i)	The house tax in respect of terraced or tiled or thatched buildings with plinth area not exceeding 200 sq. ft be fixed at Rs 40/- p.a.	Accepted.
8	IV	29 (ii)	In respect of houses with plinth area of more than 200 sq. ft, the existing rates be increased by 25% under plinth area based taxation and in respect of assessment on capital value basis, the existing rates be increased by 25% subject to a minimum of Rs.40/- p.a. during the next revision.	Accepted.
9	IV	29 (iii)	For self financing educational institutions, the House Tax shall be levied on the basis of the revision suggested for plinth area based assessment.	Accepted.
10	IV	29 (iv)	The recommendation of Third SFC to revise the unit measurement in square decimeters into square metres under Schedule-I of the Act is reiterated.	Accepted.
11	IV	29 (v)	The quinquennial revision in respect of all Village Panchayats invariably be brought to a common date i.e., 1 <sup>st</sup> April 2013 so as to overcome the situation of Village Panchayats in postponing / not revising the House Tax. The Act and Rules be amended suitably.	This issue will be considered separately.
12	IV	29 (vi)	The Government in RD&PR Department shall take up the issue with Ministry of Rural Development of Government of India for levying service charges on Central Government properties.	Accepted.
13	IV	29 (vii)	The buildings on which or the premises in which the cell phone towers are erected be levied with house tax as applicable to commercial buildings.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			<b>Profession Tax</b>	
14	IV	33(i)	Government of India be addressed by the Government in RD&PR Department to increase the maximum ceiling or to prescribe a minimum ceiling on Profession Tax and to let the local bodies to decide on the maximum ceiling depending on the capabilities of local bodies.	Accepted.
15	IV	33 (ii)	In respect of self-employed professionals, private employers and private employees, experience and service oriented taxation as adopted by other States like Karnataka be adopted.	Accepted.
16	IV	33 (iii)	During the next revision due on 01.10.2013, the rate of revision as decided by the Council between 25% and 35% be adopted and the maximum amount of Profession Tax be restricted to Rs.1250/- per half-year, even in cases where the revision results in a Profession Tax assessment more than Rs.1250/- per half year.	Accepted.
			<b>Advertisement Tax</b>	
17	IV	35(i)	The District Collectors through Assistant Director (Panchayats) shall arrange to pass on the amount collected from Advertisement Tax to the Village Panchayats concerned on quarterly basis.	Accepted.
18	IV	35 (ii)	The Village Panchayats on their part shall arrange to send the details of advertisements exhibited in their areas to the District authorities through monthly reporting for levy and collection of License Fees and Advertisement Tax.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			<b>Non-Tax Revenue</b>	
19	IV	39(i)	The ceiling on the rate of water charges fixed by the Government earlier be modified and that Rs.50/- be fixed as the minimum for domestic connections. The user charges be revised with effect from 1 <sup>st</sup> October, 2012 and periodically once in 5 years. The deposit amount to be collected while giving water connection be increased from Rs.1000/- to Rs.2000/- for new house hold connections and Rs.3000/- for commercial / industrial connections.	Accepted.
20	IV	39 (ii)	In respect of business, commercial, institutional and industrial establishments, the water charges be levied with reference to the quantum of supply made by prescribing rate per kilo litre and by installing quality water meters.	Accepted.
			<b>D &amp; O Trade License Fees</b>	
21	IV	42(i)	License fees for all trades be revised with the rates prescribed by First SFC as the basis for revision.	Accepted.
22	IV	42 (ii)	The nomenclature viz. D&O trade License Fees be revised as Trade License Fees as in the case of Chennai Corporation.	Accepted.
23	IV	42 (iii)	Necessary rules incorporating the rates, periodicity of revision, etc. be framed in this regard. The fees be revised once in 5 years starting from 1 <sup>st</sup> April, 2013.	Accepted.
24	IV	42 (iv)	License Fees be levied on mobile service providers by the local bodies as in the case of Municipal Corporation of Delhi by making suitable provisions in the concerned Act.	Accepted.
			<b>Bus Stand Fees</b>	
25	IV	44	The Bus Stand Fees be revised during the year 2012-13 by 25%.	<b>Accepted.</b> The Bus Stand Fees shall be revised by 25% and towards this Rural Development Department to initiate the file and Home Department to issue the orders.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			<b>Tamil Nadu Rural Road Development Fund</b>	
26	IV	46	The corpus of the Tamil Nadu Rural Road Development Fund be transferred to RD&PR Department so as to develop and maintain the public roads in rural areas.	The TNRRDF is for maintaining ODRs serving rural areas. Considering the fact that the majority of ODRs are vested with Highways Department and more rural roads may be handed over to Highways after upgradation, the present status may continue.
