

GOVERNMENT OF TAMIL NADU

FINANCE (FC-IV) DEPARTMENT

EXPLANATORY MEMORANDUM ON THE ACTION TAKEN ON THE RECOMMENDATIONS MADE BY THE THIRD STATE FINANCE COMMISSION IN ITS REPORT SUBMITTED TO HIS EXCELLENCY THE GOVERNOR OF TAMIL NADU ON SEPTEMBER 30, 2006.

The Third State Finance Commission constituted with effect from 2.12.2004 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 30.09.2006. The report of Third State Finance Commission together with the Explanatory Memorandum on the action taken on the recommendations of Third 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 Third State Finance Commission are as follows:

CHAPTER - XIII

STATE FINANCES

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
1	XIII	4(i)	State Finances: The Third State Finance Commission recommends that the State Government may address Government of India to remove the ceiling on the Profession Tax rates by amending the Constitutional provisions and to let the States to decide on it depending on the augmenting capacities of the Local bodies.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government										
2	XIII	4(ii)	The Third State Finance Commission recommends that a plea for higher quantum of Central Finance Commission grants to local bodies may be taken up with the next Central Finance Commission at the rate of at least Rs.150 per capita per annum based on 2001 Census population. The State Government should also address Government of India in this regard for consideration by next Central Finance Commission.	Accepted.										
3	XIII	4(iii)	The State Government shall take up with the Central Government for amending Article 285 of the Constitution to enable local bodies to levy service charges on Central Government buildings / properties.	Accepted.										
CHAPTER - XIV DEVOLUTION DEVICE AND MONITORING MECHANISM														
4	XIV	37(i)	Based on the States' Own Tax Revenue as arrived at by the Commission by adopting Compounded Annual Growth Rate for major State Taxes viz Sales Tax, Motor Vehicle Tax, Stamp Duty and State Excise and for other taxes and expenses at MTFP projections, the devolution transfer to local bodies under Pool B shall be 10% for each year during the entire award period of Third State Finance Commission i.e 2007-2012.	Accepted with certain modifications. Considering the buoyancy of State's Own Tax Revenue and the sizeable increase in the quantum of SFC devolution even by increasing 1% and State Government's commitments, the devolution of funds from State's Own Tax Revenue shall be as follows: <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>2007-08</td> <td>9%</td> </tr> <tr> <td>2008-09</td> <td>9%</td> </tr> <tr> <td>2009-10</td> <td>9.5%</td> </tr> <tr> <td>2010-11</td> <td>10%</td> </tr> <tr> <td>2011-12</td> <td>10%</td> </tr> </tbody> </table>	2007-08	9%	2008-09	9%	2009-10	9.5%	2010-11	10%	2011-12	10%
2007-08	9%													
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5	XIV	37(ii)	The Pool A transfer (Assigned Revenue) shall be on the lines indicated in the chapter on Resource base.	Decisions taken by the Government are given below.										

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
CHAPTER - V				
RESOURCE BASE				
6	V	59(i)	<p>Assigned / Shared Revenue Entertainment Tax</p> <p>The Entertainment Tax dues from 1997-2002 and from 2002-2006 should be adjusted to local bodies in 2007-08 by the Government failing which the local bodies are entitled for interest at the maximum for the period of delay.</p>	<p>Accepted with a modification that the arrears if any will be released <u>but without interest.</u></p>
7	V	59(ii)	<p>Monthly adjustment of Entertainment Tax shall be made on 15th of the succeeding month instead of quarterly adjustment in view of the computerisation of functions.</p>	<p>In the present scenario, quantum of Entertainment tax collected has become very less due to exemption of films named in Tamil. Moreover, there is already a system of compensation. Hence, the status quo shall continue.</p>
8	V	59(iii)	<p>Collection charge shall be 1% of the tax proceeds and the balance 99% of Entertainment Tax shall be transferred to local bodies with effect 1.4.2007.</p>	<p>Status quo shall continue.</p>
9	V	59(iv)	<p>The shareable components of the tax collected under Entertainment Tax should clearly be exhibited in the Revenue Budget by the departmental authorities so as to cross verify the deduct entry under transfer to local bodies.</p>	<p>Separate head is not necessary. Hence, the recommendation is not accepted.</p>
10	V	59(v)	<p>The local bodies should be consulted whenever any reduction in Entertainment Tax rate is contemplated and the loss in income should be compensated till the end of the award period of the Third State Finance Commission.</p>	<p>It is the prerogative of the Government to offer concessions etc. on taxes. Hence, consulting local bodies before making any reduction in Entertainment Tax rates does not arise. However, the Government has announced to compensate the loss. The recommendation is deemed to be accepted.</p>
11	V	64(i)	<p>Surcharge on Stamp Duty</p> <p>There should be separate detailed heads for Surcharge on Stamp Duty collections and apportionment to</p>	<p>Accepted.</p>

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			local bodies. The adjustment should be effected only for the portion entitled for local bodies.	
12	V	64(ii)	The difference in the entitlement and the amount actually adjusted from 2002-03 to 2005-06 should be worked out and adjusted immediately in 2007-2008.	Accepted. The figures will be reconciled and difference adjusted in the coming years.
13	V	64(iii)	The Government should get the concurrence of the local bodies before effecting the reduction in rates of Surcharge on Stamp Duty as the quantum is assumed based on the present rates. If at all reduction is effected, the loss in income should be compensated based on the level of flow of transfer prior to reduction.	Not accepted. Revision of Stamp Duty rates is in consonance with the Memorandum of Understanding signed with Government of India on Fiscal Reforms. The Local Bodies may not suffer much on account of reduction in rates due to the fact that there is steady increase in the number of instruments registered and also due to upward revision of guideline values.
14	V	64(iv)	There is no logic behind the differential rates of collection charges for rural and urban. Hence, a uniform rate of 1% of the surcharge collected shall be retained by Government as collection charges for both urban and rural local bodies.	Accepted with a modification that 3% of the surcharge collected shall be retained by the Government for both urban and rural local bodies.
15	V	64(v)	Levy of Surcharge be made on the 5 items mentioned in para 63 of the Chapter at the rate applicable for other items of properties as already agreed to by the Government.	Status quo shall continue. Will be examined separately.
16	V	64(vi)	As already recommended by Second State Finance Commission, the rural share shall be 50% on population and 50% on collection for which Section 175 of Tamil Nadu Panchayats Act, 1994 may be amended.	In view of the proposed pooling at the State level and apportioning of this assigned revenue in respect of rural local bodies, this issue will not arise. Recommendation not accepted.
17	V	64(vii)	The Surcharge on Stamp Duty should be adjusted by 15th of the next month by District Registrar in respect of Urban Local Bodies and by the District Collector in respect of Rural Local Bodies	Accepted in case of Urban local bodies. In respect of Rural local bodies, in view of the proposed pooling at the State level and apportioning of this assigned revenue, this issue will not arise.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
18	V	65(g)(i)	<p>Local Cess / Local Cess Surcharge</p> <p>Ceiling on Local Cess may be enhanced from Re.1/- to Rs.3/- with a minimum of Rs.2/- by amending Section 167 of Tamil Nadu Panchayats Act, 1994.</p>	<p>Recommendation is not accepted. Except social forestry receipts and minor minerals, assigned revenue such as LC/LCS on land revenue, surcharge on stamp duty and entertainment tax shall be pooled at the State level and apportioned among Village Panchayats, Panchayat Unions and District Panchayats on the same lines as the SFC devolution.</p>
19	V	65(g)(ii)	<p>Minimum Local Cess Surcharge may be enhanced from Rs.5/- to Rs.10/- and further enhancement of Local Cess Surcharge may be left to the Panchayat Unions by suitably amending Section 168 of Tamil Nadu Panchayats Act, 1994.</p>	<p>Not accepted.</p>
20	V	65(g)(iii)	<p>There should be separate sub heads in the Revenue Budget for collection of Land Revenue / Local Cess / Local Cess Surcharge and detailed heads for the apportionment as noted below to ensure transparency in accounting.</p> <p>0029 Land Revenue 101 Land Revenue AA or under AH Land Revenue collections Local Cess collections Local Cess Surcharge collections Similarly under apportionment 0029 101 AI Local Cess apportioned to Village Panchayats Local Cess Surcharge apportioned to Panchayat Unions</p>	<p>Not accepted. In view of the proposed pooling at the State level and apportioning of this assigned revenue in respect of rural local bodies, this issue will not arise.</p>
21	V	65(g)(iv)	<p>The adjustment of Local Cess/Local Cess Surcharge shall be made on or before 15th September of each year after the closure of Fasli and Jamabandhi failing which the local bodies should be given interest for delayed adjustment at a rate not less than the ways and means advance rate charged by Reserve Bank of India to the State Government.</p>	<p>Not accepted. In view of the proposed pooling at the State level and apportioning of this assigned revenue in respect of rural local bodies, this issue will not arise.</p>

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
22	V	65(g)(v)	There should be half-yearly meeting at District level under the Chairmanship of the District Collector in which the Revenue and Panchayat wing of the District Collectorate should participate so as to sort out the issues relating to adjustment of the dues in time.	Not accepted. In view of the proposed pooling at the State level and apportioning of this assigned revenue in respect of rural local bodies, this issue will not arise.
23	V	65(g)(vi)	There should be an annual meeting at Commissioner of Revenue Administration level in the month of October every year to review the Local Cess/Local Cess Surcharge adjustment.	Not accepted. In view of the proposed pooling at the State level and apportioning of this assigned revenue in respect of rural local bodies, this issue will not arise.
24	V	65(g)(vii)	The apportionment of Local Cess/Local Cess Surcharge shall be on the basis of the formula outlined in para 65 (d) of the Chapter to avoid under adjustment	Not accepted. In view of the proposed pooling at the State level and apportioning of this assigned revenue in respect of rural local bodies, this issue will not arise.
25	V	65(g)(viii)	The Government shall constitute a Committee to study the feasibility of levying a Panchayat Tax in the place of Local Cess/Local Cess Surcharge and to entrust the work to VAOs, on the lines obtaining in Karnataka.	Not accepted. Instead a separate study shall be made on rationalisation of land revenue.
26	V	65(g)(ix)	There should be atleast partial compensation say upto 50% to Village Panchayats and Panchayat Unions in the remission year to avoid loss in income, as the income has been taken into account in the resource base and also the State's financial constraints.	Not accepted. In a year of drought / flood, the distress to the farmers should be shared both by the Government and Local Bodies.
27	V	66(e)(i)	A separate distinct sub head under "900 Deduct Refunds" – AC - Amount payable to Local Bodies from Minor Minerals" be opened as the present head includes refunds to lessees in the disputed cases and for refund of excess amount collected.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
28	V	66(e)(ii)	The sharable income shall be adjusted on a quarterly basis in the same financial year to avoid obtaining Government orders for lapsed appropriation.	Accepted.
29	V	66(e)(iii)	The Village Panchayats / Special Village Panchayats / Town Panchayats shall be provided with sketches of the quarrying areas for their information.	Accepted.
30	V	66(e)(iv)	The difference amount due to be apportioned from 2000-2005 as noted in Para 66 (c) of the Chapter shall be passed on to the local bodies during the financial year 2006-07 and 2007-08.	Accepted. The dues which are not covered by litigation shall be adjusted.
31	V	66(e)(v)	The confirmation of the mines / mineral lease shall be made within a month by the competent authority to avoid back-log in adjustment to local bodies.	Accepted.
CHAPTER - XIV DEVOLUTION DEVICE AND MONITORING MECHANISM				
32	XIV	37(iii)	Specific purpose grant under Pool C shall be at 0.5% to 1% of the States' Own Tax Revenue.	Not accepted. Taking into account the commitments towards VAT loss and implementation of next Pay Commission, the Government may not be in a position to devolve funds as in Pool 'C' in addition to global devolution. Moreover, sufficient grant funds are available under TNUDP-III and JNNURM and various centrally sponsored schemes.
33	XIV	37(iv)	While arriving at the Net proceeds of Taxes, only the collection charges for the staff employed in the departments concerned and the transfer to Rural Road Development Fund alone should be deducted.	Accepted with a modification. Tamil Nadu Rural Road Development Fund, other surcharges including specific surcharges and collection charges for tax administration heads alone shall be deducted like the principles of not sharing

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
				surcharges being followed by Government of India.
34	XIV	37(v)	Vertical sharing of Pool B devolution between Rural Local Bodies and Urban Local Bodies shall be at 58:42 respectively.	Accepted.
35	XIV	37(vi)	Horizontal sharing among PRIs shall be at 8% for District Panchayats, 32% for Panchayat Unions & 60% for Village Panchayats.	<p>The recommendation of Third State Finance Commission to adopt a ratio of 60:32:8 for Village Panchayats, Panchayat Unions and District Panchayats respectively for distributing the 58% share of rural local bodies is accepted.</p> <p>The Government shall reserve 5% from out of 60% share of the Village Panchayats from State Finance Commission devolution towards infrastructure gap filling fund. From out of the infrastructure gap filling fund, 50% shall be allocated towards Anaithu Grama Anna Marumalarchi Thittam and out of the balance 50% of the fund, a part of the amount shall be given to the Director of Rural Development for sanctioning basic amenities in the Districts and the rest shall be allocated to the Districts based on population and given to the District Collectors for the same purpose.</p> <p>A minimum grant of Rs.3 lakhs to each Village Panchayat shall be provided as a measure of equalization, from out of the Village Panchayats' share of 55%. The balance amount shall be distributed based on population.</p>
36	XIV	37(vii)	In respect of Urban Local Bodies the sharing shall be 30% for Municipal Corporations, 41% for Municipalities and 29% for Town Panchayats. From out of the share of	The recommendation of Third State Finance Commission on the sharing ratio for Urban Local Bodies i.e.: 30:41:29 for Municipal Corporations, Municipalities and

