

**GOVERNMENT OF TAMIL NADU**

**FINANCE (SFC-MC) DEPARTMENT**

**THE ACTION TAKEN ON THE RECOMMENDATIONS MADE BY THE SIXTH STATE  
FINANCE COMMISSION**

The Sixth State Finance Commission constituted with effect from 06.03.2020 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 the Hon'ble Governor of Tamil Nadu on 08.03.2022 and the Hon'ble Chief Minister on 14.03.2022. The report of Sixth State Finance Commission together with the Explanatory Memorandum on the action taken on the recommendations of Sixth 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 decision taken by the Government on the recommendations of Sixth State Finance Commission are as follows:

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<b>CHAPTER – I</b>				
<b>SHARING OF STATE'S OWN TAX REVENUE (SOTR)</b>				
<b>1.</b>	<b>I</b>	<b>7.14</b>	The State Government should continue to devolve 10% of the State's Own Tax Revenue to the Local Bodies.	Accepted with a modification that the existing practice of devolving 10% of the <b>Net</b> State's Own tax Revenue shall be continued.
<b>2.</b>	<b>I</b>	<b>7.15</b>	The net SOTR for the purpose of calculation of devolution amount should be determined by permitting the following deductions from gross SOTR :  i. Surcharge on Stamp Duty of Local Bodies should be deducted under the	Accepted.

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			<p>Receipt major head. In case it is not done, the same should be provided through separate expenditure heads of accounts.</p> <p>ii. For collection of State Goods and Services Taxes, State Excise, Stamp and Registration, Motor Vehicle Tax, Tax on Petroleum products, and other taxes, the cost of collection should be deducted.</p> <p>iii. Other Surcharges.</p>	
<b>3.</b>	<b>I</b>	<b>7.32</b>	Of the total devolution amount, 49% should be devolved to RLBs and 51% should be devolved to the ULBs.	The devolution between RLBs and ULBs is fixed as 51:49 respectively.
<b>CHAPTER – II</b>				
<b>RURAL LOCAL BODIES</b>				
<b>HOUSE TAX / PROPERTY TAX</b>				
<b>4.</b>	<b>II</b>	<b>3.48</b>	The title 'House Tax' should be changed in the Tamil Nadu Panchayats Act, 1994 to the generic title 'Property Tax', as the nomenclature gives a wrong impression that only houses are taxed and not other categories of buildings. Necessary amendments may be incorporated in the Act.	Not Accepted. Decided to continue with the existing practice.
<b>5.</b>	<b>II</b>	<b>3.49</b>	Properties for levying of tax should be categorised as Residential, Commercial and Industrial as in ULBs.	Accepted.
<b>6.</b>	<b>II</b>	<b>3.50</b>	The quinquennial revision of House Tax in respect of all Village Panchayats should be brought forward to a common date i.e., 1 <sup>st</sup> April of the concerned year, through appropriate amendments to the Act and Rules, so as to ensure that Village Panchayats do not postpone or not revise House Tax.	Accepted.
<b>7.</b>	<b>II</b>	<b>3.51</b>	A slab system should be introduced for various types of houses to have transparent and non-discretionary levy,	Not Accepted. Decided to continue with the

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			<p>and the minimum rate of House Tax may be revised with rates as follows bi-annually.</p> <p>i. Huts @ minimum Rs. 100</p> <p>ii. Tiled house @ minimum Rs. 200</p> <p>iii. RCC house @ minimum Rs. 300 based on plinth area @ Rs. 1 per sq.ft.</p>	existing practice.
8.	II	3.52	<p>Till the amendment of House Tax as Property Tax takes place, taxation for industrial / commercial buildings should be as follows:</p> <p>i. Up to 5,000 sq. ft. – Rs. 1 per sq. ft. of plinth area for both industrial and commercial buildings.</p> <p>ii. Above 5,000 sq. ft. – Rs.2 per sq. ft. of plinth area of industrial buildings, and Rs. 3 per sq.ft. of plinth area for commercial buildings.</p>	Accepted.
9.	II	3.53	<p>The RLBs should issue house numbers for newly constructed houses bi-annually to ensure that all new houses are brought into the tax net.</p>	Accepted.
10.	II	3.54	<p>Un-assessed buildings should be brought under the tax net by comparing with the list of electricity service connections and Commercial Taxes registration list.</p>	Accepted.
11.	II	3.55	<p>All buildings of Central Government organizations, educational institutions, and State Government organisations should be brought under the Property Tax net. Necessary amendments may be brought in Act/Rules.</p>	Accepted.
12.	II	3.56	<p>Windmills, land and buildings on which cell phone towers are erected should be taxed at rates applicable to commercial buildings as per Explanation II to Schedule I under Section 172 of the Tamil Nadu Panchayats Act, and this should be enforced. For assessment purposes, the actual area on</p>	Accepted.

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			which cell phone towers are built should be taken in lieu of the total area of the buildings.	
13.	II	3.57	Tribunals should be constituted at the Block level to settle issues on tax assessments, and the Block Development Officer (Village Panchayats) should function as the arbitral authority, and the Assistant Director (Panchayat) should act as the appellate authority.	Accepted.
14.	II	3.58	Online payment of tax should be enabled for all the Village Panchayats. Till the rollout of online software, receipts by handheld devices may be introduced to avoid pilferage. The collection platforms should be enabled to accept multiple payment modes and allow for automatic scheduling of property inspections, location tagging, etc. Online payment should be enabled latest from 1.04.2024.	Accepted.
15.	II	3.59	Robust property database should be created with unique property identifiers (UPID) using the existing GIS maps. The database should be updated as and when any change in the property profile occurs. This database should be integrated with the tax payment platform.	Accepted.
16.	II	3.60	Till the online platform is established, the procurement of Bill Books and all other forms and registers required for Village Panchayats and Block Panchayats should be based on actual requirement only. Till the introduction of online payment / handheld devices, all the forms and registers and bill books should be standardised and procured from Government Press / Cooperative societies. Bill Books with the BDO's seal and initials of the BDO should be distributed to the VPs one at a time. Once the bill book is over, it should be handed over to the BDO office with counterfoils. Handheld devices should be encouraged.	Accepted.

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17.	II	3.61	House Tax collection in Rural Local Bodies, which is a major source of Own Revenue, should be linked with the cost of service delivery for services such as streetlight maintenance and regular water supply. A portion of the expenditure for water charges and street light maintenance should be met from the House Tax collected by the Local Bodies. Residents should be sensitised that prompt tax payment is linked to better service delivery.	Accepted.
<b>PROFESSION TAX</b>				
18.	II	3.67	The State Government should take up with the Government of India, the early passage of the necessary Constitutional Amendments to increase the ceiling on Profession Tax, and to simplify the process of raising the limit in the future, as recommended by the 14 <sup>th</sup> CFC and the 5 <sup>th</sup> SFC.	Accepted.
19.	II	3.68	The State Government should create a comprehensive database of all Professions liable for payment of Profession Tax. It should coordinate with State and Central Government agencies, like the Commercial Taxes Department, Labour and Employment Department and Employee Provident Fund Organisation, and Professional self-regulating organisations to enable more effective collection of Profession Tax by providing the list of staff/employees under their payroll to the respective Local Bodies.	Accepted.
20.	II	3.69	The State Government should create an exclusive institutional structure at the State level to manage the database of employees, and assist Local Bodies in the collection of Profession Tax.	Accepted.

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<b>ADVERTISEMENT TAX</b>				
21.	II	3.75	Local Bodies should be empowered to take legal action and levy penalties on persons who have put up unauthorised hoardings and advertisements, in addition to removing hoardings which have not received requisite permission.	Accepted.
22.	II	3.76	Rural Local Bodies should be allowed to collect tax for all types of advertisements including wall paintings/writings, posters, banners and flex boards.	Accepted.
23.	II	3.77	Licensing for shorter periods could be considered. The revision of tax should be done annually, with an upward revision of atleast 5% per year.	Accepted.
24.	II	3.78	The authority to grant advertisement permission should be delegated to the Local Bodies, with the concurrence of competent authority from the District administration. Concurrence of District administration should be time bound, which if not received within a specific time, should be deemed to have concurred.	After introduction of GST, the Advertisement Tax has been subsumed under GST Act. An Amendment shall be made to bring in the concept of License Fee for permission for advertisements. With this modification, the recommendation is accepted.
<b>INCOME FROM ASSETS</b>				
25.	II	3.84	Properties already identified and not repaired/renovated should be repaired/renovated and rented out to augment RLB's revenue, and this should be a continuous process.	Accepted.
26.	II	3.85	All the shops and commercial complexes, ponds and lakes owned by the Rural Local Bodies should be let out / leased strictly through public auction only.	Accepted.