			<b>Assigned / Pooled Assigned Revenue</b>	
27	IV	52(i)	The recommendation of Third SFC to levy surcharge on i) Agreement ii) Power of Attorney, iii) Release of benami right, iv) Release of right in favour of partner and v) Settlement is reiterated.	<b>Accepted.</b> As the recommendation is legally permissible, Rural Development & Panchayat Raj and Municipal Administration & Water Supply Departments shall initiate the steps for amendment of the respective Acts through Commercial Taxes & Registration Department.
28	IV	52 (ii)	In respect of Rural Local Bodies, the assigned revenue be transferred to RLBs as per the entitlement.	Accepted.
			<b>Local Cess/Local Cess Surcharge</b>	
			<b>Fishery Rental</b>	
29	IV	55	Orders be issued for sharing the proceeds of fishery rental from Panchayat Union tanks as well as PWD tanks with the Village Panchayats as decided by the Government. The adjustment of the proceeds be monitored by CRD&PR periodically.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			<b>Social Forestry</b>	
30	IV	57(i)	The entitlement on the share of Social Forest proceeds to Village Panchayats for the previous year be released as early in the first quarter of the subsequent year.	<b>Accepted.</b> The entitlement on the share of social forest proceeds to Village Panchayats for the previous year shall be released as early in the first quarter of the subsequent year by Environment & Forest Department by authorizing CRD&PR to draw the amount and release the funds directly to Village Panchayats.
31	IV	57 (ii)	The release of share of Village Panchayats from the proceeds of social forests be routed through the CRD&PR as stated in para: 56.	As decided above.
			<b>Mines &amp; Minerals</b>	
32	IV	64	75% of the revenue from seigniorage fee due to a particular Village Panchayat having quarries be passed on to the respective Village Panchayat and the balance 25% be pooled by the District Collector concerned and shared with Village Panchayats identified as having to bear the brunt of mining/quarrying activity in the particular Village Panchayat.	<b>Accepted</b> as per the recommendations.
			<b>Central Finance Commission grant</b>	
33	IV	69(i)	A separate supplementary document to budget covering all fund transfers to both PRIs and ULBs including those transferred from Government of India directly to PRIs through DRDA, be placed in the State Legislature.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
34	IV	69 (ii)	In respect of placing of annual report of DLFA on local bodies in the Legislature, constitution of Ombudsman as in Kerala and Karnataka and to remove the hindrance in the general revision of House Tax, the issues be positively addressed by the Government and orders issued so as to keep fiscal discipline and to enable augmentation of own resources.	Accepted in principle. Government will examine separately.
35	IV	85(i)	The norms for appointment of sanitation staff in Peri Urban Panchayats be revised by CRD&PR so as to facilitate the Peri Urban Panchayats to appoint additional sanitation staff to meet the growing needs on solid waste management activities.	Accepted.
36	IV	85 (ii)	Commissioner of Rural Development and Panchayati Raj may also issue guidelines for engaging NGOs or outsourcing solid waste management activities following the best practices already in vogue in some Village Panchayats.	Accepted.
37	IV	85 (iii)	The Peri Urban Panchayats be empowered to levy Vacant Land Tax (VLT) for house sites other than agricultural lands based on plinth area as in ULBs by amending the Tamil Nadu Panchayats Act, 1994.	Accepted.
<b>CHAPTER – V</b>				
<b>ASSESSMENT OF FINANCES OF URBAN LOCAL BODIES</b>				
			<b>Own Tax Revenue – Property Tax</b>	
38	V	22(i)	Given the requirements for general revision in Chennai Corporation as mentioned in para-7, general revision be made by Chennai Corporation during the next due date and in case the general revision is postponed by the State Government, the loss in revenue to Chennai Corporation and CMWSSB be compensated by the Government.	The issue will be examined separately. The recommendation for compensation by State Government is not agreed to.
39	V	22 (ii)	In case Chennai Corporation decides not to revise Property Tax, Chennai Corporation shall compensate CMWSSB on the income foregone by CMWSSB.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
40	V	22 (iii)	The self-assessment system be enforced compulsorily with field inspection of self assessed properties by the assessing authorities and in case of default in filing returns, a fine of 100% of Property Tax be imposed on such assessees.	<b>Accepted</b> with a modification of imposing 50% fine on assessees in case of default in filing returns.
41	V	22 (iv)	The provision in the Tamil Nadu District Municipalities Act, 1920 towards the postponement of general revision by the State Government for a period of one or more half years at a time but not exceeding in any case seven half years be suitably amended so as to avoid hindrance to the quinquennial revision by ULBs.	It has been decided to amend the Act periodically in consultation with Law Department.
42	V	22 (v)	The ceiling on the fixation of Property Tax fixed for general revision in respect of all categories of buildings provided in the guidelines issued by the Government be removed.	Accepted.
43	V	22 (vi)	The prompt payment of Property Tax within 15 days after the commencement of the half year in respect of Chennai Corporation and 30 days in respect of other Corporations and Municipalities be incentivized at 5% of the net Property Tax subject to a maximum of Rs.5,000/- per half year per assessment and the defaulters be penalized at 2% interest per month on any amount of tax unpaid within the half year.	Accepted.