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			Chennai Corporation, 10% shall go to Chennai Metropolitan Water Supply and Sewerage Board as already recommended in the para relating to Chennai Metropolitan Water Supply and Sewerage Board.	Town Panchayats respectively from out of the 42% devolution share of Urban local bodies is accepted . The Government shall set apart 3% towards infrastructure gap filling fund and 2% for O&M gap filling fund from out of the share of each tier. A minimum SFC grant of Rs.10 lakhs shall be provided to each Town Panchayat and the balance grant shall be distributed based on population.
37	XIV	37(viii)	Inter-se distribution among the tiers of local bodies shall be on the basis of the criteria suggested in the Chapter.	Accepted. 2001 population shall be the basis for distribution of SFC funds.
38	XIV	37(ix)	The devolution shall be released monthly as at present on the first of the month.	Accepted with a modification. 10 monthly instalments (from April to January) shall be released as per the existing procedure based on budget estimate provisions and the balance based on Revised Estimate provisions for State's Own Tax Revenue.
39	XIV	37(x)	The arrears of devolution due to Urban Local Bodies during 1997-2006 amounting to Rs.285.30 crores shall be settled in 2007-2008. In respect of excess devolution transferred to PRIs those may be waived, in view of the time delay in release of the balance.	Accepted with a modification. The arrears due to Urban Local Bodies shall be released in 3 annual instalments and the excess devolution made to Rural Local Bodies shall also be deducted in 3 instalments with 1.4.2007 as the date for arriving at cumulative arrears or surplus.
40	XIV	37(xi)	From out of the suggested devolution under Pool B 3% from out of the Village Panchayats share shall be set apart as Incentive Fund for Village Panchayats and 5% for Urban Local Bodies as Incentive Fund as explained in the Chapter.	In view of setting apart 3% as infrastructure gap filling fund in case of Village Panchayats and 3% as infrastructure gap filling fund and 2% as O&M gap filling fund for urban local bodies, the recommendation is not accepted.
41	XIV	37(xii)	The distribution pattern for the release of incentive shall be as outlined in the Chapter. The present practice of	Accepted. Necessary funds shall be made available in the budget of DRD/CMA/DTP and quarterly

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			releasing the incentive fund at the fag end of the financial year shall be discontinued and that the release of the above funds may be in the second quarter of each year.	appropriation discipline shall be followed for release.
42.	XIV	37(xiii)	1% of Plan funds may be set apart for District Collectors to undertake works which require urgent attention and also to the needy Village Panchayats. It shall not be part of the devolution	Not accepted in view of the increase in global devolution percentage.
43.	XIV	37(xiv)	As at present the pension commitment of local body pensioners shall be deducted from gross devolution meant for the respective tiers based on the demand and the same passed on to Director of Local Fund Audit. Similarly the election fund for Urban Local Bodies shall be deducted from the gross devolution every year based on the need and shall be kept in a separate account as at present.	Accepted with a modification that the pension commitment of local body pensioners shall be deducted from the devolution meant for the respective local bodies instead of respective tiers.
44	XIV	37(xv)	The loan deductions from devolutions in respect of Urban Local Bodies shall not exceed 25% of the gross devolution.	Not accepted. Annuities to financial institutions cannot be avoided / postponed for the reasons that those payments may not fall within the ceiling of 25%. The payment of annuities will enable local bodies to get better credit rating thereby getting funds from the market at lower rates of interest.
45	XIV	41(i)	Monitoring Mechanism Decision on all recommendations made by Third State Finance Commission shall be taken within a period of 6 months from the date of commencement of the award period.	Government shall endeavour to take decision on the recommendations at the earliest without undue delay.
46	XIV	41(ii)	Every year along with the Budget, the Government must place details of the transfer to the local bodies made during the year based on the decision taken by the Government.	Already in vogue. Hence, the recommendation is deemed to be accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
47	XIV	41(iii)	Along with the policy note of the departments of Rural Development and Panchayat Raj Department and Municipal Administration and Water Supply Department, the progression on the issue of orders should be placed.	This is not necessary in view of the decisions taken on the recommendation in para No.41(i).
48	XIV	41(iv)	Government may consider constituting a separate committee of the Assembly to review the implementation on the decision taken by the Government.	Not accepted. High Level Committee under the Chairmanship of Chief Secretary shall monitor the implementation.
49	XIV	41(v)	Follow up action on the decisions of the Government shall be monitored on a quarterly basis by the High Level Committee constituted for this purpose.	Accepted with a modification that the follow-up action shall be monitored on half-yearly basis by the Committee under the Chairmanship of the Chief Secretary.
50.	XIV	41(vi)	The local body council shall be constituted as explained in the Chapter and its effective functioning is ensured.	As there are several State Level Committees for monitoring the programmes of both RD & MAWS Departments, the recommendation is not accepted.
51	XIV	41(vii)	As suggested in the Chapter, the monitoring cell shall assist the local body council in its policy perception, change in tax structure and other issues.	In view of the decision arrived on the recommendation given in para 41(vi), the question of assisting the local body council through the monitoring cell does not arise.

CHAPTER - III

STATUS OF IMPLEMENTATION OF ELEVENTH CENTRAL FINANCE COMMISSION'S RECOMMENDATIONS

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
52	III	18(i)	The State's Finance Department shall take up with Ministry of Finance of the Union Government for release of the withheld amount of Rs.2595.60 lakhs towards maintenance of accounts in respect of Rural Local Bodies and Rs.59.35 lakhs towards creation of database in respect of Urban Local Bodies as explained in para 13 of the Chapter.	Government of India has released the withheld amount during February 2007. Hence, the recommendation is deemed to be accepted.
53	III	18(ii)	The local bodies should update the accounts format and data base format periodically so as to provide support to the future Commission in the form of continuity of data and the Heads of Departments should also evolve robust monitoring mechanism in place for achieving specific milestone in the data base management.	Accepted in principle. Noted for future guidance.

CHAPTER - IV

TWELFTH CENTRAL FINANCE COMMISSION'S RECOMMENDATIONS

54	IV	7(i)	The sectoral allocation suggested for Panchayat Raj Institutions for each core civic service for utilisation of Central grants outlined in para 4 (a) of the Chapter shall be followed for the award period of 2005-2010.	Accepted in principle. This issue shall be reviewed by the High Level Committee headed by Chief Secretary periodically.
55	IV	7(ii)	The funds set apart for data base shall be utilised for providing computer hardware and connectivity for obtaining data on various levels of services.	Accepted in principle. This issue shall be reviewed by the High Level Committee headed by Chief Secretary periodically.
56	IV	7(iii)	In respect of Urban Local Bodies, 50% of funds set apart for Solid Waste Management shall be allotted to Municipalities with 1,00,000 population for composting and energy programmes as suggested by Central Finance Commission on priority basis and thereafter to other Municipalities of lesser population.	Accepted in principle. This issue shall be reviewed by the High Level Committee headed by Chief Secretary periodically.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
57	IV	7(iv)	The balance 50% of funds available shall be distributed on the basis of population and on the basis of sectoral allocation suggested in para 4 (b) of the Chapter. From out of the allocation, those who need funds for data base and other connectivity programmes, the Heads of Departments may be empowered to set apart within the allocation to such needy Town Panchayats / Municipalities. The distribution formula devised by High Level Committee for distribution of grants at 75% on population and 25% on fiscal collection basis shall be dispensed with.	Accepted in principle. This issue shall be reviewed by the High Level Committee headed by Chief Secretary periodically.
CHAPTER – VIII DEBT RELIEF FOR LOCAL BODIES				
58	VIII	15(i)	The weighted average interest adopted for certain Municipalities at <u>10.5% from 1.4.98 to 31.3.2002</u> shall be adopted for all Urban Local Bodies including Town Panchayats which availed Government / LIC loan for water supply and drainage schemes. (The rate of 10.74 recommended by Second State Finance Commission is rounded to 10.5 for administrative convenience).	<p>Considering the difficult financial position of Municipalities and Municipal Corporations, the Government have decided to write off the entire outstanding principal of Rs.430 Crore as well as interest of Rs.363 Crore as on 1.4.2007 in respect of Municipalities and Municipal Corporations.</p>
59	VIII	15(ii)	<u>From 1.4.2002</u> , the interest rates for loans taken for water supply and drainage / sewerage projects shall be at 8% as adopted by the lending agencies.	
60	VIII	15(iii)	From 1.4.2007, the Urban Local Bodies shall be charged 8% interest for the loans already taken from Government / LIC. If LIC is not agreeable, the Urban Local Bodies shall be instructed by way of Government order to repay the pending loan by obtaining fresh loan from lending agencies which charge interest at 8%.	
61	VIII	15(iv)	As far as the interest relief recommended for all Urban Local Bodies are concerned, there should be no conditionalities as the debt-burden of Urban Local Bodies is severe.	

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62	VIII	15(v)	The financial health of each Urban Local Body may be analysed by reputed credit rating agencies to determine whether they can afford to bear further loan burden.	Mostly Urban Local Bodies take loans from TNUDF/TUFIDCO. When local bodies go for issue of bonds, they will be subjected to credit rating. In future, pooled financing would emerge which may not require credit rating of individual local body. Hence, this recommendation is not accepted .
63	VIII	15(vi)	The Government may prescribe a ceiling for borrowing by Urban Local Bodies to prevent them from falling into debt-trap.	As there exists a ceiling already, recommendation is deemed to be accepted .
64	VIII	15 (vii)	A comprehensive review of the debt bearing capacity of the local bodies taking into account their existing level of debt and record of repayment should be launched before further burdening the local bodies with debt.	The lending agencies do review the debt bearing capacity when local bodies apply for loans. Recommendation is deemed to be accepted .
65	VIII	15(viii)	As many of the infrastructure projects do not directly improve the resource base of the local bodies, the funding through grants and loans should be reviewed to provide greater support to them in terms of lowering interest burden.	Grant funds are already available and as such this recommendation is deemed to be accepted .
66	VIII	15 (ix)	If the interest relief recommended is accepted and implemented, the non-plan grant provided for interest payment on behalf of Tamil Nadu Water Supply and Drainage Board / local bodies to LIC / other agencies may be discontinued.	No non-plan grant is being provided to TWAD Board. Hence, the recommendation is deemed to be accepted .
CHAPTER – IX				
ACCOUNTABILITY AND AUDIT				
67	IX	11(i)	Audit: The time frame drawn for finalisation of annual accounts as recommended by Second State Finance Commission should be observed in letter and spirit by local bodies.	Accounts will be finalised within 3 months after the end of the financial year.

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68	IX	11(ii)	The Director of Local Fund Audit shall go in for mechanisation of auditing formats by adopting e-mode to reduce the time taken by auditors for scrutiny. The role and function of concurrent audit shall be brought under constant scanning so that the work of the regular audit wing will be reduced.	Government shall endeavour to do this in a phased manner.
69	IX	11(iii)	The recommendation of Second State Finance Commission for introduction of pre-audit in place of concurrent audit is once again reiterated to avoid harassment of the Municipal officials at the time of retirement by way of unsettled audit objections.	Accepted with a modification that there shall be a percentage based random review by DLFA.
70	IX	11(iv)	The State Government shall continue to exert pressure for enhancing the ceiling limit for scheme audit under Section 14 of Comptroller and Auditor General of India Act from the present level of Rs.25 lakhs to Rs.1 crore.	Accepted.
71	IX	11(v)	Committees for Management Audit Team and Performance Audit Team consisting of second level officer in the respective Heads of Department, State Planning Commission official and an Engineer drawn <u>from outside department / agency to evaluate the works</u> undertaken by local bodies should be constituted.	Not accepted. Instead, an independent evaluation shall be done by DLFA & E & AR on a random and percentage basis.
72	IX	11(vi)	The High Level Committee constituted to look into the long pending audit objections should meet once in six months say in July and January and settle the objections and the Director of Local Fund Audit and Heads of Departments viz Director of Rural Development, Commissioner of Municipal Administration and Director of Town Panchayats will be responsible for convening the meeting.	Accepted.
73	IX	11(vii)	In all Village Panchayats the system of social audit may be introduced and the grama sabha shall be the forum to conduct social audit. The concept envisaged in the Chapter may be the basis for the social audit.	This is already in vogue. Recommendation is deemed to be accepted.