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<b>BUILDING PLAN AND LAYOUT APPROVAL FEE</b>				
27.	II	3.94	The fees for Building plan and Layout approval should be revised at the earliest, as per the Tamil Nadu Combined Development and Building Rules, 2019.	Accepted.
28.	II	3.95	The Tamil Nadu Panchayat Buildings Rules, 1997, should be amended fixing the time limit for grant of building plan approval by the Executive Authority of the Village Panchayat, and the appropriate authority (DTCP/CMDA) mentioned in Rules 3(1).	Accepted.
29.	II	3.96	Capacity for plan approvals is very limited in Local Bodies. A specialised Planning Unit should be created at the District level with redeployment of staff from Rural Development and Panchayats Raj Department, and Housing and Urban Planning Department.	Accepted.
30.	II	3.97	Local Bodies should continuously monitor the construction activities in their jurisdiction, and should take steps to avoid the necessity of post-facto regularisations. The Government should consider levying penalty on the Local Bodies where new unapproved layouts come up after a given cut-off date.	Accepted.
31.	II	3.98	The Government should consider levying annual penalty on the properties in such unapproved layouts, at least five times the rates of House Tax, till such layouts are regularised after due modifications, as per the existing rules. The revenue earned through such penalties should be shared with the concerned Local Bodies.	Deferred and will be examined separately.

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<b>WATER CHARGES</b>				
32.	II	3.109	Village Panchayats should increase water charges regularly. Minimum water charges should be Rs.80/- per month. Regular enhancement of water charges should be one of the factors based on which allocation from the Capital Grant Fund/Pooled Fund for deficit RLBs should be decided	Not Accepted. Decided to continue with the existing practice
33.	II	3.110	The existing deposit for new water connections for households should be enhanced by at least 100%. For water connections for industry purposes, the rate should not be less than twice that for the residential connection. A slab system should be introduced, similar to the recommendation on Property Tax.	Not Accepted. Decided to continue with the existing practice
34.	II	3.111	Water meters should be fixed for bulk water service connections, especially for all Over Head Tanks in a phased manner.	Accepted that the release of special grant to TWAD Board be made from 2024-25 onwards and with the modification that the release of special grant is tied with compliance of this recommendation by 01.04.2024.
<b>D&amp;O TRADERS LICENSE FEES</b>				
35.	II	3.115	The nomenclature of D&O Trade Licence fees should be changed to Trade Licence fees, as done in Greater Chennai Corporation. Necessary action should be expedited at the Government level to bring this change.	Accepted.



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<b>36.</b>	<b>II</b>	<b>3.116</b>	Revision of D&O Trades Licence Fees should be done annually.	Accepted.
<b>BUS STAND FEES</b>				
<b>37.</b>	<b>II</b>	<b>3.119</b>	Bus Stand Fees should be enhanced by at least 100% from the existing rate.	Not Accepted. Decided to continue with the existing practice
<b>TRACK RENT FEES</b>				
<b>38.</b>	<b>II</b>	<b>3.123</b>	The Government should take necessary action to resolve the issues regarding collection of Track Rent on OFC feeders and Cable Television cables at the earliest to enable Local Bodies to collect track rent.	Accepted.
<b>39.</b>	<b>II</b>	<b>3.124</b>	The District Collectors should arrange for surveys of the OFCs laid Village Panchayat wise, and ensure that the Annual Track Rent is levied and collected as per the rules in force.	Accepted.
<b>40.</b>	<b>II</b>	<b>3.125</b>	While finalising policy on Track Rent Collection, the Government should ensure that the revenues of Local Bodies are not compromised.	Accepted.
<b>ASSIGNED REVENUE</b>				
<b>41.</b>	<b>II</b>	<b>3.133</b>	The practice of using the Assigned Revenue for priority schemes at the State level should be done away with.	As it is necessary to provide infrastructure to local bodies through implementation of schemes at state level, the recommendation is not accepted.

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42.	II	3.134	Of the Assigned Revenue, 75% should be transferred to the respective Local Bodies, and the remaining portion should be used for the requirements of weaker Local Bodies, along the lines of Grants to deficit RLBs, as recommended in the Scheme of Devolution section in this report. The State level Committee constituted for that purpose may be authorised to monitor this fund as well.	Accepted with a modification that after provision of infrastructure to local bodies through implementation of special schemes at State Level, availability of funds under Assigned Revenue if any shall be provided.
43.	II	3.135	A Proportion of resource allocation from such a fund should be maintained at least at the Block level under which the respective Village Panchayats fall.	Accepted with a modification that after provision of infrastructure to local bodies through implementation of special schemes at State Level, availability of funds under Assigned Revenue if any shall be provided.
<b>SURCHARGE ON STAMP DUTIES</b>				
44.	II	3.145	The Government should levy Surcharge on Stamp Duty on documents relating to (i) Agreement (ii) Power of Attorney (iii) Release of benami right (iv) Release of right in favour of partners and (v) settlement, to augment revenue to the Local Bodies.	Accepted.
45.	II	3.146	The details of collection of surcharges should be shared by the Registration Department every month, with the concerned Head of Department, District Collector and Local Body.	Accepted.

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<b>FISHERY RENTAL</b>				
46.	II	3.152	Fishing rights in Panchayat Union Tanks should be given strictly through a transparent process of auction.	Accepted.
47.	II	3.153	Further, the share of Rural Local Bodies from the Water Resource Department Tanks should be shared with the Local Bodies on the lines similar to that adopted for sharing of revenue from mining activities.	Accepted.
48.	II	3.154	Timely release of the Panchayat's share of the proceeds of Fishery Rentals by Panchayat Unions and Public Works Department tanks should be regularly monitored by the District Collectors and the Director of Rural Development and Panchayat Raj, through a quarterly review.	Accepted.
<b>SOCIAL FORESTRY</b>				
49.	II	3.160	A simple procedure should be evolved to release the share of Social Forestry sale proceeds to the concerned Panchayats in time. Sanction for the release can be given at the District level, and the funds can be transferred electronically during the month of February after due reconciliation with the Forest Department.	Accepted.
<b>MINES AND MINERALS</b>				
50.	II	3.169	Two separate receipt heads of account should be opened for the remittance of lease rent and seigniorage fees of minor minerals intended to be apportioned to the Local Bodies.	Accepted.
51.	II	3.170	The proportion of the revenue from minor minerals to be shared with Local Bodies should be fixed at 75%.	Accepted.

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52.	II	3.171	25% of the revenue from sand quarrying should also be transferred to Local Bodies. The distribution can be on the same basis as other minor minerals based revenue, i.e., 75% to the Local Body where the quarry is located, and 25% to be distributed by the District Collector to the neighbouring Local Bodies that are adversely affected by the quarrying activity.	By assessing the present scenario and system, the recommendation is not accepted.
53.	II	3.172	The release mechanism for the share of the Village Panchayats should be changed, and 75% of the entitlement of Panchayat based on the previous year's collection should be released in advance to overcome delays. The release mechanism should be centralised, and the advance release can be adjusted against actual collection subsequently.	Accepted.
<b>ELECTRICITY CHARGES</b>				
54.	II	3.190	TANGEDCO should ensure accuracy in billing after taking and recording the actual meter reading and reconcile any discrepancies, if any, with the concerned local bodies.	Accepted.
55.	II	3.191	Since most of the electricity charges are incurred on water supply connections, the installation of solar powered motor pumps should be taken up wherever feasible. An energy efficiency audit of local bodies should be taken up annually.	Accepted.
56.	II	3.192	TANGEDCO should use multiple modes of communication, such as SMS and e-mail to intimate the meter readings and electricity charges to the Village Panchayats, as is being done for individual customers.	Accepted.