44	V	22 (vii)	Collection of Property Tax through banks, post offices and online be encouraged in all ULBs.	Accepted.
45	V	22 (viii)	Since GIS property mapping would significantly improve the property tax revenue in ULBs, GIS be extended to bigger Municipalities and other Corporations.	Accepted.
46	V	22 (ix)	The issues in the collection of service charges from Central Government properties be taken up with Government of India in MOUD for issue of suitable instructions or to bring in Central legislation as mentioned by the XI and XIII Central Finance Commissions.	Accepted.

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47	V	22 (x)	All the self-financing educational institutions other than those covered under charitable purpose be brought under Property Tax net by suitably amending the Act.	Accepted.
48	V	22 (xi)	ULBs be facilitated to levy Property Tax as applicable to commercial buildings, for the buildings on which or the premises in which the cell phone towers are erected.	Agreed to levy Licence Fee (D&O) instead of Property Tax.
			<b>(B) Profession Tax</b>	
49	V	28(i)	The Departments of State/ Central Governments which can furnish data needed for bringing various categories of untapped assesseees of Profession Tax be approached by the Government to furnish such data to the local bodies as and when demanded.	Accepted.
50	V	28 (ii)	During the next revision due on 01.10.2013, the rate of revision as decided by the Council between 25% and 35% be adopted and the maximum amount of Profession Tax be restricted to Rs.1250/- per half year.	Accepted.
51	V	28 (iii)	The Government of India may be addressed by MA&WS Department to increase the maximum ceiling or to prescribe a minimum ceiling on Profession Tax and to let the local bodies to decide on the maximum ceiling depending on their capabilities.	Accepted.
			<b>(C) Vacant Land Tax (VLT)</b>	
52	V	32	The details on change of ownership by registration of sales, transfers etc. of properties be obtained from the Registration Department periodically by the ULBs and VLT levied.	Accepted.
			<b>(D) Advertisement Tax</b>	
53	V	37(i)	The sites for hoardings be identified by the District Collectors and permission for erection of hoardings given by the executive authorities of ULBs and the hoarding tax	Accepted with a modification that the power to grant permission for erection of hoardings

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			levied by them under the overall monitoring and guidance of the District Collectors and that the hoardings not to be allowed in places other than those identified by the District Collectors.	shall be given to the District Collectors and the tax levied shall be collected by the urban local bodies.
54	V	37 (ii)	PPP mode of advertisements and hoardings with investments on infrastructure from the private companies/establishments be encouraged by the District administration.	Accepted.
55	V	37 (iii)	The hoarding tax proceeds collected by the District Collectors in the past years be passed on to the concerned ULBs as per the ratios prescribed during 2003 and 2008.	Accepted.
56	V	37 (iv)	The provisions available under Section 107 (A) of the District Municipalities Act, 1920 and similar provisions available in Municipal Corporation Acts be fully made use of by ULBs to raise income from advertisement including those on lamp posts, telephone posts, posters and walls, writing on walls and buses and vehicles.	Accepted.
			<b>(II) Non-Tax Revenue</b>	
57	V	41(i)	The rates of trades be fixed taking the First SFC rates as the basis.	Accepted.
58	V	41 (ii)	The nomenclature 'D & O Trade License Fees' be revised as 'Trade License Fee' as in the case of Chennai Corporation.	Accepted.
59	V	41 (iii)	Rule provisions in Schedule-V in Tamil Nadu District Municipalities Act, 1920 and the relevant schedules in respect of other Municipal Corporation Acts be amended to notify the list of trades by the Council and to revise the rates once in 3 years.	Accepted. The list of trades shall continue to be modified by the Government and a comprehensive list shall be prepared by the Government and notified.
			<b>(D) Building License Fees</b>	
60	V	43	Effective monitoring and detection mechanism for unauthorized construction be enforced strictly and in case of detection of violation, heavy penalty be levied apart from collecting Building License Fee.	Accepted.

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			<b>(F) Track Rent on OFC Feeders</b>	
61	V	46	The issue of non-payment of track rent by BSNL be taken up with BSNL and Government of India by RD&PR/ MA&WS Departments.	Accepted.
			<b>(III) Assigned Revenue -(A) Entertainment Tax</b>	
62	V	55(i)	In case the levy of E.T prevailed prior to 2006-07 is revived, the sharable components under Section 4 (A) – “Taxes on payments for admission to cinematographic exhibition”, Section 4-(H) – “Taxes on dubbed films”, Section 4-(F) – “Taxes on amusements” and Section 4-(G) – “Tax on recreation parlour” (on its sharing) shall be booked under the receipt major head : “0045 00 101 AA 01 – Tax paid in cash” and tax under Section 4 (B) – “Tax on horse race” which is not sharable be booked under “0045 00 101 AB 02 – Other Receipts”.	Accepted.