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74	IX	22(i)	<p>Accountability</p> <p>The creation of Ombudsman as recommended by previous Commissions on the lines of Kerala and Karnataka is reiterated to bring to book the erring elected representatives.</p>	<p>Since the role of Ombudsman is already being performed by the Inspector of Local Bodies, the recommendation is not accepted.</p>
75	IX	22(ii)	<p>The local bodies should involve Self-Help Groups and NGOs in creating awareness among the public and at the same time they should function as watch dogs of the local body administration.</p>	<p>Accepted.</p>
76	IX	22(iii)	<p>The shelf of projects for each Urban Local Body for five year period commencing from 2007-12 has to be prepared and the same may be discussed in District Planning Committee for ultimate inclusion in the Eleventh Five Year Plan for the Districts.</p>	<p>Accepted with a modification that the City Development Plan as and when prepared shall be placed before the District Planning Committee for information.</p>
77	IX	22(iv)	<p>The Urban Local Bodies should implement the citizens' charter and the public should invoke the Right to Information Act for obtaining details on the works undertaken by local bodies.</p>	<p>Already in vogue. Recommendation is deemed to be accepted.</p>
78	IX	22(v)	<p>The Committee on local bodies on the lines of Public Accounts Committee should be formed immediately to bring to light the irregularities and loss suffered by local bodies on an yearly basis.</p>	<p>Not accepted. Already the Public Accounts Committee is performing this function as part of its overall mandate. Hence, a Committee on local bodies on the lines of PAC is considered redundant and hence not necessary.</p>
79	IX	22(vi)	<p>All Urban Local Bodies / Rural Local Bodies shall create database in the format prescribed by Comptroller and Auditor General of India which may ultimately be used by State / Central Finance Commissions for their study and recommendations. The concerned Head of Department shall monitor the data base on a quarterly basis viz April, July, October and January of each year.</p>	<p>Accepted with a modification to implement this recommendation in respect of Municipal Corporations and Municipalities.</p>

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
80	IX	B 4(i)	<p>Grama Sabha</p> <p>The Grama Sabha meetings may be conducted only <u>twice a year</u> compulsorily during February to present the Budget and in August to review the implementation of schemes approved in the previous meeting. Meetings may be convened by Panchayats on various days in the month of February / August of the year concerned at the convenience of the Panchayat and on the dates listed at the block or District level. Special meetings at any numbers may also be conducted in between the statutory meetings whenever warranted under the direction of the Inspector of Panchayats. These measures will also facilitate line departments / agencies to attend Grama Sabha meetings in all Panchayats in a district. The time duration of not more than 6 months between two Grama Sabha meetings as envisaged in the Act should also be adhered by conducting meeting in between.</p>	<p>Not accepted. As already Rural Local Bodies are conducting Grama Sabha meetings four times a year, there is no need to reconsider the existing practice.</p>
81	IX	B 4(ii)	<p>District Collectors / Director of Rural Development and Panchayati Raj may be asked to stick on to the time schedule for giving any instructions regarding Grama Sabha and the issue of notices by the Panchayat should not await any instructions from the District Administration.</p>	<p>There are standing instructions already in existence on this subject. Recommendation is deemed to be accepted.</p>
82	IX	B 4(iii)	<p>To bring in transparency in Panchayat Raj administration and to fulfill the aspirations guaranteed under Right to Information Act, the accounts of the previous year may be printed on the reverse side of the intimation notice so as to facilitate the public to know the actual financial position and transaction of their Panchayat.</p>	<p>The Village Panchayats' Accounts are already being placed in the Grama Sabha. Hence, no further action is considered necessary.</p>
83	IX	B 4(iv)	<p>Notices for the Grama Sabha meeting should be served to each household besides the residents welfare associations. This can be done through so many sources such as newspaper suppliers, milk vendors and others apart from the daily waged Mazdoors available in the Panchayat.</p>	<p>Not accepted. Present method of public notices at prominent places and TomTom are sufficient.</p>

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
84	IX	B 4(v)	The quorum for the Grama Sabha meeting may be prescribed as 1/20th of the total voters of the village with a maximum attendance of 300 for conducting the meeting. The provisions in the relevant Rule shall be amended.	Status quo shall continue as the rules have been recently amended fixing minimum quorum and sub quorum based on population.
85	IX	B 4(vi)	<p>The following activities are recommended which would bring more members to the meeting and thereby quorum could be maintained:</p> <ol style="list-style-type: none"> a. The resident welfare associations may be involved in conducting and participating in cultural programmes linked to various rural development schemes implemented by the Government. b. An appreciation can also be given by Grama Sabha to those members who attend all the meetings in a year regularly. c. Open space exhibition of handicrafts made by Self-Help Groups can also be organised at the venue. d. Meeting should be held at each hamlet / habitation on rotation basis. e. Some representative officials from higher level should attend the meeting regularly f. The people's eagerness in getting replies to the demand made by them in previous Grama Sabha meeting should be fulfilled. 	Accepted in principle. Noted for guidance.
86	IX	B 4(vii)	The agenda for the meeting should be generally prepared by the Village Panchayat and subjects if any on new schemes introduced by the Government should only be communicated by the District Administration for inclusion.	Accepted in principle. Noted for guidance.
87	IX	B 4(viii)	A well in-built social audit system needs to be evolved through Grama Sabha to avoid corruption and nepotism in the local bodies. This will pave the way for administration of	Accepted. Rural local bodies shall be advised suitably.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			social justice. The documents of Panchayats including details on the contracts awarded and the list of approved contractors etc should be kept for social audit under proper security and supervision during the Grama Sabha meetings. The accounts and approved budget, details on tax / non-tax collections, month wise current consumption charges paid by the Village Panchayat should be placed on the notice board compulsorily and it should be monitored by the block officials.	
88	IX	B 4(ix)	Decisions taken on the subjects and resolved by the Grama Sabha should be immediately recorded in the minute book during the meeting as it is not the case in most of the Panchayats observed.	Accepted. Rural local bodies shall be advised suitably.
89	IX	B 4(x)	Action taken on the resolutions passed in the previous meeting should be properly communicated and discussed in the meeting of Grama Sabha as it was not the case in most of the sample Panchayats. The resolutions passed in the Grama Sabha should be honoured by the departments concerned immediately. This would let the voters hope that their demands would be implemented.	Accepted. Rural local bodies shall be advised suitably.
90	IX	B 4(xi)	The needs and priorities of various schemes in the Village Development Plan should be decided by the members of Grama Sabha.	Accepted.
91	IX	B 4(xii)	The Village Development Plan / Shelf of Projects for each village should be prepared and the MLAs/MPs should choose the works from out of the Shelf of Projects approved by the Grama Sabhas only so that local priorities can be looked into. So also the sanction, execution and completion of all projects or programmes in Panchayat areas should be brought to the notice of Grama Sabha. Guidelines issued by Government of India / Government of Tamil Nadu should be revised so that the MP/MLAs and District Rural Development Agency should select works identified and approved by Grama Sabha only to execute the respective schemes.	Not accepted. Priorities under MLA CDS/MP LADS funds are dynamic in nature. Depending on the need and priorities, schemes chosen by MPs/MLAs may be outside the works identified by the Panchayats/Grama Sabha. Hence, it may be in the nature of an advisory and not mandatory.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
92	IX	B 4(xiii)	<p>Linkages between Grama Sabha and Self-Help Groups / NGOs can be improved through the following measures:</p> <p>a) Listing and enrolment of members of Self-Help Groups should be approved by Grama Sabha.</p> <p>b) NGOs participation in the implementation of various schemes should be integrated with Panchayat / Grama Sabha facilitating the consultation of Grama Sabha in respect of all issues in the implementation of such schemes.</p> <p>c) The District / block level officials should encourage involvement of more number of NGOs in the development activities of each village.</p> <p>d) NGOs should inculcate Self-Help Groups to engage themselves in Solid Waste Management activities, maintenance of Integrated Sanitary Complex, Anganwadi Centres, Public Health Centres etc.</p>	Accepted with partial modification. In respect of (a) Formation of Self Help Groups is voluntary in character. Therefore, there is no role for Grama Sabha in this item. (b), (c) and (d) are noted for future guidance.
93	IX	B 4(xiv)	The District level / block level officials should organise mass awareness programmes in each village regarding the powers of Grama Sabha, its functions and responsibilities and the role of members of Grama Sabha.	Accepted in principle. Noted for future guidance.
94	IX	B 4(xv)	Integration of the village level plan, approach by the Grama Sabha, with District plan must be ensured.	Accepted. District Planning Committee shall be advised suitably.
95	IX	B 4(xvi)	Inclusion of the priorities identified in the Grama Sabha with the activities of line departments should be reviewed at the District Planning meeting.	Accepted. District Planning Committee shall be advised suitably.
96	IX	B 4 (xvii)	The functions which are likely to be transferred to Village Panchayats based on the Third State Finance Commission's recommendations shall also be discussed in Grama Sabha meetings for proper monitoring.	All the functions of Village Panchayats are being discussed in Grama Sabha. Recommendation is deemed to be accepted.
97	IX	B 4 (xviii)	Amendments, if any required to the relevant Act / Rules so as to give effect to the above recommendations shall be made by the Rural Development and Panchayati Raj Department.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
98	IX	B 6(i)	Area Sabha As suggested by the Ministry of Urban Development and Poverty Alleviation, New Delhi, community participation law may be enacted to involve people of urban areas in the planning and implementation process.	Accepted.
99	IX	B 6(ii)	The Area Sabha shall consist at the first instance the representatives of Residents Welfare Associations, representatives of NGOs, Self-help groups, Women's Association, Youth Wing and prominent citizens on a ward wise basis.	Accepted.
100	IX	B 6(iii)	The Area Sabha, like Grama Sabha shall meet twice a year i.e in February and August to review the Budget and scheme implementation respectively.	Accepted.
101	IX	B 6(iv)	The meeting shall be conducted in each ward on a rotation basis and the meeting expenses if any shall be met by the respective Urban Local Bodies.	Accepted.
102	IX	B 6(v)	The action taken on the issues decided shall be put up in the next meeting.	Accepted.
103	IX	B 6(vi)	The Shelf of Projects for a five year period of the Urban Local Body should be prepared by the Area Sabha.	Accepted. City Development Plans shall be placed in Area Sabha. Urban Local Bodies shall be advised suitably.

CHAPTER-V

RESOURCE BASE

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
104	V	23 (i)	The impediments in Municipalities Act and Corporations Acts which come in the way of Quinquennial revision shall be removed by amending the Act.	Accepted.
105	V	23 (ii)	The zonal rates for each Urban Local Body by fixing the minimum and maximum may be approved by the Government after obtaining council resolution.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
106	V	23 (iii)	The General revision shall be done once in 5 years and the next revision shall be done by 1.4.2007. The Government may also consider effecting increase on an annual basis on the basis of land appreciation value and inflation rate so that at the time of General revision there may not be any heavy impost on people.	Since this will amount to annual revision, the recommendation is not accepted.
107	V	23 (iv)	The Suspended Urban Local Bodies Act, 1998 or the new Act which is now under preparation may be notified immediately. If for any reason, it is not found feasible, the Act provisions in Tax and Non-tax chapter in the Suspended Urban Local Bodies Act 1998 may be incorporated in the present Act to give freedom to Urban Local Bodies to tap the tax potential.	The Government have decided to enact a new common Urban Local Bodies Act applicable to all Urban Local Bodies with necessary amendments to the earlier Act. Recommendation is deemed to be accepted.
108	V	23 (v)	All properties except Central Government properties shall be subjected to tax and exemptions may be given on 'Select basis' based on merit. Even for exempted properties, service charges at 50 to 75% of the tax shall be collected.	Not accepted. Since exemption from payment of property tax is given on merits of the case, service charge need not be levied in respect of such exempted cases.
109	V	23 (vi)	The State Government shall take up with Ministry of Urban Development, New Delhi for amending Article 285 of the Constitution for empowering the local bodies to levy service charges for the Central Government Buildings in view of the Supreme Court judgement.	Accepted.
110	V	23 (vii)	Other than Central Government properties, all other Central Public Sector Undertakings including BSNL, VSNL, Prachar Bharathi shall be subjected to Property tax as the tax immunity is not available to them as per Article 285 of the Constitution.	Accepted.
111	V	23(viii)	All the cell towers put up by cell phone companies should be subjected to tax and the rates shall be with reference to the Act provisions. If necessary, separate guidelines for the above taxation may be issued	Not Accepted.
112	V	23 (ix)	Since the State Government properties are subjected to tax, all educational institutions including State Government owned and	Accepted with modification. Any self finance unaided educational