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<b>57.</b>	<b>II</b>	<b>3.193</b>	TANGEDCO should bring out energy efficiency parameters for equipment, and a standardised list of cost effective equipment should be released. Local Bodies should procure only such standardised equipment, ensuring efficiency in energy consumption.	Accepted.
<b>58.</b>	<b>II</b>	<b>3.194</b>	Smart switches for street lights may be fixed to avoid electricity consumption during day time.	Accepted.
<b>59.</b>	<b>II</b>	<b>3.195</b>	There should be a complete ban on new installation of high mast lights in RLBs, and steps should be taken to decommission old high mast lights in a phased manner.	Accepted.
<b>PERI-URBAN PANCHAYATS</b>				
<b>60.</b>	<b>II</b>	<b>3.203</b>	The Tamil Nadu Panchayats Act, 1994 should be suitably amended to permit classification as Peri-Urban Villages based on population and proximity to ULBs, and to collect House Tax (to be amended as Property Tax) at the rates existing in adjacent ULBs.	Deferred and will be examined separately.
<b>61.</b>	<b>II</b>	<b>3.204</b>	Peri-Urban Panchayats should be empowered to levy Vacant Land Tax (VLT) for house sites other than agricultural lands, based on plinth area as in ULBs, by amending the Tamil Nadu Panchayats Act, 1994. The basis for levy may be area, in lieu of plinth area as in ULBs, by amending the Tamil Nadu Panchayats Act, 1994.	Deferred and will be examined separately.
<b>62.</b>	<b>II</b>	<b>3.205</b>	Large Village Panchayats should be bifurcated based on population and number of habitations to solve some of the issues relating to Peri-Urban Panchayats.	Accepted.
<b>63.</b>	<b>II</b>	<b>3.206</b>	The Peri Urban Village Panchayats are facing special issues on liquid waste management and solid waste management. The need for infusing capital on drainage works is high. Possibilities of increasing the capacity of infrastructure in adjoining ULBs to accommodate requirements of Peri Urban Panchayats should be explored.	Accepted.

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<b>GENERAL RECOMMENDATIONS</b>				
64.	II	3.207	Village level Citizens' Charter should be prepared and displayed in front of a permanent Public Office.	Accepted.
65.	II	3.208	For all Village Panchayats, there should be separate digital revenue maps with Local Bodies' boundaries marked. Similarly, Local Body boundaries should be clearly marked in Revenue Village maps.	Accepted.
<b>COMPLEMENTARY RESPONSIBILITY</b>				
66	II	3.210	More functions need to be delegated to Village Panchayats, especially maintenance of assets and on social sector programmes.	Accepted.
67.	II	3.213	While Village Panchayats continue to maintain the assets owned by themselves, it is time that they take some responsibility for assets owned by some of the Government Departments as well. They should have responsibilities complementary to the Government Departments.	Accepted with a modification that while the primary responsibility of maintenance will lie with the department which has constructed the building, the local bodies (Panchayat Union/Village Panchayat) may carry out maintenance works with technical assistance from the concerned departments.

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68.	II	3.215	Village Panchayats can be permitted to execute small capital works and maintenance works in all physical assets owned by the Government within their area, including schools, health sub-centers, Fair Price Shops, Uzhavar Sandhais, tourist places, Decentralised Procurement Centers, water bodies, canals, veterinary sub-centers etc. If required, they can execute works with technical assistance from the concerned Departments.	Accepted with a modification that while the primary responsibility of maintenance will lie with the department which has constructed the building, the local bodies (Panchayat Union/Village Panchayat) may carry out maintenance works with technical assistance from the concerned departments.
69.	II	3.216	For employment generation and poverty alleviation, Village Panchayats can play an active role on resource allocation, by complementing Government agencies implementing programmes for Self Help Groups, micro industries, agricultural activities etc. Towards this, they can coordinate with TN Women Development Corporation, Skill Development Corporation, Labour Welfare Boards etc.	Accepted.
<b>RURAL LOCAL BODIES SPECIAL GRANTS</b>				
70.	II	7.36	Out of the Rural share of devolution, Special Grants have been recommended for specific purposes. The Special Grants should be further divided into State-level grants and district level grants and at both the levels, the fund is to be further divided for two purposes and allotted as Capital Grant Fund (CGF) and Operation Maintenance Deficit Grant Fund (O&MDGF).	Accepted.
71.	II	7.38	The Commission recommends Rs. 10,684 crore as Special Grants during the award	Accepted.

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			<p>period. Of this, Rs. 9,334 crore as Special Grants at the State Level and Rs. 1,350 crore as Special Grants at the District level for the entire five year award period with detailed distribution specified for each year. This would account for 25.7% of the total projected devolution grants for RLBs during the award period. If the CFC Grants are also taken into account, the Special Grants would account for 19% of the total devolution grants.</p>	
<b>STATE LEVEL GRANTS</b>				
72.	II	7.39	<p>This Commission recommends Rs.1,573 crore as Special Grants per annum at State Level with an annual increase of Rs.146.80 crore during the award period.</p>	Accepted.
73.	II	7.40	<p>The State level grants are to be administered by the State Level Committee. As the composition of the grants indicate, it would involve various stakeholder agencies. Hence, the requirements of funds should be assessed, and allocation among Local Bodies for the specific purpose stipulated under this category should be determined by a committee with representatives from the departments of Rural Development and Panchayat Raj, Finance, and School Education, Representatives of TWAD Board</p>	Accepted.
<b>SPECIAL GRANTS AT STATE LEVEL</b>				
74.	II	7.41	<p>The Commission recommends special grant funds at State level namely the Capital Grant Fund, with an allocation of Rs.861 crore for the first year, with a fixed annual increase of Rs. 86 crore per annum over the previous year allocation; and Operations Maintenance and Deficit Grant Fund, with an annual allocation of Rs.712 crore and an increase of Rs.60.8 crore per annum over the previous year allocation.</p>	Accepted.



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<b>CAPITAL GRANT FUND – STATE</b>				
75.	II	7.43	The Capital Grant Fund will be divided into four components as indicated below:	
			a. Rs.600 crore should be allocated in the first year of award for improvement of rural infrastructure with a priority to weaker Local Bodies. The Fund should get an annual increase of Rs.60 crore over the previous year allocation over the next four years with a total allocation of Rs. 3,600 crore during the entire award period. The Fund should be spent for water supply and solid waste management on priority. Other infrastructure works can also be undertaken, depending on the requirement.	Accepted.
			b. In the first year of the award period, Rs.120 crore should be allocated for conversion of Panchayat Road into Other District Roads, and improvement of important streets. Rs. 12 crore should be increased annually over the previous year allocation for the next four years with a total allocation of Rs.720 crore during the entire award period.	Accepted.
			c. Rs.1 crore should be allocated for developing infrastructure for the rural regional training institutes during each of the years, with a total allocation of Rs.5 crore during the entire award period.	Accepted.

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			<p>d. Rs. 140 crore should be allocated for improving the infrastructure in the schools located in the RLBs in the first year. Rs.14 crore should be given as annual increase over the previous year's allocation over the next four years, with a total allocation of Rs.840 crore in five years. Priority should be given to creation of additional classrooms in the schools. Selection of schools should not be restricted to Panchayat Union schools alone. Even the high school and higher secondary schools falling under the jurisdiction of the Local Bodies serve the population of the Local Bodies. Hence the Fund can be spent even on high schools and higher secondary schools. This should serve as a first step towards increasing further functional delegation to the Local Bodies. The Public Works department can have parallel jurisdiction, and the requirement of obtaining no objection certificates should be done away with.</p>	Accepted.
<b>Operations, Maintenance and Deficit Grant Fund (OMDGF)</b>				
76.	II	7.44	<p>The OMDGF should have a total allocation of Rs.4,169 crore during the five-year award period of this Commission. The first year allocation would be Rs.712 crore. The fund would further be divided into eight components as indicated below:</p>	
			<p>a. Rs. 100 crore should be allocated to TWAD Board in the first year with an annual increase of Rs. 10 crore over the previous year's allocation for the next four years making the total allocation of Rs. 600 crore during the entire award period. This fund should be spent for meeting the water charge requirements of those weaker local bodies which are not able to pay the annual charges from their existing resources. The grant can be made directly to the Board.</p>	Accepted.

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			b. Rs.60 lakh should be allocated annually to Rural Regional Training Institutes for capacity building of officials working for RLBs, and of the public representatives.	Accepted.
			c. Rs. 280 crore in the first year with an annual increase of Rs.28 crore over the previous year's allocation should be allocated to RLBs with deficit for two consecutive financial years subject to a maximum grant of Rs.10 lakh per local body per year. This Fund should be untied and should not be intercepted for any other purposes at the state level or the district level.	Accepted.
			d. Rs. 200 crore should be allocated in the first year with an annual increment of Rs. 20 crore over the previous year allocation for meeting the electricity bill requirements of those local bodies which are not able to pay their electricity charges with their existing resources. This amount can be directly given to TANGEDCO after due verification of the pending bills and certification by the Local Bodies.	Accepted.
			e. Rs. 28 crore should be allocated to the Department of Public Libraries in the first year as advance payment of Library Cess collection, with an annual increase of Rs. 2.8 crore over the previous year allocation for the next four years. Having collected the advance Library Cess from the Local Body devolution, and subsequently the Local Bodies can retain the actual Library Cess collected at their level.	Accepted.
			f. Efforts need to be taken to ensure that the sanitary workers in RLBs are registered with the Sanitary Workers Welfare Board. Rs.5 crore per year should be given as a grant to the Board to undertake welfare/social security initiatives for the Sanitary Workers in rural areas. Director, Rural Development should be co-opted as a member/special invitee to the Sanitary Workers Welfare Board.	Accepted.