63	V	55 (ii)	The tax under Section 4-(G) – “Tax on recreation parlour” be shared with local bodies by amending the Tamil Nadu Entertainment Tax Act, 1939 and Tamil Nadu Financial Code, Volume-I.	The tax on recreation parlour is insignificant. Considering this, the amendments are not commensurate with the benefits. Hence not accepted.
			<b>(B) Surcharge on Stamp Duty</b>	
64	V	61	In respect of Urban Local Bodies, the assigned revenue be transferred to ULBs as per the entitlement without any diversion to TURIF or any other scheme.	Decided to continue the existing system as the present system help to create durable assets/ infrastructure in a better way.
			<b>(V) XIII FC Grants</b>	
65	V	66 (a)	The annual technical inspection report as well as annual report of the DLFA be placed in the State Legislature as in Kerala and Karnataka so as to review the accountability of the elected and executive heads of all local bodies.	Accepted.

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66	V	66 (b)	A separate Ombudsman to look into the complaints of corruption and maladministration against the functionaries of local bodies, both elected members and officials be created.	Necessary orders may be issued. The relevant draft bill and other steps may be processed separately.
67	V	66 (c)	Property Tax Board be constituted so as to eliminate the hurdles such as non-enumeration, under assessment, non-assessment, non-revision, unreasonable fixation of unit cost of zonal value of properties.	Accepted.
68	V	66 (d)	The fire hazard response and mitigation plan be implemented in Chennai, Coimbatore and Madurai Municipal Corporations.	Accepted.
69	V	67(i)	The distribution of the General Basic Grant be based on the vertical sharing ratio for SFC devolution among the tiers of ULBs as recommended by the Fourth SFC.	Accepted.
70	V	67 (ii)	Since the conditionalities laid down by Government of India would bring in fiscal discipline, those conditionalities be implemented within 2011-12 so as to get the General Performance Grant from Government of India.	Accepted.
<b>CHAPTER – VI SOLID WASTE MANAGEMENT – NEEDS AND FOCUS</b>				
71	VI	16(i)	Solid Waste Management fund be created and Rs.200.00 crore per annum may be contributed to the fund for improving solid waste management in the State, cutting across local bodies. Source of funding is mentioned in the Chapter on devolution.	Accepted for an increased amount of Rs.250.00 crores.
72	VI	16 (ii)	Management of the Fund may follow a public private partnership model like TNUDF to ensure professional management and effective operation.	Accepted.

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<b>CHAPTER – VII ACCOUNTABILITY AND AUDIT OF LOCAL BODIES</b>				
73	VII	27(i)	The Tamil Nadu Panchayats (Issue and Disposal of Audit Report of Village Panchayats) Rules, 2000 be amended to include Local Fund Department Auditor also as an auditor to test audit the accounts of Village Panchayats.	Accepted.
74	VII	27 (ii)	Deputy BDO (Audit) be directed to audit the revenue side also relating to the enumeration of properties, review of under/non-assessment, periodical revision of taxes/non-taxes and untapped tax/non-tax revenue potential. The format for audit by the Deputy BDO (Audit) be revised accordingly.	Accepted.
75	VII	27 (iii)	Internal audit be introduced in ULBs with professional Chartered Accountants/Works Accountants through outsourcing in a phased manner to facilitate better accountability and to strengthen the audit and accounting system.	Accepted.
76	VII	27 (iv)	Government orders on the time limit of three months for finalisation of accounts, after the end of each financial year for all the tiers of local bodies, i.e., upto 30th June leaving three months time for auditing the accounts by LFAD i.e. upto 30th September, along with strict guidelines to adhere to the time limit be issued by the Government.	<b>Accepted.</b> Failure of issue of audit report by the LFAD will be viewed seriously.
77	VII	27 (v)	The Heads of Departments concerned with ULBs be directed to provide periodical training to the accounts staff of ULBs on accrual accounting through LFAD/ professional institutes.	Accepted.

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78	VII	27 (vi)	A new Municipal Accounting Service with appropriate staff strength based on the turnover be created for ULBs. The method of recruitment be decided by the Government in consultation with the HoDs concerned. Till such time, Chartered Accountants be appointed by ULBs on contract basis to finalise the accounts early, as in vogue in Coimbatore Municipal Corporation and also in Karnataka.	Accepted.
79	VII	27 (vii)	Government to expedite the issue of framing the Tamil Nadu Local Fund Audit Act and Rules and conferring statutory status to DLFA as seen in Kerala and Karnataka, which is pending already with the Government and to issue orders suitably.	Accepted.
80	VII	27 (viii)	A consolidated annual audit report of the accounts of local bodies containing particulars of objections of serious nature for each financial year for which audit has been completed shall be placed before the State Legislature.	Accepted.
81	VII	27 (ix)	The recommendation of Second SFC to fill up 25% of the posts of Assistant Directors of L.F. Audit from professional auditors through direct recruitment is reiterated.	Accepted.