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			Government aided buildings except Elementary Education Schools (Primary schools) shall be subjected to tax. This should also be made applicable to Municipal schools too, except elementary schools. All fee collecting institutions like Nursery, Matriculation schools, Tutorial colleges, self financed Engineering, Medical/Dental colleges, para-medical institutions, teacher training institutions, coaching centres etc shall be subjected to Property tax at twice the rates as applicable to commercial buildings. The Act provisions exempting all educational institutions from payment of Property tax shall be removed.	institution shall be subjected to levy. Twice the rates as applicable to commercial buildings for educational institutions is not considered.
113	V	23 (x)	There shall be a minimum property tax in Municipal Corporations and Municipalities on the lines of Kerala Act. On the above basis, Town Panchayats shall levy a minimum tax of Rs.25/- per half year, Municipalities at Rs.40/- per half year and the Municipal Corporations at Rs.50/- per half year if the present levy is below the amount fixed above. The above measures shall come into force from the financial year 2007-08.	Accepted. Date of effect shall be decided by the Government separately.
114	V	23 (xi)	As in Bangalore Municipal Corporation, tax mapping by using GIS may be attempted in Chennai and other Municipal Corporations to bring out the unassessed and under-assessed properties. The software prepared by Infosys company may be studied and the same may be made use of. Since Infosys has supplied the GIS software free of cost to Bangalore Municipal Corporation, similar attempts may be made to get the GIS software as workable to our Municipal Corporations at free of cost.	Accepted.
115	V	23(xii)	In other Municipalities, Panruti Model of Computer fitted mobile van and cell phones may be used on a regular basis to collect the tax dues. Besides, bigger Municipalities may try to rope in all Nationalised Banks for collection of tax as is done by BSNL. Further, payment by way of credit card / debit card system may be introduced to achieve maximum collection. While	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			attempting the above measures, care should be taken to evolve a mechanism to cross check the remittance at every level so that the reforms do not get into trouble at a later period.	
116	V	23(xiii)	The TNUDP III assisted computerisation of e-governance shall be introduced in all Municipal Corporations, Municipalities and Town Panchayats in respect of Tax Administration in a phased manner so that the entire programme may ultimately be citizen friendly.	Accepted.
117	V	23(xiv)	The vast gap between pre-1998 assesseees and post-1998 assesseees in Property Tax may be covered during the next 2 or 3 revisions. At the same time, the present concession for the age of the building may be enhanced so that any reduction in tax may be directly related to the age of the building.	Accepted.
118	V	23 (xv)	The taxation appeal committee for Municipalities and Taxation Appeal Tribunal as available in the suspended Tamil Nadu Urban Local Bodies Act, 1998 may be incorporated in the existing Municipal Corporation and Municipal Acts with provisions for full remittance of the tax dues pending disposal of the appeal. Even on further appeal, the tax shall continue to be paid by the assessee and the excess/short collection may be adjusted in the future payment. This will obviate the difficulty of time barred claims.	Accepted with a modification, that 50% of the incremental demand in addition to the existing demand should be made payable pending decision on appeal.
119	V	23 (xvi)	Self declaration scheme may be introduced in all Urban Local Bodies to make the tax-administrative system simple and transparent. The incorrect and deliberate under assessment shall be dealt with by way of penalty.	This system is already in vogue. Recommendation is deemed to be accepted.
120	V	23 (xvii)	At present there is a lacuna between the Planning / Building permission wing and the revenue wing resulting in revenue leakage. This must be eliminated by way of linkage through computerisation so that on expiry of the building license period, the tax levy may become automatic.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government																								
121	V	23 (xviii)	The Tamil Nadu Electricity Board shall provide the details of service connections given to the new buildings on a monthly basis so as to wake up the revenue wing for assessing the property without waiting for the expiry of the building licence period.	Accepted with a modification that the Bill Collectors have to go to the area and inspect the new buildings as per the procedure in the Manual. They can also approach the Tamil Nadu Electricity Board for information. It is viewed that an external agency cannot be made responsible for basic functions / duties of local bodies.																								
122	V	23 (xix)	Outside agencies capable of collection of information may be entrusted with the job of identifying the new constructions taking place in each locality so as to verify whether they have the approval of the Municipality / Municipal Corporation. The role of the agency may be decided by Commissioner of Municipal Administration, Director of Town Panchayats and the Corporation Commissioner after studying the issue in detail.	Not accepted. It is the basic duty of Bill Collectors of Urban Local Bodies. Hence, outside agencies need not be engaged.																								
123	V	23(xx)	Taxing of properties in unapproved layouts has been dealt with separately.	Dealt with under Rec.No.V.47(d) (i) to (iv).																								
124	V	31(i)	<p>PROFESSION TAX: The income slab rates for salaried class shall be revised and that those in the higher income bracket shall be made to pay higher levy. The half-yearly income slab shall be</p> <p style="text-align: center;">Profession Tax</p> <p style="text-align: center;">(In Rupees)</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Sl. No.</th> <th>Average half-yearly income slab</th> <th>Rate after 35% increase</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Rs. upto 21000</td> <td>Nil</td> </tr> <tr> <td>2.</td> <td>Rs.21001 to 30000</td> <td>150</td> </tr> <tr> <td>3.</td> <td>Rs.30001 to 45000</td> <td>275</td> </tr> <tr> <td>4.</td> <td>Rs.45001 to 60000</td> <td>550</td> </tr> <tr> <td>5.</td> <td>Rs.60001 to 75000</td> <td>825</td> </tr> <tr> <td>6.</td> <td>Rs.75001 to 150000</td> <td>900</td> </tr> <tr> <td>7.</td> <td>Rs.150001 to 175000</td> <td>975</td> </tr> </tbody> </table>	Sl. No.	Average half-yearly income slab	Rate after 35% increase	1.	Rs. upto 21000	Nil	2.	Rs.21001 to 30000	150	3.	Rs.30001 to 45000	275	4.	Rs.45001 to 60000	550	5.	Rs.60001 to 75000	825	6.	Rs.75001 to 150000	900	7.	Rs.150001 to 175000	975	Not accepted. Status quo shall continue.
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125	V	31 (ii)	Orders on levying the maximum rate of Rs.2500/-P.A for industrial establishments and companies as already agreed to by the Government in the year 2002 shall be issued so as to take effect from 1.4.2007.	Accepted. Date of effect shall be decided by the Government.																														
126	V	31 (iii)	<p data-bbox="475 1088 1058 1285">a) For traders and business establishments, the gross turnover shall be taken as the basis instead of income for levying the profession tax. The following table may be adopted. (In Rupees)</p> <table border="1" data-bbox="480 1308 1058 2000"> <thead> <tr> <th>Sl. No.</th> <th>Half yearly Turnover</th> <th>Half yearly Tax</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Less than Rs.1 lakh</td> <td>Nil</td> </tr> <tr> <td>2.</td> <td>Rs.1 lakh or more but less than Rs.2 lakhs</td> <td>100</td> </tr> <tr> <td>3.</td> <td>Rs.2 lakhs or more but less than Rs.3 lakhs</td> <td>200</td> </tr> <tr> <td>4.</td> <td>Rs.3 lakhs or more but less than Rs.5 lakhs</td> <td>350</td> </tr> <tr> <td>5.</td> <td>Rs.5 lakhs or more but less than Rs.7.50 lakhs</td> <td>500</td> </tr> <tr> <td>6.</td> <td>Rs.7.50 lakhs or more but less than Rs.10 lakhs</td> <td>650</td> </tr> <tr> <td>7.</td> <td>Rs.10 lakhs or more but less than Rs.15 lakhs</td> <td>850</td> </tr> <tr> <td>8.</td> <td>Rs.15 lakhs or more but less than Rs.20 lakhs</td> <td>1050</td> </tr> <tr> <td>9.</td> <td>Rs.20 lakhs or more</td> <td>1250</td> </tr> </tbody> </table>	Sl. No.	Half yearly Turnover	Half yearly Tax	1.	Less than Rs.1 lakh	Nil	2.	Rs.1 lakh or more but less than Rs.2 lakhs	100	3.	Rs.2 lakhs or more but less than Rs.3 lakhs	200	4.	Rs.3 lakhs or more but less than Rs.5 lakhs	350	5.	Rs.5 lakhs or more but less than Rs.7.50 lakhs	500	6.	Rs.7.50 lakhs or more but less than Rs.10 lakhs	650	7.	Rs.10 lakhs or more but less than Rs.15 lakhs	850	8.	Rs.15 lakhs or more but less than Rs.20 lakhs	1050	9.	Rs.20 lakhs or more	1250	Not accepted. Status quo shall continue.
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			b) The Commercial Taxes Department shall be instructed to insist on payment of Profession Tax before the issue of assessment certificate every year so as to bring the traders under the Profession Tax Net. Failure to comply with shall be treated as violation and that deregistration of the traders shall be resorted to.	Not accepted. Collection of profession tax is one of the basic functions of concerned local bodies.															
127	V	31(iv)	For traders who do not come under the General Sales Tax assessment, the local bodies shall insist on payment of Profession Tax at the time of renewal of annual licence. Failure to comply with shall result in non-issue of licence and closure of shops and further distraint proceedings.	Not accepted. Collection of profession tax is one of the basic functions of concerned local bodies.															
128	V	31 (v)	In respect of all Professionals and self-employed persons, experience and service oriented taxation as adopted by other States like Kerala and Karnataka shall be adopted for levy and collection of Profession Tax, as suggested below. <table border="1" data-bbox="488 1126 1043 1742"> <thead> <tr> <th>Sl. No.</th> <th>Experience</th> <th>Half yearly Tax</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Upto 5 years of experience in the field</td> <td>Rs.500/- per half year</td> </tr> <tr> <td>2</td> <td>Above 5 years but below 10 years of experience in the field.</td> <td>Rs.800/- per half year</td> </tr> <tr> <td>3</td> <td>Above 10 years but below 15 years of experience in the field</td> <td>Rs.1040/- per half year</td> </tr> <tr> <td>4</td> <td>Above 15 years of experience in the field</td> <td>Rs.1250/- per half year</td> </tr> </tbody> </table>	Sl. No.	Experience	Half yearly Tax	1	Upto 5 years of experience in the field	Rs.500/- per half year	2	Above 5 years but below 10 years of experience in the field.	Rs.800/- per half year	3	Above 10 years but below 15 years of experience in the field	Rs.1040/- per half year	4	Above 15 years of experience in the field	Rs.1250/- per half year	Not accepted. Status quo shall continue.
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129	V	31 (vi)	Those who do not come under any of the above computing method, for assessing their income, the Government of Tamil Nadu shall take up with Government of India to furnish the list of non-salaried	Accepted in principle. Noted for guidance.															

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			Income Tax assesseees in their circle so as to enable the local bodies to levy and collect the Profession Tax from them. In the absence of any direction, the local bodies may be empowered to invoke the Right to Information Act for obtaining the details for public cause.	
130	V	32(i)	Water Tax: No separate Water Tax / Sewerage Tax needs to be collected by Urban Local Bodies except by Chennai Metropolitan Water Supply and Sewerage Board.	Accepted.
131	V	33 (i)	The Education Tax shall continue to be levied at the rate of 2 ½% of Annual Rental Value or any other rate prescribed instead of as a percentage of Property Tax.	Accepted.
132	V	33 (ii)	The income generated by way of Education Tax shall be utilised for improving the School Infrastructure and also to fund the Retired Municipal Teachers' Pension and other related benefits by Municipalities and Municipal Corporations.	Accepted.
133	V	34 (i)	Vacant Land Tax (ULBs): The Vacant Land Tax as prescribed under Rule 114 of Tamil Nadu Urban Local Bodies Rules, 2000 (now kept under suspension) which prescribes the area linked square foot rate as noted below shall be incorporated in the existing Act till such time the Suspended Act / New Act comes into force.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government																																																				
			<p style="text-align: center;">(per square foot)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th data-bbox="480 365 603 696" rowspan="3">Vacant land with reference to its location</th> <th colspan="2" data-bbox="603 365 699 421">A Grade</th> <th colspan="2" data-bbox="699 365 815 421">B Grade</th> <th colspan="2" data-bbox="815 365 938 421">C Grade</th> <th colspan="2" data-bbox="938 365 1066 421">D Grade</th> </tr> <tr> <th colspan="2" data-bbox="603 421 699 696">Chennai Corporation</th> <th colspan="2" data-bbox="699 421 815 696">Other Corporations and Special / Selection Grade Municipalities</th> <th colspan="2" data-bbox="815 421 938 696">First and Second Grade Municipalities</th> <th colspan="2" data-bbox="938 421 1066 696">Town Panchayats and other Transitional Township areas.</th> </tr> <tr> <th data-bbox="603 696 651 846">Min Rs.P</th> <th data-bbox="651 696 699 846">Max Rs.P</th> <th data-bbox="699 696 746 846">Min Rs.P</th> <th data-bbox="746 696 815 846">Max Rs.P</th> <th data-bbox="815 696 863 846">Min Rs.P</th> <th data-bbox="863 696 938 846">Max Rs.P</th> <th data-bbox="938 696 986 846">Min Rs.P</th> <th data-bbox="986 696 1066 846">Max Rs.P</th> </tr> </thead> <tbody> <tr> <td data-bbox="480 846 603 1003">a) Streets in residential area</td> <td data-bbox="603 846 651 1003">0.30</td> <td data-bbox="651 846 699 1003">0.50</td> <td data-bbox="699 846 746 1003">0.20</td> <td data-bbox="746 846 815 1003">0.40</td> <td data-bbox="815 846 863 1003">0.15</td> <td data-bbox="863 846 938 1003">0.30</td> <td data-bbox="938 846 986 1003">0.10</td> <td data-bbox="986 846 1066 1003">0.20</td> </tr> <tr> <td data-bbox="480 1003 603 1361">b) Main roads and Bus route roads other than those which lead to arterial road</td> <td data-bbox="603 1003 651 1361">0.40</td> <td data-bbox="651 1003 699 1361">0.75</td> <td data-bbox="699 1003 746 1361">0.30</td> <td data-bbox="746 1003 815 1361">0.50</td> <td data-bbox="815 1003 863 1361">0.20</td> <td data-bbox="863 1003 938 1361">0.40</td> <td data-bbox="938 1003 986 1361">0.15</td> <td data-bbox="986 1003 1066 1361">0.30</td> </tr> <tr> <td data-bbox="480 1361 603 1693">c) Arterial roads, main roads, and Bus route roads which lead to arterial roads</td> <td data-bbox="603 1361 651 1693">0.50</td> <td data-bbox="651 1361 699 1693">1.50</td> <td data-bbox="699 1361 746 1693">0.40</td> <td data-bbox="746 1361 815 1693">0.60</td> <td data-bbox="815 1361 863 1693">0.30</td> <td data-bbox="863 1361 938 1693">0.50</td> <td data-bbox="938 1361 986 1693">0.20</td> <td data-bbox="986 1361 1066 1693">0.40</td> </tr> </tbody> </table>	Vacant land with reference to its location	A Grade		B Grade		C Grade		D Grade		Chennai Corporation		Other Corporations and Special / Selection Grade Municipalities		First and Second Grade Municipalities		Town Panchayats and other Transitional Township areas.		Min Rs.P	Max Rs.P	a) Streets in residential area	0.30	0.50	0.20	0.40	0.15	0.30	0.10	0.20	b) Main roads and Bus route roads other than those which lead to arterial road	0.40	0.75	0.30	0.50	0.20	0.40	0.15	0.30	c) Arterial roads, main roads, and Bus route roads which lead to arterial roads	0.50	1.50	0.40	0.60	0.30	0.50	0.20	0.40							
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134	V	34 (ii)	The Municipal Council shall be empowered to fix the rates with reference to the minimum and maximum prescribed by the Government in such a way that it is not too exorbitant for the tax payer	Accepted.																																																				
135	V	35 (i)	Tourist Tax: The Government shall identify the places of Holiday resort, temple / tourist towns and	This will be an irritant to tourists and discourage																																																				