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			g. As discussed in Chapter III, 687 Village Panchayats are in close proximity to ULBs, and termed as Peri Urban Panchayats. To meet their additional needs the Commission recommends Rs.10 lakh per Peri Urban Panchayat in additional to their regular lump sum amount. In case the Rural Development Department changes the number of Peri Urban Panchayats as per revised criteria the same should be adopted for this purpose also.	Accepted.
			h. Similarly, 299 Village Panchayats, which are located in hilly areas should also get an additional lump sum amount of Rs. 10 lakh per hilly Village Panchayat.	Accepted.
<b>DISTRICT LEVEL GRANTS</b>				
<b>77.</b>	<b>II</b>	<b>7.46</b>	The Commission recommends two Special Grant funds at district namely the Capital Grant Fund and Operations and Maintenance Deficit Grant Fund.	Accepted.
<b>78.</b>	<b>II</b>	<b>7.47</b>	The allocation to individual local bodies out of the district level grants should be determined by the District Planning Committee. Till the DPC is formed, the allocation can be made by the District Collector as Inspector of Panchayats.	Accepted.
<b>CAPITAL GRANT FUND – DISTRICT</b>				
<b>79.</b>	<b>II</b>	<b>7.48</b>	The Capital Grant Fund should have a total allocation of Rs. 1,000 crore during the five year award period of this Commission. The allocation would be Rs.200 crore per year.	Accepted.
<b>80.</b>	<b>II</b>	<b>7.49</b>	The Capital Grants should be divided among Districts based on the following formula – Population (65%), Area (15%) and SC/ST population (20%).	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
81.	II	7.50	The capital grants should be spent on essential services at the village level such as water supply, connectivity, community infrastructure, and infrastructure not covered under any other scheme.	Accepted.
<b>O&amp;MGF</b>				
82.	II	7.53	Rs. 60 crore shall be allotted proportionately each year among districts based on the number of schools within the RLBs in each district. This Fund should be used for minor works and maintenance of school infrastructure.	Accepted.
83.	II	7.54	The selection of schools should not be restricted to Panchayat union schools alone. Even the high schools and higher secondary schools falling under the jurisdiction of the local bodies serve the population of the local bodies. Hence, the fund can be spent on high schools and higher secondary schools as well. This should serve as a first step towards increasing further functional delegation to the Local Bodies. The Public Works Department can have parallel jurisdiction. The requirement of obtaining no objection certificate should be done away with.	Accepted.
<b>FORESTS RIGHTS ACT</b>				
84.	II	7.60	Implementation of Forest Rights Act should be given top priority in the districts with tribal population. Rs.20 lakh should be given for each hamlet in which majority of individual Forest rights have been given and majority of community rights have been settled. This Fund should be spent by the District Collector for meeting basic infrastructure requirements of the hamlets based on the recommendations of the Joint Forest Management Committee.	Accepted with a modification that minimum of 50 cases should have been settled.

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<b>FORMULA BASED DIRECT DEVOLUTION GRANTS</b>				
85.	II	7.61	The amount to be devolved as direct devolution to the local bodies should be arrived at by deducting the special grants from the overall share to the RLBs as per the Devolution Formula.	Accepted.
<b>VERTICAL SHARING BETWEEN TIERS OF RLBs</b>				
86.	II	7.66	The vertical sharing ratio among RLBs should be 7:37:56, i.e., 7% to District Panchayats, 37% to Panchayat Unions and 56% to Village Panchayats.	Accepted with a modification that the vertical sharing ratio among RLBs be 6:39:55, i.e., 6% to District Panchayats, 39% to Panchayat Unions and 55% to Village Panchayats.
87.	II	7.67	Un-tied devolution to local bodies should not be intercepted under any circumstances. General Fund to Local Bodies should directly go to the Local Bodies. There should not be any tied component associated with them.	Accepted.
88.	II	7.68	The releases should be according to the multiplier factors for all local bodies arrived at by this Commission for each Local Body based on the weightage formula recommended.	Accepted.
89.	II	7.73	The Government must make these multiplier factors available online through its website, along with a simple online calculator.	Accepted.

<b>Sl. No.</b>	<b>Chapter No.</b>	<b>Para No.</b>	<b>Gist of Recommendations</b>	<b>Decision taken by the State Government</b>
<b>DISTRICT PANCHAYAT</b>				
<b>90.</b>	<b>II</b>	<b>7.74</b>	Of the total direct devolution grants, 7% should be given to District Panchayats.	Accepted with a modification that of the total direct devolution grants, 6% be devolved to District Panchayats.
<b>91.</b>	<b>II</b>	<b>7.75</b>	There shall be no minimum lump-sum grant given to District Panchayats. All the grants should be devolved based on the following weightage formula for distribution between District Panchayats – Population (65%), Area (15%) and SC/ST population (20%).	Accepted.
<b>PANCHAYAT UNION</b>				
<b>92.</b>	<b>II</b>	<b>7.76</b>	Of the total direct devolution grants, 37% should be devolved to the Panchayat Unions.	Accepted with a modification that of the total direct devolution grants, 39% be devolved to Panchayat Unions.
<b>93.</b>	<b>II</b>	<b>7.77</b>	For each Panchayat Union, Rs.40 lakh should be given as a minimum lump sum grant.	Accepted.
<b>94.</b>	<b>II</b>	<b>7.78</b>	The remaining amount, after deducting the minimum lump sum grants from the total devolution to Panchayat Unions, should be devolved to the Panchayat Unions with the following weightage formula – Population (65%), Area (15%) and SC/ST population (20%).	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
<b>VILLAGE PANCHAYAT</b>				
95.	II	7.79	Of the total direct devolution amount, 56% should be devolved to the Village Panchayats.	Accepted with a modification that of the total direct devolution amount, 55% be devolved to the Village Panchayats.
96.	II	7.81	Of the devolution to the Village Panchayats, for each Village Panchayat, a basic minimum lump sum grant of Rs.7 lakh should be given.	Accepted.
97.	II	7.82	The basic lump sum grant should be divided between two shares for settling the charges due to the water supply and electricity in the ratio of 30:70. From each account, the charges should be settled in the first instance. In case there is excess amount available in the account after settling the water charges or the electricity charges as the case may be such amount should be transferred to the other account for electricity and water charges, respectively.	Accepted.
98.	II	7.83	In case there are no dues pending for water charges or electricity charges in the Panchayat, then and then alone should the amount be transferred to the General Fund account.	Accepted.
99.	II	7.84	The Fund remaining from the devolution to Village Panchayats after deducting the minimum lump sum grants shall be devolved to the Village Panchayats according to the following weightage formula – Population (65%), Area (15%) and SC/ST population (20%).	Accepted.