82	VII	27 (x)	The HODs concerned and DLFA shall monitor the conduct of District HLC meetings once in 3 months for every district as per G.O and to send compliance report to the Government in RD&PR/ MA&WS Department, periodically.	Accepted.
83	VII	27 (xi)	The Model Panchayat Accounting System through PRIA Soft be introduced in PRIs by outsourcing the creation and maintenance through accounting professionals. The cost of outsourcing be met from the General Performance Grant from Government of India.  <b>or</b>  to make the existing accounting system compatible and accessible with PRIA Soft	Accepted.

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			through outsourcing so that the reports are made available on PRIA Soft Portal along with other States.	
84	VII	27 (xii)	The Heads of Departments concerned with ULBs to review the existing ABAS and to improve it so as to bring the accounting system in our State consistent with the accounting formats and codification pattern suggested in the National Municipal Accounting Manual.	Accepted.
<b>CHAPTER – VIII</b> <b>EQUATION BETWEEN LINE DEPARTMENTS/AGENCIES AND LOCAL BODIES</b>				
<b>(A) CHENNAI METROPOLITAN DEVELOPMENT AUTHORITY (CMDA)</b>				
85	VIII	12(i)	The system of transfer of funds directly from the Planning and Development Fund of CMDA to ULBs implemented during 2010-11 be followed for RLBs also so as to avoid inordinate delay in getting the administrative and technical sanctions from the concerned authorities, approval/ sanction of CMDA and the implementation of the projects in Village Panchayats. After implementing direct transfer of 75% of OSR&DC to RLBs in Chennai Metropolitan Area, the scheme funds through CBED and LAP need not continue.	Accepted.
86	VIII	12 (ii)	The reconciled and audited establishment expenditure of the Planning Wing of the CMDA should be borne by all the local bodies in Chennai Metropolitan Area including Chennai Corporation from the date from which it is given effect to and till then all the local bodies have to remit the arrears on 0.25% of their own income to CMDA.	Accepted.

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<b>(B) TAMIL NADU POLLUTION CONTROL BOARD (TNPCB)</b>				
87	VIII	18	The Government in MA&WS Department in association with Environment and Forests Department shall approach GOI so as to amend the Water Cess Act, 1977.	Accepted.
<b>(C) TAMIL NADU HOUSING BOARD (TNHB)</b>				
88	VIII	23(i)	The unsold units of TNHB should be subjected to the levy of property tax from the date of completion of construction of such units and not from the date of allotments.	Accepted.
89	VIII	23 (ii)	The list of allottees for hire purchase flats should be sent to concerned local bodies by TNHB directly on allotment.	Accepted.
<b>(D) TAMIL NADU SLUM CLEARANCE BOARD (TNSCB)</b>				
90	VIII	30(i)	In respect of new slum tenements, Government Orders on administrative and financial sanctions be issued by all the stakeholder departments in one go so as to provide civic services and other facilities like ration shops etc., without any delay so that the rehabilitated slum people could settle down comfortably.	Accepted.
91	VIII	30 (ii)	In respect of rehabilitation and resettlement of slum dwellers from one local body area to another en masse, the per capita based SFC funds for the resettled slum population be provided to the receiving local body by the HOD concerned for making civic facilities to the resettlers from out of the IGFF and then reimbursed from the HOD concerned with the sending local body.	Accepted.
<b>(E) TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD (TWAD)</b>				
92	VIII	44(i)	The rate of bulk water charges for CWSS be revised from Rs.3/- to Rs.4.50 for RLBs, Rs.4.50 to Rs.7/- for ULBs and from Rs.15/- to Rs.30/- per kilo litre for industries and commercial organizations who have paid proportionate cost of CWSS. This may be periodically revised to cover O&M costs of TWAD Board.	Accepted.

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93	VIII	44 (ii)	Project based outsourcing of man power especially on engineering side be made so as to reduce the operation cost and that the maintenance of water supply scheme also be outsourced so as to overcome the deficit in the O&M cost of CWSS.	Accepted.
94	VIII	44 (iii)	Project planning software be used for better management of the water supply/sewerage projects and the project planning software may be procured at the central level and training at all level has to be imparted to use the software package.	Accepted.
95	VIII	44 (iv)	Bulk water meters be installed also at the source level so as to assess the exact quantum of UFW, to identify the approximate location of losses in the pipelines and to arrest the leakages. The proper working of water meters and also the billing as per the genuine meter reading be ensured.	Accepted.
96	VIII	44 (v)	The long pending undisputed dues on water charges to be paid by local bodies be deducted 'at source' from SFC devolution and or from XIII FC grants and remitted to TWAD.	<b>Accepted</b> with a modification that the dues should be deducted at source only from SFC devolution and not from XIII FC grants.
97	VIII	44 (vi)	The energy efficiency study be made for all CWSS on priority basis.	Accepted.
<b>(F) CHENNAI METROPOLITAN WATER SUPPLY AND SEWERAGE BOARD (CMWSSB)</b>				
98	VIII	60(i)	The water/ sewerage charges be revised upward on 1 <sup>st</sup> October 2012 and revised quinquennially.	Government will examine it separately.