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			<p>towns known for archaeological / historical interests and fix the different rates for different vehicles including Government vehicles / Government owned Transport Corporation vehicles as noted below for collection by Municipal bodies:</p> <p><i>Bicycles</i> - <i>No Tax</i> <i>Two wheelers</i> - <i>Rs.5/-</i> <i>Private cars /Tourist cars</i> - <i>Rs.10 to Rs.25 per trip</i> <i>Van, lorries etc</i> - <i>Rs.25 to Rs.50 per trip</i> <i>Tourist buses</i> - <i>Rs.50/- to Rs.75/- per trip.</i></p>	<p>tourism. Hence, the recommendation is not accepted.</p>
136	V	35 (ii)	<p>The urban local bodies should report to Commissioner of Municipal Administration / Government in respect of defaulting Government agencies for collection and appropriate direction.</p>	<p>Not accepted in view of decision arrived at on recommendation at para No.35(i).</p>
137	V	35 (iii)	<p>The Railways should also be requested to collect tax for the above places and pass it on to local bodies as like Rameswaram.</p>	<p>Not accepted. This need not be extended to other places except Rameswaram.</p>
138	V	36 (i)	<p>Advertisement Tax:</p> <p>The amendment made under Section 285C and 285CC of District Municipalities Act, 1920, amendment made under Section 326C and 326CC of Chennai City Municipal Corporation Act and similar provisions in other Municipal Corporation's Acts by way of Tamil Nadu Act 19/2003 shall be withdrawn. The provision prior to the amendment made in 2003 shall be restored in the District Municipalities Acts and other Municipal Corporations Acts.</p>	<p>Accepted.</p>
139	V	36 (ii)	<p>Section 107A of District Municipalities Act, 1920 and Section 129A of Chennai City Municipal Corporation Act, 1919 and other similar provisions in other Municipal Corporation Acts may be amplified in such a way that advertisements through lamp posts, telephone posts, posters on wall, writing on walls including compound walls and through buses and vehicles are covered.</p>	<p>Accepted.</p>

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
140	V	36 (iii)	The advertisement through slides in Cinema houses which was levied by Government and discontinued later shall be subjected to tax and that the power to levy Advertisement Tax on the above slides shall be vested on the Urban Local Bodies.	Accepted. All advertisements whether through slides or by way of films shall be subjected to this levy.
141	V	36 (iv)	The rates for licensing and the tax on advertisement need to be revised during the financial year 2007-08. If necessary, the rates prescribed under Schedule I of Tamil Nadu Urban Local Bodies Act, 1998 (now under suspension) may be the basis for revision.	Accepted in principle.
142	V	36 (v)	The license fees and Advertisement Tax collected by the District Collectors from June 2003 to 2006 or thereafter too and remitted to Government account should be shared as already ordered by Government in letter No.26510/ Municipal Administration and Water Supply Department (Election) 2003-2, dated 16.03.2004 by opening a refund head under 0075-Miscellaneous Receipts – Apportioning the Advertisement Tax share to Urban Local Bodies.	Accepted.
143	V	36 (vi)	The Urban Local Bodies shall be instructed to maintain an inventory of all the hoardings within their limits with size and type for ensuring uniform levy. Any hoardings put up in no man's land shall be brought to tax by the local body which is nearer to the spot.	Accepted.
144	V	37 (i)	Tax on Cable TV: The power to levy and collect tax on Cable TV from operators at the rate prescribed in the Amendment Act 23/2003 as mentioned above shall be vested on the local bodies instead of State Government.	Shall be incorporated as part of the proposed Legislation.
145	V	37 (ii)	The tax proceeds realised from Cable TV from 2003-2006 shall be passed on to the respective local bodies in 2007-2008. The entire proceeds (without deducting any amount for collection charges) may be passed on in view of the time delay.	Accepted. Till the Act is amended whatever is collected shall be passed on.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
146	V	37 (iii)	As per G.O. Ms. No.9 Rural Development Department dated 18.1.1999, the Village Panchayats may be empowered to collect security deposit of Rs.10,000/- from the Cable TV exhibitor.	Not accepted. The prevalence of Cable T.V. will be lessened in due course owing to the emergence of DTH and hence the revenue through this source would become meagre.
147	V	38 (i)	Track rent on Television Cables: The track rent leviable on Cable TV operators shall be collected by the Urban Local Bodies at the rates mentioned in the Chapter for the current year and for the past period also from the Cable TV operators.	Accepted.
148	V	38 (ii)	The track rent shall be revised in the financial year 2007-08 since the rates were fixed in April 2000. The powers conferred on Urban Local Bodies for revision of rent shall be exercised once in 3 years as per the G.O. cited above.	Status quo shall continue. The prevalence of Cable T.V. will be lessened in due course owing to the emergence of DTH and hence the revenue through this source would be meagre.
149	V	42 (i)	Sewerage Charges/Water Charges: Water charges for un-metered consumers in Urban Local Bodies shall be increased at the rate of 5 to 10% with the ultimate objective of effecting 25% increase before the end of the award period.	It is upto the Local Bodies / CWSSB to levy the appropriate user charges.
150	V	42 (ii)	For metered connections too, the levy may be raised after taking into account the quantum consumed but not less than the un-metered connections.	Accepted.
151	V	42 (iii)	Chennai Metropolitan Water Supply and Sewerage Board shall increase water charges by 30% from 1.4.2007 and thereafter annually at the percentage mentioned for other Urban Local Bodies.	It is upto CMWSSB to levy the appropriate user charges.
152	V	42 (iv)	Wherever Municipalities / Town Panchayats are not adopting differential rates of water charges for commercial and industrial units, such of those units shall be subjected to twice/thrice the rates applicable to residential connections to realise more income from this source.	May be treated as a guideline.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
153	V	42 (v)	By the end of the award period of Third State Finance Commission i.e. 2011-12, 100% recovery of water expenditure including the maintenance charges payable to Tamil Nadu Water Supply and Drainage Board plus the interest component of the loan amount availed shall be achieved by all Municipal Corporations except Chennai and 90% recovery by Municipalities and Town Panchayats. The Chennai Metropolitan Water Supply and Sewerage Board shall fix the water rates in such a way that water rates fixed shall meet not only revenue expenditure plus loan annuities but also to create surplus for investing in capital requirements.	Noted for guidance.
154	V	43 (i)	<p>License and Fees:</p> <p>The licensing pattern of trades and the rates as mandated in the suspended Urban Local Bodies Act, 1998 / Rules, 2000 shall be incorporated in the existing Municipal Acts and the revision of rates shall be enforced from the financial year 2007-08.</p>	Not accepted. It is upto the local bodies to levy the license fee based on local conditions.
155	V	44 (i)	<p>Lease Rentals:</p> <p>The terms for lease rent shall be tightened and vigorously enforced for tapping the resource base. The impediment in the renewal of lease period shall be removed with a safety clause for condonation of delay and levy of penalty on the lessee.</p>	The Government have decided to regulate the lease rental of shopping complexes owned by Urban Local Bodies. Accordingly, it has been decided to permit those who run the shops other than the lessee and also to extend the lease period from 3 years to 9 years.
156	V	44 (ii)	The properties which remained idle owing to the absence of any bidders for more than 2 years, such properties may be disposed off to make good for the debt repayment.	Accepted with modification. No hard and fast guideline can be issued by the Government. Local Bodies in consultation with Government have to take a view on this based on the merits of the case.
157	V	44 (iii)	The lease rent for the land / markets taken over by Marketing Committees for launching 100 odd Uzhavar Sandhais in the year 2000 shall be fixed by the Government from the date of take over and the lease	Not accepted. Uzhavar Shandais are the welfare measures in the interest of Public. Hence, local bodies should also contribute their

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			proceeds shall be passed on to the concerned local bodies by the respective Marketing Committees.	mite by giving their lands.
158	V	45 (i)	Track rent on OFC feeders: The BSNL shall be subjected to track rent as like other OFC feeders since it has become a separate entity and distinct from Central Government as per the Supreme Court ruling in 1999 (AIR 1999 SC 1734).	Accepted. Shall be taken up with BSNL.
159	V	46 (i)	Parking Fees: In all Municipal Corporations, parking area may be identified in the business-prone locality and parking lot developed. Parking fee may be collected from the owners of vehicles on the basis of the fees fixed by the Council.	Accepted.
160	V	46 (ii)	Special levy may be levied on the commercial business houses which have no parking space or inadequate space so as to create funds for creating / developing parking area.	Not accepted. Larger issues of enforcement is involved and this will amount to condoning the builder for not providing the parking space.
161	V	46 (iii)	Multi-storeyed parking lots may be developed in Chennai Corporation area as already formulated by Chennai Metropolitan Development Authority to realise more revenue from the source and for reducing traffic congestion.	Accepted.
162	V	47 (d) (i)	Unapproved Layouts: The guidelines issued in G.O. Ms. No.59, Municipal Administration and Water Supply Department, dated 25.07.2006 (Annexure V-4) shall be implemented by all Urban Local Bodies to eliminate the problem of unapproved layouts.	Accepted. Government have also decided to extend the time limit for regularization of unapproved layouts from 31.12.2006 to 31.12.2007.
163	V	47 (d) (ii)	The Government may consider levy of super structure tax on poromboke lands of unobjectionable nature up to the validity period of 'B-Memo'.	Property tax is at present being levied on poromboke lands. Hence no need to levy super structure tax.
164	V	47 (d) (iii)	Removing the objectionable structure put up in poromboke lands within a specific period as already ordered by the Madras High Court and retrieving the land for public	Already under implementation. Recommendation is deemed to be accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			utility may be taken up earnestly by Urban Local Bodies and the Government Departments concerned.	deemed to be accepted.
165	V	47 (d) (iv)	<p>To curb the practice of developing unapproved layouts the following measures are suggested:</p> <p>a) Imposing penalty on the developer on unapproved layouts and pulling down of constructions which have come up in the land.</p> <p>b) Tamil Nadu Electricity Board may be instructed to insist on local body clearance for new buildings before giving service connections.</p> <p>c) Vacant Land Tax may also be levied on the lands in the unapproved layouts.</p>	<p>Recommendation is deemed to be accepted. The existing position as laid out in the guideline issued in G.O.Ms.No.59, MAWS Department, dated 25.07.2006 takes care of the problem of unapproved layouts.</p>
166	V	48(i)(i)	<p>House Tax:-</p> <p>The switch over from capital value basis to Annual rental value basis based on plinth areas on the urban pattern shall be effected in phase; in other words the Village Panchayats classified as Census towns which have been suggested for upgradation as Town Panchayats / Municipality shall be forced to move over to Annual Rental Value basis at the first instance. In the second phase, Village Panchayats adjoining urban areas may be forced to move over to Annual Rental Value basis based on plinth area. In the third phase, other Village Panchayats may be forced to move over to the above pattern. The three phased programme should be completed within five year period.</p>	<p>This may not be feasible in respect of Village Panchayats. However, in respect Village Panchayats which are upgraded as Town Panchayats / Municipalities this issue automatically gets taken care of.</p>
167	V	48(i) (ii)	<p>Till such time the plinth area based levy is introduced, there should be a mechanism for determining the capital value as the field reports say that they have been arbitrarily fixed by the executive authorities of Village Panchayats i.e Village Panchayat Presidents. The mechanism may be evolved by fixing the capital value for every 10 square feet for thatched houses, tiled houses, terraced houses and RCC by the Inspector of Panchayats or by a committee to be constituted by the Inspector of Panchayats and the same should be</p>	<p>Not accepted. In case of any arbitrary exercise of power by the Village Panchayats there is a provision for redressal by Inspector of Panchayats.</p>