<b>Sl. No.</b>	<b>Chapter No.</b>	<b>Para No.</b>	<b>Gist of Recommendations</b>	<b>Decision taken by the State Government</b>
<b>STAFF POSITIONS IN VILLAGE PANCHAYATS</b>				
<b>100.</b>	<b>II</b>	<b>3.20</b>	A qualifying entrance test should be made mandatory for the post of Panchayat Secretary. Any candidate applying for the post should possess the qualifying certificate. However, a Certificate of passing such a test would not confer the right to appointment automatically.	Deferred and will be examined separately.
<b>CHAPTER – III</b>				
<b>URBAN LOCAL BODIES</b>				
<b>PROPERTY TAX – ULBs</b>				
<b>101.</b>	<b>III</b>	<b>4.73</b>	The coordination between Town Planning and Revenue wings should be structurally strengthened through an automated workflow process, with data sharing regarding planning permissions, construction and completion, to ensure that properties are brought into the tax net promptly.	Accepted.
<b>102.</b>	<b>III</b>	<b>4.74</b>	The proposed end-to-end software for according planning permission should be completed expeditiously.	Accepted.
<b>103.</b>	<b>III</b>	<b>4.75</b>	In Chennai, planning permissions for various types of buildings rest with different authorities like GCC and CMDA. An online link between the databases of CMDA and GCC would ensure a fool proof system of updation of Property Tax registers. This could be done alongside the automation and online process proposed to be introduced for Building Plan clearances in CMDA.	Accepted.
<b>104.</b>	<b>III</b>	<b>4.76</b>	GIS mapping of all ULBs to bring left out properties into the assessment process should be completed in all Municipalities and Corporations. This should be implemented in Corporations within a period of two years. GCC should complete the process before March 2023.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
105.	III	4.77	A special drive for GIS mapping should be launched for Town Panchayats to cover all Town Panchayats in a phased manner during the five year award period of the Sixth SFC.	Accepted.
106.	III	4.78	The computerisation of the Property tax system must be speedily completed and online self-assessment of Property Tax should be implemented with necessary amendments to the Tamil Nadu District Municipalities Act, 1920, and other City Municipal Corporation Acts.	Accepted.
107.	III	4.79	Penalty should be imposed for belated payments. Tax defaulters list should be published by the ULBs soon after the close of the financial year. A mechanism for incentive for advance payment can be made automatic in the online payment platform.	Accepted with a modification that the list of defaulters whose tax is overdue for more than 1 year be made available in a website and may be updated as and when it is paid.
108.	III	4.80	To prevent accumulation of arrears on State Government buildings, a mechanism should be put in place to ensure that Department wise and Local Body wise demand for Property Tax are consolidated, and adequate budgetary provisions sought from the Finance Department under the relevant heads of account. A special committee should be formed with representatives of related Departments to arrive at the consolidated Property Tax requirements of Government Departments and Agencies each year.	Accepted.
109.	III	4.81	The Government should take up the issue of necessary amendments to Article 285 of the Constitution to make the Union Government buildings liable for Property Tax. In the interim, the Ministry of Urban Development Government of India must be impressed upon to make statutory provisions enabling levy of service charges to replace the current executive instructions which have proven ineffective.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
110.	III	4.82	The ULBs should adopt an Area Based Valuation method for assessing Property Tax instead of the current system of Annual Rental Value based assessment. Guideline value uploaded by the Registration Department and sales statistics may be linked with the Tax Assessment software of the ULBs for the purpose of comparison. Streetwise uniformity of rate should be maintained, allowing for slabs based on type of property.	Accepted.
111.	III	4.83	An integrated online "Self-Assessment of Property Tax Platform" should be established with an automatic calculation of the tax to be paid based on data, some of which, like the guideline value or the zonal valuation of the property is already available online; and the rest could be provided by the assesseees. The system of self-assessment could then be effectively utilised, with provisions for scrutiny and audit to ensure that the self-assessment has been done correctly.	Accepted.
112.	III	4.84	Only the actual area/floor area on which Cell Phone Towers base is built should be assessed as a commercial building for Property Tax purpose.	Accepted.
113.	III	4.85	Despite the provisions contained in the ULB Acts, the quinquennial general revision of Property Tax has not been done for long. There should be no further postponement of the general revision. In the event of postponements of general revision due to Government intervention, the Government should compensate the ULBs and CMWSSB for the loss of revenue.	The recommendation is accepted with a modification that Government shall not compensate the ULBs and CMWSSB for the loss of revenue.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
114.	III	4.86	Section 81(A) of the District Municipalities Act, 1920, which empowers the State Government to publish a notification directing any Municipal Council regarding levy of Property Tax or any other taxes, should be seen only as a safeguard for revenue; whereby the local body is stopped from either doing away with a tax or reducing the rate of levy. The Government should not intervene when there is an upward revision of taxes carried out by the respective ULBs.	Accepted.
115.	III	4.87	The quinquennial general revision of Property Tax should reflect at least the Cumulative CPI change since the previous revision. In case Local Bodies fail to proactively notify any revision of Property Taxes, the Property Tax rates should automatically stand revised to a minimum of the cumulative CPI change. The Government should amend the relevant portion of the District Municipalities Act, 1920, to give effect to this recommendation.	Accepted.
116.	III	4.88	A register should be maintained by the concerned Department, which contains the consolidated details of Government Agencies' properties Local Body wise. This should form the basis for allocation of adequate funds for Property Tax from the respective Government Agencies.	Accepted.
117.	III	4.89	The Property Tax Board should be activated and disputes relating to valuation of properties should be referred to the Board for speedy resolution.	Accepted.
118.	III	4.90	As a general policy, the State Government should not provide exemptions to any entity from the tax and non-tax levies of Local Bodies. In cases where the grant of such an exemption becomes necessary, the ULBs should be compensated for the loss.	Accepted. Decided to consider on case to case basis.

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<b>VACANT LAND TAX – ULBs</b>				
119.	III	4.96	A systematic GIS based survey of the land, followed up with a field verification of ownership, based on the relevant revenue records, should be carried out. Based on this inventory of vacant land, Vacant Land Tax should be levied.	Accepted.
120.	III	4.97	Instead of levying and collecting Vacant Land Tax only at the time of seeking/ giving planning permissions, the Vacant Land Tax should be collected regularly and annually.	Accepted.
121.	III	4.98	Delayed payment of the Vacant Land Tax should be collected with penal interest at a rate not less than 12% per annum, Vacant land registration details should be shared with CMA/CTP/GCC and RD/MAWS Departments as is done for Stamp Duty.	Not Accepted. Decided to continue with the existing practice.
122.	III	4.99	The basis and the rate of levy of Vacant Land Tax should be revised according to the guideline value of the land. Vacant Land Taxes should be revised immediately and should not be less than three times the present rates.	Decided to continue with the existing practice.
123.	III	4.100	Payment of arrears of Property Tax dues or Vacant Land Tax dues should be made mandatory before registration of land/ property.	Accepted.
<b>BETTERMENT LEVIES</b>				
124.	III	4.108	Betterment Levy should be incorporated into the tax regime for all urban infrastructure works undertaken by the ULBs, to ensure more effective land value capture on a sustainable basis, along the Tamil Nadu Highways Act, 2001. Betterment levies should also form part of the cost-benefit analysis for undertaking urban infrastructure projects.	The property tax is being levied based on the development and infrastructure facilities in a particular location by classifying roads, streets, lanes into different zones and hence the recommendation is not accepted.

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<b>PROFESSION TAX</b>				
125.	III	4.115	The State Government should take up with the Government of India, the early passage of the necessary Constitutional amendment to enhance and remove the ceiling on the Profession Tax that can be levied, and to simplify the process of raising the Profession Tax in the future, as recommended by the 14 <sup>th</sup> and the 15 <sup>th</sup> CFCs.	Accepted.
126.	III	4.116	State and Central Government agencies like the Commercial Tax Department, Labour and Employment Department, Employee Provident Fund Organisation, and professional self-regulating organisations should coordinate and cooperate with local bodies to enable more effective collection of Profession Tax by providing list of staff/employees under their payroll to the respective Local Bodies either through online or offline mode.	Accepted.
<b>ADVERTISEMENT TAX</b>				
127.	III	4.123	The authority to grant advertisement permission should be delegated to the Local Bodies, with the concurrence of competent authority from the District administration. Concurrence of District administration should be time bound, and if not received within a specific time, it should be deemed to have concurred.	Accepted.
128.	III	4.124	Local Bodies should be empowered to take legal action and levy penalties on persons who have put up unauthorised hoardings and advertisements, in addition to removing hoardings which have not received requisite permission.	Accepted.

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129.	III	4.125	As per the existing rules, the licence for advertisement is granted for 3 years, and the collection of tax is by every half year. Licensing for shorter periods could also be considered.	After introduction of GST, the Advertisement Tax has been subsumed under GST Act. An Amendment shall be made to bring in the concept of License Fee for permissions for advertisements. With this modification, the recommendation is accepted.
130.	III	4.126	The revision of tax should be done annually, with an upward revision of at least 5% per year.	Accepted.
<b>NON-TAX REVENUE</b>				
131.	III	4.137	The present executive instructions regarding regulation of lease and rent should be replaced with Statutory Rules to provide greater sanctity and certainty, allowing for more investment in creation of remunerative assets which would augment	Accepted.
132.	III	4.138	All shops of ULBs should be rented / leased out following tender and public auction, as per the Transparency in Tender Act, 2000.	Accepted.
133.	III	4.139	The development of remunerative projects like new market complexes, truck terminals, theme parks, etc. could be taken up jointly with Village Panchayats in areas adjoining the ULBs on a profit sharing basis.	Accepted.