99	VIII	60 (ii)	Quality digital meters be installed by Metro Water at least in a phased manner for all water connections. The fixing and maintenance of meters be outsourced for a specific period to overcome the loss in revenue due to meter becoming defective. Metering be made compulsory for all commercial premises in the water intensive category and other institutions.	It has been decided to have feasibility study.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
<b>(G) TOWN AND COUNTRY PLANNING DEPARTMENT (T&amp;CP)</b>				
100	VIII	67	The reconciled and audited establishment expenditure of the Planning Wing of the T&CP authorities should be borne by all the local bodies in such areas from the date from which it is given effect to and till then the local bodies have to remit the arrears on 1% of their own income to T&CP authorities.	Government will examine separately.
<b>(H) PUBLIC LIBRARIES</b>				
101	VIII	77(i)	The revised rate of library cess at 10 paise for all properties be levied by Chennai Corporation with effect from 01.04.2013 by issuing revision notices to all the assessees.	<b>Accepted.</b> The local bodies will be given special thrust for collecting arrears and remit to the Public Libraries Department.
102	VIII	77 (ii)	The details on the actual collection and remittance of Library Cess from each local body, every year be furnished to the Director of Public Libraries by the HODs/District Collectors concerned.	Accepted.
103	VIII	77 (iii)	The arrears on Library Cess due to default by local bodies be deducted from SFC devolution after reconciliation and adjusted to Public Libraries Department.	<b>Not accepted.</b> The collected Library Cess shall be remitted and best efforts to be made to collect the Library Cess along with Property Tax without allowing any arrear.
104	VIII	77 (iv)	The Library Cess collected in cash be remitted to the separate bank account of ULBs intended for Library Cess as and when collected by ULBs. The dues on Library Cess collected through cheque payments also be credited to the bank account every month. The proceeds of Library Cess then be transferred through ECS mode from the bank account of the ULBs intended for Library Cess to the	Considering the voluminous process for separate bank accounts, this was <b>not accepted.</b>

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			remittance account of the District Library Officer concerned to be opened. In respect of Village Panchayats, the Library Cess collected separately along with House Tax be remitted into a separate bank account to be opened for the purpose and linked to the remittance account of the District Library Officer concerned through ECS.	
105	VIII	77 (v)	10% of the Library Cess collected be retained by the local bodies as collection charges subject to the prompt remittance of the entire Library Cess excluding collection charges every month to the Public Libraries Department through ECS.	Can retain 10% of the Library Cess collected as collection charges. Condition is <b>not accepted</b> .
106	VIII	77 (vi)	All the AGAMT libraries be taken over by Public Libraries Department in a phased manner with suitable reorganisation of village libraries created by Public Libraries Department.	Considering the wide distribution of libraries, this was <b>not accepted</b> . Libraries shall be maintained by the Village Panchayats established under AGAMT.
<b>(I) HINDU RELIGIOUS AND CHARITABLE ENDOWMENTS DEPARTMENT (HR&amp;CE)</b>				
107	VIII	80(i)	The expenditure incurred by local bodies towards providing civic services to the floating population of 50,000 and above, at the time of non notified festivals be reimbursed by the HR&CE Department at 50% of the cost.	<b>Accepted with modification</b> that temples with surplus funds to reimburse 50% of the cost.
108	VIII	80 (ii)	The expenditure towards sanitation and other essential civic facilities provided by the local bodies upto 1 km radius from the temples during notified / non-notified festivals be reimbursed by the temple authorities at 50% of the cost.	<b>Accepted with a modification</b> that 50% of the cost of the expenditure towards sanitation and other essential civic facilities for notified festivals alone provided by the local bodies shall be reimbursed by the affluent temples towards notified festivals.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
109	VIII	80 (iii)	The prompt payment of Property Tax in respect of properties belonging to HR&CE Department and raised in temple lands such as shops, guest houses, staff quarters, restaurants, etc. be ensured by the temple authorities and monitored by both the Heads of Departments concerned with temples and local bodies.	Accepted.
<b>CHAPTER – X ASSESSMENT OF GAP IN FINANCIAL RESOURCES</b>				
110	X	26	30% allocation towards material component under NREGS funds shall be utilized for capital works so as to reduce the gap in resources required for capital asset creation.	Government will examine separately.
<b>CHAPTER – XI SCHEME OF DEVOLUTION</b>				
111	XI	27(i)	The following deductions be made from the gross SOTR so as to arrive net SOTR: a) Share of E.T./ Surcharge on Stamp Duty of RLBs/ ULBs provided in the expenditure budget if not deducted under the receipt major head. b) Transfers to Tamil Nadu Rural Road Development Fund and all surcharges.	Accepted.