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			adopted by the Village Panchayats since the construction cost is same in all areas.	
168	V	48(i)(iii)	As in urban areas, the house tax may be two to three times in respect of commercial buildings, industries, business establishment, cinema, lodges and others of similar nature.	Not accepted. Status quo shall continue.
169	V	48(i)(iv)	The present method of levying surcharge may be done away with by amending the Schedule-I under Section 172 of Tamil Nadu Panchayats Act, 1994.	Not accepted in view of the decision to continue status quo taken against the recommendation No.48(i)(iii)
170	V	48(i)(v)	All fee collecting institutions viz Nursery, Matriculation Schools, Tutorial Colleges, Engineering Colleges, Medical/Dental Colleges and Coaching centres shall be subjected to house tax.	Accepted. The local body shall levy Property / House Tax on the properties belonging to self financing unaided educational institutions.
171	V	48(i)(vi)	The unit measurement shall be in square metres instead of square decimetre by amending the Schedule-I of the Tamil Nadu Panchayats Act, 1994 to avoid confusion in calculation of House Tax.	Accepted.
172	V	48(i)(vii)	All houses constructed under various Government programmes for weaker sections viz JVVT/IAY group houses and houses in Samuthuvapuram shall be subjected to house tax on par with others.	Already in vogue. Recommendation is deemed to be accepted.
173	V	48(i)(viii)	The Rule 14 which enable the Inspector of Panchayats to postpone General revision of House Tax shall be deleted by way of amendment to Rule under Tamil Nadu Panchayats Act, 1994.	Not accepted. Status quo may continue.
174	V	48(i)(ix)	The tax collecting machinery in Village Panchayats shall be strengthened by involving Makkal Nala Paniyalargal and also allocating work among Village Panchayat clerk and Panchayat Assistant, who have been brought under time scale.	Not accepted. Since there is a well defined job chart for Makkal Nala Paniyalargal, status quo shall continue.
175	V	49(d)(i)	Water Charges:- There should be no ceiling on collecting water charges and that the minimum may be retained at Rs.30/- p.m. for residential supply. The rates have to be revised once in three years to meet the escalation in Operation and Maintenance costs.	Accepted with a modification that the rural local bodies shall be allowed to revise the rate at appropriate intervals.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
176	V	49(d) (ii)	In respect of shops, business establishment and other industrial related activities, user charges shall be with reference to the quantum of supply made by prescribing rates per kilo litre.	Accepted in principle.
177	V	50(i)	D&O LICENCE FEES: The Government shall notify the list of trades, business and industry which come under the provisions of Section 159 and 160 (as amended in 1999) of the Tamil Nadu Panchayats Act, 1994 for which Village Panchayats are the licensing authority. The minimum and maximum fee for each class of trade and industry shall be fixed initially by the Government by taking the First State Finance Commission's recommendations as the basis.	Accepted.
178	V	50(ii)	The term D&O licence is a misnomer and it may be changed suitably covering all commercial and trade activities, trade licensing. e.g. Village Level Business Activity Licensing (VBLA) and the like.	Accepted.
179	V	50(iii)	The licensing fee shall be revised once in five years by the District Collector through District gazette notification.	Not accepted. It is up to the rural local bodies to decide.
180	V	50(iv)	The Rules if any to be framed for Section 159 and 160 shall be undertaken immediately so as to avoid any legal infirmity in the execution of licensing.	Not accepted in view of the decision on the recommendation No.50(iii).
181	V	50(v)	The Director of Rural Development by way of annual exercise may add any new trade in the list of licensing based on the feed back provided by the District Administration.	Accepted with a modification that the rural local bodies shall be empowered to revise the list of trades.
182	V	50(vi)	The Registers to be maintained for collection of licence fee trade-wise shall be communicated by Director of Rural Development for the State as a whole.	Accepted.
183	V	50(vii)	The Assistant Director (Audit) shall conduct surprise checks to find out whether the listed trades are brought into tax net.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
184	V	51(i)	FISHERY RENTAL: 100% proceeds of Fishery rental from Village Panchayat ponds should be credited to Village Panchayat Account.	Accepted.
185	V	51(ii)	50% of the proceeds of fishery rental in respect of Panchayat Union Tanks should be credited to Village Panchayat Account and the balance 50% should be utilized by Panchayat Unions.	Accepted.
186	V	51(iii)	In respect of PWD Tanks, at least 25% of the proceeds of Fishery rental may be given to Village Panchayats.	Accepted with a modification that the revenue shall be shared with local bodies in the ratio of area of submergence.
187	V	51(iv)	The Government have not agreed to the recommendation of Second State Finance Commission. It is therefore imperative that a suitable alternative mechanism to ensure the conduct of auction and to derive maximum benefit is once again reiterated.	Not accepted. Status quo shall continue.
188	V	52(1)	2C-Patta Trees: The Constitution of a committee may be notified by the Inspector of Panchayats for auctioning of wind fallen trees in Village Panchayat area.	Not accepted. Status quo shall continue.
189	V	52(ii)	Powers may be conferred on Village Panchayats for removal and auctioning of dead trees for ensuring quick disposal of the trees and also to realize sizeable revenue to Village Panchayats.	Not accepted. Status quo shall continue.
190	V	53 (d) (i)	Social Forestry: There should be a separate detailed head for apportioning the Social Forestry Receipts to Local Bodies.	Accepted.
191	V	53 (d) (ii)	There should be budget provision in each year's budget of the Forest Department for apportionment so that the department may adjust the amount within the financial year itself and any dues in the year which are left out shall be adjusted in the next financial year.	Accepted.
192	V	53 (d) (iii)	Social Forestry Receipts from 2000-2006 shall be adjusted in 2007-08 as per the formula recommended by State Finance Commission and ordered by Government in G.O.No.158, Rural	Accepted with a modification that the Social Forestry receipts shall be shared between Panchayats and Forest

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			Development Department, Dated:14.10.2004.	Department in the ratio of 75:25 of the net collection. However, the expenditure on wages shall be capped at 35% of the gross collection, above which, it shall be borne by the Government.
193	V	53 (d) (iv)	For the award period of Third State Finance Commission the sharing of Social Forestry Receipts shall be 50:50 on the basis of gross proceeds as already agreed to by the Government. The Social Forestry Receipts from 2007 onwards shall be adjusted within the financial year itself and for any failure the department has to pay interest for the sharable revenue.	Accepted with a modification that the Social Forestry receipts shall be shared between Panchayats and Forest Department in the ratio of 75:25 of the net collection. However, the expenditure on wages shall be capped at 35% of the gross collection, above which, it shall be borne by the Government. The recommendation on payment of interest is not accepted.
194	V	53 (d) (v)	As contemplated in the Constitution of India, the functions relating to Social Forestry and Farm Forestry may be transferred to local bodies to involve the elected local representatives in the development of the Social Forestry Scheme.	Status quo shall continue in view of the need for professional expertise for Social Forestry which is available only in Forest Department. However, this issue shall be referred to the High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to local bodies.

CHAPTER VI
NEEDS AND FINANCES OF LOCAL BODIES

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
195	VI	47 (i)	The fixing of staff norms, restructuring the staff pattern, strengthening vital areas and re-deployment may be taken up on priority basis and a committee with HOD as head may be formed to work out the modalities discussed in the Chapter in a phased manner.	Accepted.
196	VI	47 (ii)	Similarly, on improving civic services, devices and suggestions offered in the Chapter may be studied by a working group and the same implemented in a phased manner.	Accepted.
197	VI	47 (iii)	Computerisation and e-governance initiatives may be speeded up with the funds set apart by Twelfth Central Finance Commission to ensure that the fruits of the mechanisation are felt by the people.	Accepted.
CHAPTER VII FISCAL RESPONSIBILITY, MONITORABLE FISCAL REFORMS AND BETTER FISCAL MANAGEMENT				
198	VII	9 (i)	A Fiscal Responsibility and Budget Management legislation for Urban Local Bodies may be enacted to take the structural reforms down to the third tier of the Government.	This shall be examined separately.
199	VII	9 (ii)	A programme as propounded of the Chapter may be evolved which may serve as parameters for assessing and awarding the incentive fund set apart for Urban Local Bodies.	In view of the provision of Infrastructure Gap filling fund and Operation & Maintenance Gap filling fund which is being created, further action on this recommendation is not required.
200	VII	9 (iii)	Norms prescribed for core civic services including quality purchase of materials must be strictly adhered to and the expenditure is contained.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
201	VII	9 (iv)	The Third State Finance Commission reiterates that the rates suggested by Second State Finance Commission may be updated and given effect from 2007-2008 and thereafter it may be revised by a committee at District level once in 2 years.	Accepted in principle. This shall be reviewed periodically.
202	VII	9 (v)	The relevant Municipal / Corporations Acts may be amended so as to incorporate the provisions of Section 79 of the suspended Tamil Nadu Urban Local Bodies Act, 1998. Further the written off assets should be deleted from the Assets Register and that no Operation and Maintenance provision should be made for those assets.	Accepted.
203	VII	9 (vi)	The orders issued in 1999 may be considered by a Ministerial committee for improving the urban-land stock.	Accepted with a modification that the Committee shall be headed by CMA to build up land bank for the purpose of Solid Waste Management and to locate Sewage Treatment plants.
Chapter – X				
Reclassification of local bodies				
204	X	10 (i)	The Government should form Village Panchayat / Panchayat Union Reorganisation Committee by involving the District Collectors for reconstituting and regrouping the Village Panchayats with a minimum population of 3000. However exceptions may be given to Tribal and Hilly areas. Similarly, the Panchayat Unions may be regrouped on the basis of 35 Village Panchayats per Block so as to make the Panchayat Unions more cohesive and to avoid unnecessary administrative expenditure. As the exercise may take some time, October 2006 local body elections may be conducted as per the present set up. The exercise for regrouping and reconstituting may be taken up after the elections and consensus arrived at within a period of 3 years including legal hurdles if any so that the 2011 local body elections can be held in the reorganised set up. The year 2011	This will be examined separately by the Government and a decision taken.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			is significant in the sense since the next census will be due by then and the rural and urban population may also be correctly worked out.	
205	X	10 (ii)	The Census towns in Chennai Metropolitan area classified as Village Panchayats may be reclassified as Town Panchayats or Municipalities so as to extend the service levels in those areas and also to tap the tax potential as has been done for urban areas.	This will be examined separately by the Government and a decision taken.
206	X	10 (iii)	Under Jawaharlal Nehru National Urban Renewal Mission, Chennai, Coimbatore and Madurai have been included in the development of the town area. As such, Village Panchayats and weak Town Panchayats around Madurai and Coimbatore may be merged with Municipal Corporations to avail the benefits accruing to them by the above programme.	This will be examined separately by the Government and a decision taken.
207	X	18 (i)	Town Panchayats: The Commission concurs with the decision of the Government in reclassifying the 561 Special Village Panchayats into Town Panchayats by its order in G.O. Ms. No.62, Municipal Administration and Water Supply Department dated 28.07.2006 and that its continuance as transitional body shall be ensured.	Recommendation is deemed to be accepted.
208	X	18 (ii)	All the Census towns numbering 111 may be classified as urban to avoid different classification, i.e one by Census and the other by State Act.	This will be examined separately by the Government and a decision taken.
209	X	18 (iii)	About 263 Town Panchayats which are said to be possessing rural characteristics and their financial viability may be studied by the Committee already suggested for Rural Local Bodies by 2008 and a decision taken so that 2011 local body elections can be conducted without any legal hitch. Any reclassification before 2011 Census will give a true picture of rural / urban population.	This will be examined separately by the Government and a decision taken.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
210	X	18 (iv)	The present classification of 4 grades among Town Panchayats may be brought down to 3 and that all Grade II may be upgraded as Grade I Town Panchayats.	Not accepted. Status quo shall continue.
211	X	18 (v)	Government should periodically examine reclassification of Village Panchayat to Town Panchayats of particularly around the major urban centres. In view of the different pattern of election for the ward systems, reclassification exercise should be taken up in the last year of the term (5 year) and completed at least six months before the date of elections.	This will be examined separately by the Government and a decision taken.
212	X	22 (i)	Reclassification / Regrouping of Municipalities into three grades with income as suggested below may be adopted to overcome many anomalies as discussed in the Chapter. Grade II - Above Rs.1 crore but below Rs.4 crores Grade I - Above Rs.4 crores but below Rs.6 crores Selection Grade - Above Rs.6 crores	This will be examined separately by the Government and a decision taken.
213	X	22 (ii)	The norms noted above for constitution / grading of Municipality shall be followed while reclassifying the Municipalities and also upgrading any Transitional area / Town Panchayat or by whatever name it is called into Municipality. Necessary Act / Rule provisions shall be incorporated in the existing Municipalities Act and in the new Act if it is notified.	This will be examined separately by the Government and a decision taken.
214	X	22 (iii)	The existing Municipalities with less than Rupees one crore as annual income with no additional tax potential for improvement, such Municipalities may be considered for reclassification as Town Panchayats as already recommended by Second State Finance Commission in respect of unviable Municipalities.	This will be examined separately by the Government and a decision taken.
215	X	22 (iv)	A Committee may be formed with Commissioner of Municipal Administration as Chairman and all Regional Directors of Municipal Administration as Members, with Joint Commissioner of Municipal Administration as Member-Secretary.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			This committee may fix the staff norms for all grades of Municipalities and suggest re-deployment of personnel wherever necessary consequent on reclassification of 50 Town Panchayats as Grade-III Municipalities.	
216	X	26 (i)	The issue on reclassification shall be decided by Government based on a more detailed study by a Committee consisting of Commissioner of Municipal Administration, the respective District Collectors viz. Madurai and Coimbatore, respective Corporation Commissioners, Director of Town Panchayats and Director of Rural Development.	This will be examined separately by the Government and a decision taken.
217	X	26 (ii)	For the award period of Third State Finance Commission no Municipality need to be upgraded as they all fall short in population and income except Tirupur.	This will be examined separately by the Government and a decision taken.
218	X	26 (iii)	The Government shall have to face the consequences arising out of such an exercise and try to build up consensus within 3 years and also to get any legal hurdles removed within 3 year period so that in the next local body elections, our State should have financially sound units, to meet the challenges of posterity.	This will be examined separately by the Government and a decision taken.
CHAPTER – XI ENTRUSTMENT OF FUNCTIONS AND DELEGATION OF POWERS TO LOCAL BODIES				
219	XI	6 (i)	The Public Distribution System shops now run by Civil Supplies Department / Co-operative Department in Village Panchayat area may be entrusted to Village Panchayats as contemplated in the Constitution for proper distribution and monitoring.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
220	XI	6 (ii)	The Civil Supplies Department / Corporation shall continue to be the State agency for procuring and distribution of rice and other food articles.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			rice and other food articles.	Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
221	XI	6 (iii)	The Public Distribution System shops and the salesmen shall be under the control of Village Panchayat. The salary of salesmen shall be credited to Village Panchayat Account by the Civil Supplies Department / Co-operative Department well in advance to enable timely disbursement.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
222	XI	6 (iv)	The indent of rationed articles of Public Distribution System made by Village Panchayats shall be checked by Panchayat Unions and sent to the respective agencies for supply.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
223	XI	6 (v)	The functioning of Public Distribution System Shops shall be monitored at the District level on a monthly basis.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
224	XI	6 (vi)	The Government may consider entrusting the functions relating to Public Distribution System shops in urban areas to the Town Panchayats / Municipalities / Municipal Corporations after studying the performance in rural areas.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
225	XI	7 (i)	Birth & Death Certificates The issue of birth and death certificates shall be entrusted to Village Panchayats and Village Panchayat President shall be	The High Level Committee constituted under the Chairmanship of Hon'ble