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134.	III	4.140	Arrears of rent payable to ULBs for the Uzhavar Sandhais should be settled by the cooperative Marketing Societies/ Regulated Market Committees without further delay.	Since Uzhavar Sandhai is an important facility extended to the farmers for their benefits and livelihoods, the recommendation is not accepted.
<b>WATER CHARGES</b>				
135.	III	4.145	All house connections should be metered in a phased manner. Initially, high cost Residential and Commercial establishments should be targeted.	Accepted.
136.	III	4.146	Water consumption charges should be at least doubled, and the minimum charge should be Rs. 100 per month, per dwelling unit.	Not Accepted. Decided to continue with the existing practice.
<b>SEWAGE COLLECTION CHARGES</b>				
137.	III	4.149	The per dwelling charges should be doubled, and the minimum should be Rs.100 per month.	Not Accepted. Decided to continue with the existing practice.
<b>FEES/TRADE LICENSE</b>				
138.	III	4.154	The Rule provisions in Schedule-V of the Tamil Nadu District Municipalities Act, 1920 and the relevant schedule in respect of other Municipal Corporation Acts should be amended to enable the Council to notify the list of trades, and to revise the rates once in three years. The necessary amendments may be notified at the earliest. New trades should be updated every year.	Accepted.



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<b>139.</b>	<b>III</b>	<b>4.155</b>	The nomenclature D&O trade license fee should be revised as "Trade License Fee" as in the case of Greater Chennai Corporation.	Accepted.
<b>140.</b>	<b>III</b>	<b>4.156</b>	Commercial Tax Department should seek additional details like payment of License Fee, Property Tax and Profession Tax from traders while registering for GST, which will favour the LBs in augmenting revenue. Local Bodies shall get the list from the Commercial Tax Department periodically and reconcile tax collection and add unassessed traders into the tax net.	Accepted.
<b>BUILDING LICENSE FEES</b>				
<b>141.</b>	<b>III</b>	<b>4.161</b>	Combined Development and Building Rules, 2019 should be amended, and all Government Buildings belonging to the State as well as Central Governments should be obligated to obtain necessary building licenses and planning permissions from the competent authority, namely ULB or Local Planning Authority or CMDA by remitting such fees as prescribed in the ULB's Bye-laws or as levied by the Planning Authority.	Accepted.
<b>BUS STAND FEES</b>				
<b>142.</b>	<b>III</b>	<b>4.164</b>	The Bus Stand Fee should be revised immediately by at least 100%. Annual automatic increase should be built in to reflect increase in the CPI.	Not Accepted. Decided to continue with the existing practice.
<b>TRACK RENT FEES</b>				
<b>143.</b>	<b>III</b>	<b>4.168</b>	The Government should take necessary action to resolve the issues regarding collection of track rent on OFC feeders and Cable Television cables at the earliest to enable Local Bodies to collect track rent. While finalising policy on Track Rent Collection, the Government should ensure that the revenues of Local Bodies are not compromised.	Accepted.

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<b>SURCHARGE ON STAMP DUTY</b>				
144.	III	4.180	Levy of Surcharge on Stamp Duty should be extended to (i) Agreement (ii) Power of Attorney (iii) Release of benami right (iv) Release of right in favour of partners and (v) Settlement. In addition, "Construction agreements" and "Settlement among family members" should also be subject to Stamp Duty.	Accepted.
145.	III	4.181	The details of collection of surcharge on Stamp Duty should be informed to the Local Bodies concerned and the District Collectors by the Registration Department.	Accepted.
146	III	4.184	Pooling of Assigned Revenue and its tie-up with State-level schemes should be stopped, and the entire revenue should be assigned to the Local Bodies concerned without any interception.	As it is necessary to provide infrastructure to local bodies through implementation of schemes at state level, the recommendation is not accepted.
<b>ISSUE OF BONDS</b>				
147.	III	4.198	Government should issue detailed guidelines for all ULBs regarding the issue of bonds and other debt instruments. The Government should take comprehensive efforts for credit rating of the ULBs through specialised agencies to enable them raising infrastructure bonds.	Accepted.
148.	III	4.199	The ULBs must be encouraged to issue bonds and other debt instruments for augmenting resources for capital projects. Given the funding requirements of the Urban Local Bodies, and given the fact that the other two tiers of the Government are permitted deficit financing of their budgets, the conditions that ULBs must be surplus for consecutive three years for issuing bonds seems onerous. Efforts need to be taken by the Government to modify the conditions for issue of bonds in consultation with appropriate regulatory authorities.	Accepted.

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<b>INNOVATIVE FINANCING MECHANISMS</b>				
149.	III	4.200	Statutory Fiscal Reforms and Budgetary Management compliance has helped the State Governments discipline their accounts and deficits. It is high time that the need for such discipline at least for Corporations is recognised. The State Government shall take efforts to introduce statutory provisions in the existing acts or enact new legislations to ensure fiscal discipline among Municipal Corporations.	Accepted.
150.	III	4.201	Public Private Partnerships have been least explored in the urban sector. The Tamil Nadu Infrastructure Development Board should take up a special drive to map revenue generating existing assets and identify new shelf of potential assets. A concerted effort should be taken to leverage various State Government schemes, Local Body Funds and Special Grants recommended by this Commission to create infrastructure projects under various PPP models in a mission mode during the five year award period of this Commission.	Accepted.
151.	III	4.202	In case of high cost infrastructure, the Government should bear the cost of infrastructure only if it is found to be uneconomical for implementation under a PPP model. Even then, possibilities for doing O&M in the PPP model should be explored.	Accepted.
152.	III	4.203	Platform companies and Special Purpose Vehicles should be formed for all revenue generating assets. Operational Expenditure (OpEx) models of asset maintenance, especially for metered services, with resource mobilisation from the private sector should be developed across sectors in urban areas.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
153.	III	4.204	For the creation and maintenance of public sanitation systems / facilities, the local bodies should explore the possibility of undertaking small scale Public Private Partnership (PPP) projects through Special Purpose Vehicles (SPVs).	Accepted.
<b>HUMAN RESOURCE MANAGEMENT</b>				
154.	III	4.208	<p>Guidelines for integration of HR cadre for newly added areas should be created. Among other aspects, these should cover:</p> <ul style="list-style-type: none"> <li>i. Sufficiency of HR across levels and functions in view of consolidated availability and service delivery needs, and taking into account redundancies and needs arising from changes in service standards, technology, processes etc.</li> <li>ii. Identification of role based training needs and guidelines for creating a pipeline of high capacity staff.</li> <li>iii. Resourcing and approvals for bridging quantity and quality gaps in staff.</li> <li>iv. Norms for integration of cadre across added areas with specification of timelines for the integration process.</li> </ul>	Accepted.
155.	III	4.209	Job charts should be revised for improved clarity on roles and responsibilities, and guidelines and templates should be provided for definition of Key Performance Indicators (KPIs) and performance measurement / validation protocols across designations.	Accepted.
156.	III	4.210	A state-wide Capacity Building and Training Policy and a Capacity Building and Training Programme (CBTP) should be formulated with appropriate funding provisions for both urban and rural local bodies.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
157.	III	4.211	Role based "training needs assessments" should be developed and administered. ICT should be leveraged for "refresher trainings" through audio/video modules, and for tracking the perceived effect of training on capability and performance – both by the trainees and their managers (TNIUS and SIRD may collaborate for such initiatives).	Accepted.
158.	III	4.212	Post-training assessments should be conducted for all the trainings (both in-person and online), based on which credits may be given and officials who have passed the exam may be incentivized.	Accepted.
159.	III	4.213	Capacity Building should also be imparted to the elected representatives of local bodies to ensure that they have both knowledge and behavioural competencies required to effectively discharge their roles.	Accepted.
160.	III	4.214	I. Posts in Local Bodies including outsourced posts should be filled up from the list of candidates who have passed appropriate eligibility tests conducted by the authorised agency.	Not accepted. To be examined separately.
			II. More generally, technical support should be provided to local bodies to evaluate HR sourcing alternatives (on-roll recruitment, contracting, and outsourcing etc.) for key positions and choose the most cost effective models.	Accepted.
161.	III	4.215	Administrative Reform Commission / Committee should be constituted to study and report the measures to be followed for good governance at the grass root levels in local bodies (rural and urban). Such a Commission may also assess and recommend modifications to the organizational structure and service rules to balance autonomy with accountability at the last mile.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
162.	III	4.216	A centralised cell should be constituted for analysis of HR data from multiple sources. (e.g., HRMS, projection of HR liabilities, retirement and pipeline assessment, training effectiveness evaluations, collation of good practices etc.).	Accepted.
<b>CANTONMENT BOARDS</b>				
163.	III	4.234	Rs. 1.5 crore should be allocated to St.Thomas Mount cum Pallavaram Cantonment Board and Rs. 50 lakh should be allocated to Wellington Cantonment Board each year from the Capital Grant Fund during the award period.	Accepted.
164.	III	4.235	The funds allocated should be spent based on recommendations of a Committee formed for this purpose with three members, namely, the Member of Legislative Assembly from the constituency in which the area of the Cantonment Board overlaps, the Chief Executive Officer of the Board and one elected representative on the Board, to be recommended by the Board.	Accepted.
<b>GENERAL RECOMMENDATIONS</b>				
165.	III	4.236	A scheme for mobilising CSR component can be formulated where by an individual/ agency / companies who are interested in contributing for the welfare of a particular local body can contribute directly for infrastructure development of Urban Local Body.	Accepted.
166.	III	4.237	The CSR funds or funds from corporate are to be used by local bodies to create infrastructure / assets or any other improvement to the local bodies as per the guidelines. Towards this, the Government can give a matching share of 33% based on the scheme guidelines, which should be framed by the Government.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
167.	III	4.238	Within the local bodies, Land Bank of all Government lands should be created so that land availability can be assessed for providing suitable infrastructure to the local bodies, and development of land - either for Value Capture, or for creation of public assets can be planned. It is essential to explore reclaiming the excess land given to various Government Departments, agencies, and local body's own infrastructure for future development.	Accepted.
168.	III	4.239	Currently, no asset register for immovable properties is being maintained by local bodies. A comprehensive exercise for creation of Asset Register should be undertaken and the completed register should be made available online.	Accepted.
169.	III	4.240	Un-tied devolution to local bodies should not be interrupted under any circumstances. General Fund to local bodies should directly go to the local bodies. There should not be any tied component associated with them.	Accepted.
170.	III	4.241	Infrastructure requirements of poorer localities of ULBs should be identified and given high priority while planning capital investments.	Accepted.
171.	III	4.242	Government should undertake service level benchmarking for all ULBs on an annual basis with the help of third party professional agencies. Better performing ULBs and wards within ULBs can be rewarded with additional resource allocation.	Accepted.
172.	III	4.243	A comprehensive Deprivation Index of civic amenities should be developed for assessing the financial requirements of all the Local Bodies. Fund allocation for development activities should be done taking into consideration this Deprivation Index.	Accepted.