112	XI	27 (ii)	For the period of the three SFCs, devolution arrears of Rs.129.30 crore for PRIs and Rs.222.82 crore for ULBs worked out based on the methodology adopted by the Finance Department be paid by the State Government.	Accepted. The TSFC has recommended that devolution arrears is to be paid to the local bodies and the same has been released to them. From 2012-13 onwards, it has been decided to release arrears if any or to adjust the excess payment towards future release based on Finance Accounts.
113	XI	27 (iii)	The existing global sharing ratio to the local bodies at 10% of the net SOTR be continued during the award period of the Commission.	<b>Accepted.</b> Considering the buoyancy in taxes and viable financial position of the local bodies, the recommendation for continuance of devolution of 10% of the net SOTR be accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
114	XI	27 (iv)	Apart from the global sharing of 10% of net SOTR, Rs.200.00 crore per annum be allocated by the State Government towards the Integrated Solid Waste Management activities both in rural and urban local bodies as stated in Chapter-VI. The needs of Peri Urban Panchayats towards SWM be met specifically from this fund.	<b>Accepted with modification.</b> After the recommendations, Government of Tamil Nadu is funding State supported initiatives for Integrated Solid Waste Management with a large fund flow under Mission Mode Programmes. Hence, a fund of Rs.250.00 crores will be created for this purpose for all local bodies.
115	XI	27 (v)	The vertical sharing ratio between rural and urban local bodies be 56 : 44.	Accepted with modification that the vertical sharing ratio between rural and urban local bodies shall be 58:42.
116	XI	27 (vi)	The vertical sharing ratio between the tiers of PRIs shall be 8 : 32 : 60 for District Panchayats, Panchayat Unions and Village Panchayats respectively.	After taking into account the needs of the respective tiers of the PRIs, the recommendation for vertical sharing among the tiers of PRIs in the ratio of 8 : 32 : 60 for District Panchayats, Panchayat Unions and Village Panchayats respectively is accepted.
117	XI	27 (vii)	10% from out of the devolution for rural local bodies be allocated towards Infrastructure Gap Filling Fund. The IGFF be utilized on project/scheme basis only.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
118	XI	27 (viii)	<p>The minimum lumpsum grant to Village Panchayats be increased from Rs.3.00 lakh to Rs.5.00 lakh per Panchayat. This amount has to be deducted from the rural share of 60% of SFC devolution intended for Village Panchayats and be deducted as the first charge and distributed to all Village Panchayats on monthly basis. The balance amount from out of the share of Village Panchayats in the SFC devolution be distributed on the horizontal sharing ratio suggested below:</p> <p>a) Total population (2011 Census) : 60%</p> <p>b) SC/ST population : 20%</p> <p>c) Area : 20%</p>	Accepted.
119	XI	27 (ix)	The minimum lumpsum grant of Rs.30.00 lakh to Panchayat Unions be continued for the award period.	Accepted.
120	XI	27 (x)	The vertical sharing ratio between the tiers of ULBs shall be 40 : 29 : 31 for Municipal Corporations, Municipalities and Town Panchayats respectively.	Accepted with a modification that the vertical sharing ratio between the tiers of urban local bodies shall be 40 : 31 : 29 for Municipal Corporations, Municipalities and Town Panchayats respectively.
121	XI	27 (xi)	<p>For horizontal sharing of SFC devolution within each tier of ULBs, the following criteria and weightages be adopted:</p> <p>a) 2011 census population : 80%</p> <p>b) Area : 15%</p> <p>c) Debt outstanding : 5%</p>	After considering the pros and cons for including "Area" as one of the criteria and considering this as one of the criteria for devolution of grant as it has its effect on the area to be covered by the local bodies, the recommendation is accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
122	XI	27 (xii)	The percentage of IGFF for each tier of ULBs be increased from 3% to 7%. Debt relief to 41 Municipalities and 3 Municipal Corporations as discussed in Chapter-V also be met from this Fund.	Accepted.
123	XI	27 (xiii)	The percentage of O&MGFF for each tier of ULBs be increased from 2% to 3%.	Accepted.
124	XI	27 (xiv)	The minimum lumpsum grant for Town Panchayats be increased from Rs.10.00 lakh to Rs.20.00 lakh.	Accepted.
125	XI	27 (xv)	<p>From the vertical share of SFC devolution recommended for rural and urban local bodies, 2.5 percent be allocated as a separate corpus for incentive fund from SFC devolution. From out of the corpus, the incentive be given to the local bodies as detailed below:</p> <p>Local bodies which record 100% current collection in House/Property Tax and 75% arrear collection with increase in the collection at 15% over the previous year will be qualified to get an incentive as graded below:</p> <p>100% of demand subject to a maximum of</p> <p>(a) Village Panchayats - Rs.2.00 lakh                      (b) Town Panchayats - Rs.10.00 lakh                      (c) Municipalities - Rs.20.00 lakh                      (d) Municipal Corporations - Rs.50.00 lakh</p>	Accepted. Subject to 100% collection + quinquennial revision. It has been decided that 50% of the 2.5 percent of Incentive Fund from SFC devolution be provided for ensuring periodic revision and balance 50% for 100% of demand.