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			and Village Panchayat President shall be the issuing authority on the basis of the report submitted by Village Administrative Officers.	Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
226	XI	7 (ii)	The fee to be collected for the issue of birth and death certificate shall be at the same rate as was charged by Taluk office.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
227	XI	7 (iii)	A consolidated monthly report may be sent to Taluk office for consolidation and statistical purposes.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
228	XI	7 (iv)	While delegating the functions relating to issue of birth and death certificates, a regulatory mechanism can be evolved to cross-verify the population related matter as a sequel to these delegations.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
229	XI	14 (i)	<p>Primary Education</p> <p>Primary Education may be entrusted to Panchayat Raj institutions and the procedure for administering the functions entrusted may be on the basis outlined in the Chapter.</p>	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
230	XI	18 (i)	<p>Libraries</p> <p>The District libraries and other branch libraries at the Block level now under the control of the Directorate of Libraries shall be transferred along with the functionaries to the District Panchayats.</p>	<p>The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.</p>
231	XI	18 (ii)	<p>The library cess collected by both Rural Local Bodies / Urban Local Bodies shall be transferred to District Panchayat Account</p>	<p>The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.</p>
232	XI	18 (iii)	<p>In respect of Chennai, the libraries except Connemara Public Library and Central library shall be transferred to the Chennai Corporation along with the functionaries. The library cess shall be utilised for running the libraries, staff and other maintenance.</p>	<p>The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.</p>
233	XI	18 (iv)	<p>The right and privileges of the existing staff shall be protected and that the Director of Libraries shall be the appellate authority for disciplinary proceedings.</p>	<p>The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.</p>
234	XI	18 (v)	<p>The Director of Public Libraries shall give technical support for running the libraries and to improve the quality content of the books and other related activities. The endowments related functions may continue to be with the Director of Public Libraries.</p>	<p>The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.</p>

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
235	XI	18 (vi)	Future recruitment shall be decided by the District Panchayat / Chennai Corporation on the basis of the guidelines issued by the Government on 'Recruitment Policy' from time to time.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
236	XI	18 (vii)	Wherever Municipal Corporations / Municipalities are running the libraries on their own, those libraries shall continue to be run by them.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
237	XI	18 (viii)	Purchase of books for District libraries and branch libraries shall be centralised and monitored by Director of Rural Development and that a minimum of 30% of the collections shall be set apart for purchase of books.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
238	XI	21 (i)	Delegation of Powers to ULBs The powers to accord administrative sanction by Regional Director of Municipal Administration withdrawn in G.O. Ms. No.119, Municipal Administration and Water Supply Department, dated 18.07.1998 shall be restored to Regional Director of Municipal Administration with a rider that the Regional Director of Municipal Administration shall dispose of the administrative sanction within a month of its receipt from the Municipal Council. Failing to comply with the time limit shall entail in disciplinary proceedings against the concerned officials.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
239	XI	21 (ii)	The monetary limit to accord administrative sanction by Regional Director of Municipal Administration shall be raised to Rs.50 lakhs and technical	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government																							
			sanction by Regional Executive Engineer to Rs.50 lakhs or more on par with the Superintending Engineer in Public Works Department. The ceiling enhancement is for each work subject to the availability of funds in the Budget.	Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.																							
240	XI	21 (iii)	The works to be taken up for execution after the enhancement of ceiling shall be reviewed by Inspector of Municipalities i.e. Commissioner of Municipal Administration on a monthly basis.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.																							
241	XI	21 (iv)	<p>The delegation of powers for sanction of works by the Municipal Council is low as the ceiling was fixed some 7 years ago. Hence the ceiling shall be revised as detailed below: (Rupees in lakhs)</p> <p>In respect of Municipal Corporations, the</p> <table border="1"> <thead> <tr> <th rowspan="2">Grade of Municipality</th> <th>Municipal Council</th> <th>RD MA</th> <th>C.M.A</th> <th rowspan="2">Government</th> </tr> <tr> <th>upto</th> <th>up-to</th> <th>Upto</th> </tr> </thead> <tbody> <tr> <td>Selection Grade</td> <td>35</td> <td>50</td> <td>500</td> <td>Above 500</td> </tr> <tr> <td>First Grade</td> <td>30</td> <td>50</td> <td>500</td> <td>Above 500</td> </tr> <tr> <td>2nd Grade</td> <td>25</td> <td>50</td> <td>500</td> <td>Above 500</td> </tr> </tbody> </table> <p>ceiling may be revised by the Government based on the enhancement suggested for Municipalities.</p>	Grade of Municipality	Municipal Council	RD MA	C.M.A	Government	upto	up-to	Upto	Selection Grade	35	50	500	Above 500	First Grade	30	50	500	Above 500	2nd Grade	25	50	500	Above 500	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
Grade of Municipality	Municipal Council	RD MA	C.M.A		Government																						
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2nd Grade	25	50	500	Above 500																							
242	XI	21 (v)	The Municipal Acts may be amended to enable the Council to demolish the unauthorised constructions after obtaining a detailed report from the Commissioner / Municipal Engineer.	Accepted.																							
243	XI	21 (vi)	All letters except confidential letters may be compulsorily circulated to the Municipal Chairpersons to facilitate better awareness of Government guidelines, orders etc apart from establishing cordial relationship.	Accepted.																							

Chapter-XII

Role of Line Departments and Parastatal Agencies

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
244	XII	11(i)	<p>Chennai Metropolitan Water Supply Sewerage Board</p> <p>As at present, 10% of the Chennai Corporation's share of devolution shall be passed on to Chennai Metropolitan Water Supply and Sewerage Board.</p>	Accepted.
245	XII	11(ii)	Water Tax shall be revised at the rates mentioned under Section 34 of Chennai Metropolitan Water Supply and Sewerage Board Act.	Accepted in principle. It is upto CMWSSB to fix appropriate rates under the relevant Act.
246	XII	11(iii)	Water charges / Sewerage charges shall be revised in the year 2007-08 and thereafter once in 3 years. All water supply assessments shall be metered so as to fetch more money and this may be attempted in a phased programme.	Accepted in principle.
247	XII	11 (iv)	The Government should consider the issue of compensation to Chennai Metropolitan Water Supply and Sewerage Board, for the higher cost of desalination.	Central assistance by way of viability gap funding has been sought for desalination project in Tamil Nadu. CMWSSB has proposed to adopt an appropriate 'Product Mix' after desalination project is commissioned. Metro Water can manage the high cost commitment through its own revenue and Central grants. After appropriate revision of charges, if there is still a gap, the State shall endeavour to support CMWSSB.
248	XII	11(v)	The devolution grants may be exclusively spent for development.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
249	XII	20(i)	<p>Director of Town and Country Planning</p> <p>The planning authority and the building licence authority shall be brought under one umbrella to clear the back-log in layout approval and to tap the resource potential of Urban Local Bodies by amending the Town and Country Planning Act and Municipal Acts by invoking the provisions already adduced in the Chapter.</p>	<p>The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.</p>
250	XII	20(ii)	<p>75% of the Development Charges / Open Space Regulation charges shall be passed on to the Urban Local Bodies straightaway without any conditions. But the Urban Local Bodies shall obtain the approval of the Government for the projects in order to meet the cost from out of the transferred amount.</p>	<p>Accepted.</p>
251	XII	20(iii)	<p>Directorate of Town and Country Planning / Chennai Metropolitan Development Authority may be brought under the control of Municipal Administration and Water Supply Department to avoid dual control and to obviate the administrative difficulties faced by the Urban Local Bodies.</p>	<p>The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.</p>
252	XII	20(iv)	<p>The collection of 1% of the total revenue of Urban Local Bodies to the Planning Authorities' Fund shall be abolished forthwith which appears to be an anachronism.</p>	<p>The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.</p>
253	XII	29(i)	<p>Chennai Metropolitan Development Authority</p> <p>The planning permission and building licence wings shall be brought under one umbrella so that the deviations and violations would be tackled by a single authority for which necessary amendments may be incorporated in the</p>	<p>The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine</p>