<b>Sl. No.</b>	<b>Chapter No.</b>	<b>Para No.</b>	<b>Gist of Recommendations</b>	<b>Decision taken by the State Government</b>
<b>173.</b>	<b>III</b>	<b>4.244</b>	Comprehensive manuals for maintenance of assets should be created. Local Bodies should prioritise utilising their own revenue receipts for maintenance of assets and ensuring uninterrupted service delivery.	Accepted.
<b>174.</b>	<b>III</b>	<b>4.245</b>	Specialised agencies such as TNUIFSL and TUFIDCO should extend support to ULBs and RLBs for availing of funds from under explored funding sources like the Tamil Nadu Innovation Initiative (TANII).	Accepted.
<b>175.</b>	<b>III</b>	<b>4.246</b>	Standardised templates should be created for Local Bodies to calculate cost to serve (capital and O&M) for tariff justifications. A State level portal can be developed with cost to serve and tariff benchmarks of Local Bodies and parastatal agencies using data from past projects.	Accepted.
<b>176.</b>	<b>III</b>	<b>4.247</b>	A State level cell should be created to support Local Bodies in mapping properties, suggesting value capture options, reviewing contracts and support on auction processes. This cell would also maintain a repository of successful monetisation projects and relevant connections for other Local Bodies to reference, through the Commissioner of Land Administration.	Accepted.
<b>177.</b>	<b>III</b>	<b>4.248</b>	Analytical support should be provided by the State Level Cell to Local Bodies to help them forecast their committed liabilities over time, and in comparison with expected revenues for better longer term planning.	Accepted.
<b>GREATER CHENNAI CORPORATION</b>				
<b>178.</b>	<b>III</b>	<b>7.87</b>	A new category of Urban Local Body named 'Metropolitan City' should be introduced for the purpose of devolution grants to accommodate the special nature of Greater Chennai Corporation.	Accepted with a modification that instead of "Metropolitan City" it may be called as "Greater Chennai Corporation".



<b>Sl. No.</b>	<b>Chapter No.</b>	<b>Para No.</b>	<b>Gist of Recommendations</b>	<b>Decision taken by the State Government</b>
<b>179.</b>	<b>III</b>	<b>7.88</b>	Distinguish other ULBs from the Greater Chennai Corporation for the purpose of SFC devolution and to adopt a different devolution pattern.	Accepted.
<b>180.</b>	<b>III</b>	<b>7.89</b>	The total devolution grants for ULBs should be divided into two broad categories i.e., the Capital city in the State i.e., Greater Chennai Corporation and the other ULBs.	Accepted.
<b>181.</b>	<b>III</b>	<b>7.95</b>	The distribution between Greater Chennai Corporation and other ULBs should be shared in the Ratio of 16:84.	Accepted.
<b>182.</b>	<b>III</b>	<b>7.96</b>	Of the total devolution amount of urban local bodies, 16% should be devolved for Greater Chennai Corporation.	Accepted.
<b>183.</b>	<b>III</b>	<b>7.97</b>	Of the total devolution for the Greater Chennai Corporation, 82% should be devolved directly to the GCC and 18% should be devolved to the CMWSSB. This amount to the CMWSSB should be spent for meeting the deficit in expenditure of the Board.	Accepted.
<b>184.</b>	<b>III</b>	<b>7.98</b>	From the share remaining with Greater Chennai Corporation, Rs. 60 crore should be allocated to the Department of Public Libraries in the first year as advance payment of Library Cess collection, with an annual increase of Rs. 6 crore over the previous year allocation for the next four years. Having collected the advance Library Cess from the Local Body devolution, subsequently the local body can retain the actual Library Cess collected at their level. Thus, the total grant for this purpose during the award period would be Rs. 360 crore.	Accepted.
<b>185.</b>	<b>III</b>	<b>7.99</b>	Further, the funds need not be routed through the Directorate of Municipal Administration. The GCC and CMWSSB should be enabled to draw their share of devolution amount directly from the Treasury like other Heads of Departments.	Accepted.