126	XI	27 (xv)	<p>The following conditionalities also be prescribed for getting the incentive:</p> <ul style="list-style-type: none"> <li>➤ Enumeration of properties every year and to be certified by the Deputy BDO (Audit)/RDMA/AD (TPs).</li> <li>➤ General revision should have been done in the past 5 years.</li> </ul>	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government																							
127	XI	27 (xvi)	<p>The cash award be given to the local bodies at the District and State level also. At the District level 3 cash awards of Rs.3.00 lakh, Rs.2.50 lakh and Rs.2.00 lakh for the first 3 local bodies which fulfill the conditionalities and qualify for getting the incentive mentioned in para 25(i). The awards be given by the District Collectors. Similar awards also be given at the State level for the local bodies as mentioned in para 25(ii), with cash of Rs.10.00 lakh, Rs.7.50 lakh and Rs.5.00 lakh for the first 3 Village Panchayats respectively.</p> <p>At the State level, the cash award for ULBs be given for the first 3 Municipal Corporations, Municipalities and Town Panchayats as detailed below:</p> <table border="1" data-bbox="516 1045 1042 1310"> <thead> <tr> <th rowspan="2">S. No</th> <th rowspan="2">Tier of ULBs</th> <th colspan="3">Cash award (Rs. in lakh)</th> </tr> <tr> <th>First</th> <th>Second</th> <th>Third</th> </tr> </thead> <tbody> <tr> <td>1)</td> <td>Municipal Corporations</td> <td>100.00</td> <td>75.00</td> <td>60.00</td> </tr> <tr> <td>2)</td> <td>Municipalities</td> <td>50.00</td> <td>40.00</td> <td>30.00</td> </tr> <tr> <td>3)</td> <td>Town Panchayats</td> <td>40.00</td> <td>30.00</td> <td>20.00</td> </tr> </tbody> </table>	S. No	Tier of ULBs	Cash award (Rs. in lakh)			First	Second	Third	1)	Municipal Corporations	100.00	75.00	60.00	2)	Municipalities	50.00	40.00	30.00	3)	Town Panchayats	40.00	30.00	20.00	As fulfilling of conditionalities would improve the standards of the local bodies, to motivate the local bodies, the recommendation for giving cash awards has been accepted.
S. No	Tier of ULBs	Cash award (Rs. in lakh)																									
		First	Second	Third																							
1)	Municipal Corporations	100.00	75.00	60.00																							
2)	Municipalities	50.00	40.00	30.00																							
3)	Town Panchayats	40.00	30.00	20.00																							
128	XI	27 (xvii)	Balance in the incentive fund be transferred to IGFF.	Accepted.																							
129	XI	27 (xviii)	As and when Goods and Services Tax is implemented, the GST loss compensation if any received from Government of India also be shared with the local bodies in the global sharing ratio. The local taxes/ surcharges related to local bodies be excluded from the purview of State GST as and when GST is implemented.	On introduction of GST, this could be decided.																							

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
<b>CHAPTER – XII RECORDING OF BEST PRACTICES</b>				
130	XII	5	<p>The best practices listed below be implemented in all the local bodies wherever feasible for which the HODs concerned shall encourage the local bodies by honoring them with District / State level awards and also allocate incentive from the SFC devolution for the adoption of best practices which would increase the size of the own revenue significantly and improve delivery of services as explained in the relevant chapter.</p>	Accepted.
			<ol style="list-style-type: none"> <li>i. Enumeration of properties / persons to be assessed for taxation, every year.</li> <li>ii. Switching over from capital value based House Tax to plinth area basis.</li> <li>iii. General revision of House Tax once in 5 years.</li> <li>iv. Avoidance of under/ non-assessments of House Tax.</li> <li>v. Foolproof assessment of self employed professionals, traders and private companies/employees for Profession Tax.</li> <li>vi. Finalization of accounts within the stipulated time.</li> <li>vii. Revision of water charges periodically.</li> <li>viii. Water charges to meet at least 50% of O&amp;M cost of water supply.</li> <li>ix. Involvement of SHGs/ NGOs/ Trusts/ Resident Welfare Associations to participate in the Solid Waste Management and Green Environment activities.</li> </ol>	

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			<ul style="list-style-type: none"><li>x. Conversion of street lights into energy saver CFL lamps.</li><li>xi. Encouraging Public Private Participation in the creation of public infrastructure especially in RLBs.</li><li>xii. Outsourcing tax collection through banks/online especially in ULBs.</li><li>xiii. Privatisation of the maintenance of street lights.</li><li>xiv. Energy audit in civic services such as street lighting and water supply.</li><li>xv. Identification and listing of common property resources vested with Panchayats and making them productive for revenue generation.</li></ul>	

**O. PANNEERSELVAM,**  
Minister for Finance.

May 2013  
Chennai-9.