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
			amendments may be incorporated in the Town and Country Planning Act and in the Municipal Acts.	the delegation of powers to the local bodies will examine the issue.
254	XII	29(ii)	In consonance with 74th Constitutional Amendment Act, the planning functions and land use may be conferred on Urban Local Bodies and that the required technical personnel may be sent to Urban Local Bodies for training and capacity building.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
255	XII	29(iii)	As recommended in the para on constitution of Chennai Metropolitan Planning Committee, Chennai Metropolitan Development Authority may function as the Secretariat of Chennai Metropolitan Planning Committee.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
256	XII	29(iv)	75% of Development charges and Open Space Regulation charges may be passed on to the respective Urban Local Bodies without any conditions for development of the area. The projects chosen from out of the transferred money should have the approval of HOD/Government.	Accepted.
257	XII	29(v)	The collection of 0.25% of revenue income of Urban Local Bodies in Chennai Metropolitan area for the Planning Authority's fund shall be abolished forthwith in view of the functions vested with the Urban Local Bodies under XII Schedule of the Constitution.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
258	XII	29(vi)	The regularisation income now under subjudice may be shared with concerned Urban Local Bodies after the pronouncement of the verdict by the Madras High Court.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
259	XII	34(i)	<p>Chennai Metropolitan Planning Committee</p> <p>A separate Act governing the Chennai Metropolitan Committee may be enacted instead of amending the Corporation Act, Municipalities Act and Panchayats Act.</p>	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
260	XII	34(ii)	The entire Chennai Metropolitan area shall be under urban as classified by Census Department by bringing the Village Panchayats as urban entities or merging with nearby Municipalities.	This will be examined separately by the Government and a decision taken.
261	XII	34(iii)	The functions as suggested by Second State Finance Commission for the Metropolitan Planning Committee are reiterated again, besides any other functions to be earmarked by the Act.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
262	XII	34(iv)	After the constitution of Chennai Metropolitan Planning Committee, the Chennai Metropolitan Development Authority may be the Secretariat of the Committee as suggested by Second State Finance Commission.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
263	XII	38(i)	<p>Tamil Nadu Pollution Control Board</p> <p>The Urban Local Bodies shall be exempted from the levy of water cess by amending the Water Cess Act, 1977.</p>	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
264	XII	38(ii)	The recommendation of Second State Finance Commission for constitution of District level Committee with the District Collector as the head and for Chennai with Mayor of Chennai as the head of the Committee to effectively monitor the implementation of environmental and pollution control programmes is reiterated.	Not accepted. Status quo shall continue. Tamil Nadu Pollution Control Board as the statutory body responsible for regulation of environmental pollution shall continue to monitor the implementation of pollution control measures.
265	XII	38(iii)	The following functions need to be discharged by Tamil Nadu State Pollution Control Board in close cooperation with the Urban Local Bodies. a) Regulation of sanitary fill sites. b) Scientific disposal of municipal solid waste.	Accepted.
266	XII	42(i)	Tamil Nadu Housing Board The over riding provisions in Tamil Nadu Housing Board Act viz 35, 37, 38, 39, 40, 44, 45, 64 and 152 and other Sections if any, against local bodies need to be amended in conformity with 74th Constitutional Amendment Act.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
267	XII	42(ii)	The local bodies should be empowered to levy property tax in the Housing Board notified area.	It is already in vogue. Recommendation is deemed to be accepted.
268	XII	42(iii)	There should be proper coordination between Tamil Nadu Housing Board and local bodies before notifying a scheme and a coordination committee may be constituted.	The High Level Committee constituted under the Chairmanship of Hon'ble Minister for Rural Development and Local Administration to examine the delegation of powers to the local bodies will examine the issue.
269	XII	42 (iv)	There should be a specific time limit say 1 year for land assessment to avoid difficulties in acquisition of land and other related activities.	Not accepted in view of the position stated as against recommendation No.42(ii).

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
270	XII	42(v)	The Tamil Nadu Housing Board should send the list of beneficiaries once in 6 months say in April and October of each year about the Housing Board flats sold either by out right sale or by hire purchase scheme, to enable local bodies to levy property tax.	Not accepted , as it is the responsibility of the local body to levy the property tax by using its machinery.
271	XII	42 (vi)	The unsold flats of Tamil Nadu Housing Board should be subjected to property tax as in the case of private parties after the expiry of the licence period, say 3 years.	This is already in vogue. Recommendation is deemed to be accepted.
272	XII	42 (vii)	In respect of rental housing schemes, the present practice of Housing Board paying the property tax by obtaining funds from Government shall be continued.	Accepted.
273	XII	47(i)	Tamil Nadu Slum Clearance Board The details of owners of the outright sale scheme should be sent to the respective urban local body for levying property tax once in 6 months viz April and October of each year.	Not accepted , as it is the responsibility of the local body to levy the property tax by using its machinery.
274	XII	47(ii)	The practice of remitting property tax in respect of rental apartments by Tamil Nadu Slum Clearance Board initially and thereafter getting reimbursement may be continued and there should not be any delay in the process. The Tamil Nadu Slum Clearance Board should arrange to have sufficient provision for remittance of property tax in their Budget.	Accepted.
275	XII	47(iii)	The elected Mayors/Chairpersons of select Municipal Corporation and Municipalities may be inducted in the Tamil Nadu Slum Clearance Board to have smooth working relationship and to sort out the problems.	Not accepted. Status quo shall continue.
276	XII	47 (iv)	The over-riding provisions on local bodies if any in the Act shall be amended in conformity with the Constitutional provisions.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
277	XII	54(i)	<p>Tamil Nadu Electricity Board</p> <p>Urban Local Bodies shall be permitted to levy tract rent on the land used for Tamil Nadu Electricity Board poles at the rates to be prescribed by the Government.</p>	Not accepted. Status quo shall continue , since power is a basic infrastructure required for all citizens.
278	XII	54(ii)	There should be differential rates for electricity tariff for street lights and water supply as in vogue in other States during next revision of tariff.	Government have decided to reduce the rate of EB charges in Village Panchayats for their civic services from Rs.3.40 per unit to Rs.3.00 per unit and in Urban Local Bodies from Rs.3.50 per unit to Rs.3.30 per unit. The loss due to this reduction will be compensated by the Government.
279	XII	54(iii)	A cess on Electricity at the rate of 10 Paise per unit consumed by Industrial and Commercial units may be levied after getting the concurrence of the Tamil Nadu Electricity Regulatory Authority from the financial year 2007-2008.	No action need be taken by the Government, since it is in the domain of the regulator.
280	XII	54 (iv)	Centage for poll shifting charges in Urban Local Bodies may be reduced to 5%. Whenever local bodies are in a position to supply the poles, it may be accepted.	Not accepted. Status quo shall continue.
281	XII	54(v)	Tamil Nadu Electricity Board should insist on No Objection Certificate from Revenue department for houses constructed on poromboke lands before giving service connections.	In all such issues the provisions under the Electricity Act 2004 will apply. Hence, this recommendation is not feasible of compliance.
282	XII	54 (vi)	In respect of Patta lands, No Objection Certificate should be obtained from the respective local body to avoid mushrooming of unapproved layouts.	Since the Electricity Act 2004 is an Act of Parliament, this recommendation is not feasible of compliance.
283	XII	54 (vii)	The rates of fees payable to Electricians (Line-man) by Village Panchayats for replacing street lights shall be fixed by Tamil Nadu Electricity Board after discussion with District Collector. The rate may be revised once in three years.	Accepted with a modification that this shall be done in consultation with the Director of Rural Development and Panchayat Raj.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
284	XII	54 (viii)	As the deduction from devolution made at Head of Department level towards the arrears of Electricity consumption charges and passed on to central office of Tamil Nadu Electricity Board does not get reflected in local body accounts, the Superintending Engineers / Divisional Engineers shall be instructed to furnish the details of arrears received by them local body wise so as to incorporate the same in their accounts. Any settlement of arrears shall be done at Village Panchayat level for Rural Local Bodies and by institution-wise in respect of Urban Local Bodies by distributing the devolution or grant to avoid omission in accounting.	Accepted with a modification. It is the responsibility of that Department doing the intercept to inform the concerned local bodies.
285	XII	54 (ix)	The local bodies which come forward to set up wind mill energy units for their consumption may be empowered to undertake generation of electricity by way of the stipulation for use by HT industries. If necessary, Act / Rule provisions of the Electricity Act may be amended.	This shall be taken up with Tamil Nadu Electricity Regulatory Commission for its consideration.
286	XII	61(i)	Tamil Nadu Water Supply and Drainage Board Tamil Nadu Water Supply and Drainage Board should furnish Project cost, restoration cost and on that basis, resolutions have to be obtained from the local bodies. The present practice of holding discussion with Engineering wing without the knowledge of the Municipal Council / Panchayats Council should be discontinued.	Accepted.
287	XII	61(ii)	The centage charge in Turn key system has to be brought down from the present level of 13% to 5%	Accepted.
288	XII	61(iii)	Government may also explore the possibilities of privatising maintenance of Combined Water Supply Scheme after determining the norms on maintenance.	Not accepted. Status quo shall continue.
289	XII	61 (iv)	Extensive use of bio-diesel for operating water pumps may be given thought to reduce recurring expenses.	Accepted in principle. The possibilities of using bio-diesel shall be explored.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
290	XII	61(v)	All Over Head Tanks may be fitted with water meter and the water charges levied on the basis of the meter reading.	Accepted with a modification that the Village Panchayat boundary level metering shall be implemented.
291	XII	61 (vi)	The local water potential may be treated by using Reverse Osmosis equipment to augment the water supply instead of embarking on combined water supply schemes which at many times run into difficulties as explained earlier, wherever possible.	Accepted in principle. Choice of technology/scheme shall be based on techno economic consideration.
292	XII	61 (vii)	The Government may arrange to settle the arrears of water charges as on 31.8.2005 due to Tamil Nadu Water Supply and Drainage Board from local bodies under special purpose grant in a phased manner as explained in the Chapter on Devolution Device	Not accepted. It is the responsibility of the local bodies to settle their dues.
293	XII	61 (viii)	As explained in the Chapter, the quantity supplied, maintenance expenditure and the demand raised for the period from 2000 to 2005 appear to be unscientific and the rates fixed for kilo litre need to be reduced. Further, there appears to be a need for fixing the norms for over head expenditure so that the inefficiency of Tamil Nadu Water Supply and Drainage Board is not covered under the carpet.	Accepted in principle. Costing shall be done on a rational basis periodically.
294	XII	67(i)	District Planning Committee and District Rural Development Agency The election to 4/5 of the members of the District Planning Committee shall be conducted on the basis of 2001 Census after the newly elected local body councils assume office after October 2006 elections.	This has already been complied with. Recommendation is deemed to be accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
295	XII	67(ii)	The special invitees to District Planning Committee shall include representatives from Village Panchayats and Panchayat Unions on rotation basis every year so as to make it a compact and a representative body of all tiers. Similarly all Chairpersons of Town Panchayats / Municipalities other than the elected may be by means of rotation every year.	Not accepted. Status quo shall continue.
296	XII	67(iii)	The District Rural Development Agency may be the Secretariat of District Planning Committee and the Project Officer of District Rural Development Agency shall be the Member-Secretary of District Planning Committee.	Not accepted. Status quo shall continue since the District Planning Committee looks into both rural and urban issues.
297	XII	67 (iv)	The District plans for the five year period from 2007-2012 may be prepared by the newly constituted District Planning Committee and the same may be sent to the State Planning Commission after the receipt of approach paper for the Eleventh Five Year Plan period.	Accepted.
298	XII	67(v)	The election of District Panchayat President may be by way of direct election by getting the Constitutional provisions amended and also by amending Section 56 of Tamilnadu Panchayats Act so as to make the post of Chairperson of District Planning Committee more acceptable to all members and the public at large. Till such time, the present method of indirect election may be continued.	Not accepted. Status quo shall continue.
299	XII	74(i)	Chief Engineer (Highways) The Second State Finance Commission's recommendation that all local body road works should be executed by Rural Local Bodies through the Engineering Wing of the Rural Development Department is reiterated. Orders issued in G.O. MS. No.301, Highways Department, dated 22.12.2004 may be withdrawn.	This has already been complied with. Recommendation is deemed to be accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
300	XII	74(ii)	There shall be a shelf of projects on rural roads and that priority should be given to Bus route roads.	This has already being done. Recommendation is deemed to be accepted.
301	XII	74(iii)	The 50% of the Rural Road Development Fund shall be given to the District Panchayats only and works identified by the Panchayats in the plan prepared should be taken up.	Not accepted. Status quo shall continue.
302	XII	74 (iv)	The Other District Roads which satisfy the criteria of becoming Major District Road can be retained by the Highways Department and the balance length may be transferred to PRIs for improving the road condition.	Not accepted. Status quo shall continue.
303	XII	79(i)	Collectors' Development Fund The Collectors' Development Fund created out of the Reserve Fund Scheme during the award period of Second State Finance Commission (i.e. 2002-07) shall be abolished with effect from 1.4.2007.	Accepted. This is taken care of with the creation of infrastructure gap filling fund for the rural local bodies and infrastructure and Operation and Maintenance gap filling funds for urban local bodies.
304	XII	79(ii)	Government may strengthen the District functionary by means of discretionary fund, from out of allocation of State Plan Fund, as earmarking of a devolution to a Government functionary goes against the spirit of self-governance.	No further action is required in view of the decisions taken on the recommendation No.79(i)
305	XII	83(i)	MLA Constituency Development Scheme 30% of MLAs Constituency Development Fund falling in urban areas shall be earmarked for improving core civic services.	Already complied with. Recommendation is deemed to be accepted.
306	XII	83(ii)	For the earmarked portion of MLAs Constituency Development Fund, scheme / programme in urban areas shall be chosen from out of the shelf of projects prepared by the respective urban local bodies and it should not be chosen whimsically.	Not accepted since the requirements sought under MLA CDs are dynamic in nature.
307	XII	83(iii)	The urban local bodies should also be prepared to meet the recurring costs for the assets created from out of the above fund.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of the recommendations	Decision taken by the State Government
308	XII	83 (iv)	The present allocation for rural sector under MLAs Constituency Development Fund shall be continued. However, the scheme/programme has to be executed on the basis of a shelf of projects prepared by the Grama Sabha.	Not accepted since the requirements sought under MLA CDs are dynamic in nature.

K. Anbazhagan,
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May 10, 2007
Chennai – 600 009