<b>Sl. No.</b>	<b>Chapter No.</b>	<b>Para No.</b>	<b>Gist of Recommendations</b>	<b>Decision taken by the State Government</b>
<b>OTHER ULBs</b>				
<b>186.</b>	<b>III</b>	<b>7.101</b>	Of the total devolution to the ULBs, 84% should be devolved to the other ULBs i.e., the ULBs other than Greater Chennai Corporation.	Accepted.
<b>187.</b>	<b>III</b>	<b>7.102</b>	The total devolution amount to the other Urban Local Bodies should be divided into two broad categories, Special Grants and Direct Devolution.	Accepted.
<b>DEFICIT GRANT TO TWAD BOARD</b>				
<b>188.</b>	<b>III</b>	<b>7.103</b>	In order to meet the deficit of TWAD Board due to under recovery of water charges from Local Bodies, and the inability to meet the O&M charges of maintaining water supply schemes, Rs. 120 crore should be awarded in the first year. During the award period, Rs. 12 crore should be increased per annum over the previous year's allocation in the Special Grant to TWAD Board. Thus, the total grant for this purpose during the award period would be Rs. 720 crore.	Accepted with a modification that the bulk meters be fixed especially for all overhead tanks by 01.04.2024 to avail the special grant recommended for TWAD Board from 2024-25.
<b>CAPITAL GRANT FUND</b>				
<b>189.</b>	<b>III</b>	<b>7.105</b>	In order to meet the infrastructure requirements of ULBs, Rs. 500 crore should be set aside in the first year as Capital Grant Fund. This Fund should increase by an amount of Rs. 50 crore per annum over the previous year allocation during the award period. Thus, the total grant for this purpose during the award period would be Rs. 3,000 crore. Priority should be given to improve the tree cover in urban areas.	Accepted.
<b>190</b>	<b>III</b>	<b>7.106</b>	As the Commission recommends separate Special Grant for urban road development, the Capital Grant Fund should not be utilised for road works. This amount should be spent in the following proportion among various types of urban Local Bodies – Municipal Corporations (31%), Municipalities (36%) and Town Panchayats (33%).	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
<b>URBAN ROAD DEVELOPMENT FUND</b>				
191.	III	7.108	For improving the road connectivity and quality of riding surfaces, Rs. 200 crore should be given as a special grant for the Urban Road Development Fund. This amount should increase by an amount of Rs. 20 crore per annum over the previous year's allocation during the award period. Thus, the total grant for this purpose during the award period would be Rs. 1,200 crore.	Accepted.
<b>OPERATIONS AND MAINTENANCE GAP FILLING FUND</b>				
192.	III	7.110	In order to meet the gap between expenditure and available resources of Urban Local Bodies, Rs.200 crore should be allocated as a Special Grant in the first year. Rs.20 crore should be increased in the Operations and Maintenance Grant Fund every year over the previous year's allocation during the award period. Thus, the total grant for this purpose during the award period would be Rs. 1,200 crore. This amount should be spent in the following proportion among various types of Urban Local Bodies – Municipal Corporations (31%), Municipalities (36%) and Town Panchayats (33%).	Accepted.
<b>DEFICIT FUND FOR SCHOOL INFRASTRUCTURE</b>				
193.	III	7.111	Rs. 160 crore should be allocated for improving the infrastructure in the schools located in the urban Local Bodies in the first year. Of this, Rs. 100 crore should be spent on capital works and Rs. 60 crore should be spent on Operations and Maintenance. Rs. 16 crore should be given as annual increase over the previous year's allocation over the next four years with the total allocation of Rs. 960 crore in five years. Priority should be given to creation of additional classrooms in the schools.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
194.	III	7.112	The Commission recommends that the selection of schools should not be restricted to primary schools alone. Even the high schools and higher secondary schools falling under the jurisdiction of the Local Bodies serve the population of the Local Bodies. Hence the fund can be spent even on high schools and higher secondary schools. This should serve as a first step towards increasing further functional delegation to the Local Bodies. The Public Works department can have parallel jurisdiction. The requirement of obtaining no objection certificate should be done away with.	Accepted.
<b>DEFICIT FUND FOR TOURIST TOWNS</b>				
195.	III	7.114	The Municipal Administration and Water Supply Department should identify 30 Municipalities or Town Panchayats which have heavy footfall due to tourist visits or annual festivals. For these 30 towns, Rs. 50 lakh should be given as Special Grant per annum, over and above their regular devolution. In addition, Rs.5 crore should be allocated(per annum) to ULBs which have special festivals or events that require such additional funding for catering to the service requirement of such festivals or events. Thus, the total grant for this purpose during the award period would be Rs. 100 crore.	Accepted with a modification that the Municipalities and Town Panchayats be selected based on the tourist footfall of annual/special festivals.
<b>SPECIAL GRANT FOR CAPACITY BUILDING</b>				
196.	III	7.116	To strengthen the capacity of ULBs and their staff, various training programmes should be conducted by the Tamil Nadu Institute of Urban Studies. For this purpose Rs. 5 crore should be allocated to TNIUS per year during the award period. Thus, the total grant for this purpose during the award period would be Rs.25 crore.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
<b>SPECIAL GRANT FOR STUDIES AND DOCUMENTATION</b>				
197.	III	7.118	To meet the requirement of conducting various studies, transaction advisory services and project evaluations in ULBs, Rs.5 crore should be allocated per year. These services can be availed from TNUIFSL. Thus, the total grant for this purpose during the award period would be Rs. 25 crore.	Accepted.
<b>SPECIAL GRANT FOR GIS MAPPING</b>				
198.	III	7.120	To ensure GIS mapping of all properties in Urban Local Bodies, Rs. 10 crore should be allocated per year during the award period. Thus, the total grant for this purpose during the award period would be Rs.50 crore.	Accepted.
<b>ADVANCE PAYMENT OF LIBRARY CESS</b>				
199.	III	7.122	Rs. 90 crore should be allocated to the Department of Public Libraries in the first year as advance payment of Library Cess collection with an annual increase of Rs. 9 crore over the previous year's allocation for the next four years. Having collected the advance Library Cess from the Local Body devolution, subsequently the Local Bodies can retain the actual Library Cess collected at their level. Thus, the total grant for this purpose during the award period would be Rs.540 crore.	Accepted.
<b>GRANTS FOR WELFARE OF SANITARY WORKERS – ULBs</b>				
200.	III	7.124	Efforts need to be taken to ensure that the sanitary workers in ULBs are registered with the Sanitary Workers Welfare Board. Rs. 10 crore per year should be given as a grant to the Board to undertake welfare/social security initiatives for the Sanitary Workers in urban areas. Director of Municipal Administration should be co-opted as member/special invitee to the Board. The total grant for this purpose during the award period would be Rs. 50 crore.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
<b>SPECIAL GRANT TO NEWLY ADDED LOCAL BODIES</b>				
201.	III	7.126	<p>A lump sum grant should be given to newly added Local Bodies in the respective categories for catering to their resource needs for effective service delivery owing to such upgradation. A grant of Rs.60 crore should be allocated each year for this purpose during the first three years, and a grant of Rs.80 crore should be allocated each year during the last two years of the award period, thus making the total allocation of Rs.340 crore. Out of this allocation:</p> <ul style="list-style-type: none"> <li>i. Rs.5 crore should be given each year during the award period to each of the newly created Municipal Corporations in the past five years.</li> <li>ii. Rs.1 crore should be given each year during the award period to each of the newly created Municipalities in the past five years.</li> <li>iii. Rs.20 lakh should be given each year to each newly created Town Panchayat during the award period. Since no new Town Panchayats have been added as on date, the Commission assumes that another 100 Town Panchayats may be added at the end of the tenure of present elected local bodies in the rural area. This would leave only two years for special grants during the award period. Hence a total of Rs.20 crore can be set aside for each of these years during the last two years of award period.</li> </ul>	Accepted.
<b>DIRECT DEVOLUTION TO ULBs</b>				
202.	III	7.127	<p>After deducting the amount devolved under Special Grants, the balance amount is for direct devolution to the non-Metro ULBs based on the following proportion suggested by the Commission – Municipal Corporations (31%), Municipalities (36%) and Town Panchayats (33%).</p>	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
203.	III	7.130	It is essential for the Local Bodies to have predictability of fund flow. As already discussed in the introductory chapter, this Commission has recommended major changes in fund flow mechanism. In addition, the Commission recommends that the releases should be according to the multiplier factors for all Local Bodies arrived at by this Commission for each Local Body based on the weightage formula recommended.	Accepted.
204.	III	7.133	The Commission recommends that the Government should make these multiplier factors available online through its website along with a simple online calculator.	Accepted.
205.	III	7.134	Un-tied devolution to Local Bodies should not be intercepted under any circumstances. General Fund to Local Bodies should directly go to the Local Bodies. There should not be any tied component associated with them.	Accepted.
<b>MUNICIPAL CORPORATIONS</b>				
206.	III	7.135	The total direct devolution amount of 31% devolved to the Municipal Corporations should be devolved adopting the following weightage formula-Population (65%), Area (15%) and Slum Population (20%).	Accepted.
<b>MUNICIPALITIES</b>				
207.	III	7.136	The total direct devolution amount of 36% should be devolved to the Municipalities adopting the following weightage formula - Population (60%), Area (20%) and Slum Population (20%).	Accepted.
<b>TOWN PANCHAYATS</b>				
208.	III	7.137	Of the total direct devolution amount,33% should be devolved to the Town Panchayats. Rs.40 lakh should be given as minimum lump sum grant for each Town Panchayat.	Accepted.

<b>Sl. No.</b>	<b>Chapter No.</b>	<b>Para No.</b>	<b>Gist of Recommendations</b>	<b>Decision taken by the State Government</b>
<b>209.</b>	<b>III</b>	<b>7.138</b>	After deducting the Minimum Lump sum Grant, the remaining amount should be devolved to the Town Panchayats adopting the following weightage formula – Population (55%), Area (25%) and Slum Population (20%).	Accepted.
<b>CHAPTER – IV</b>				
<b>GOVERNMENT AGENCIES - TWAD BOARD</b>				
<b>210.</b>	<b>IV</b>	<b>5.17</b>	In order to reduce dependence of TWAD Board on power supplied by TANGEDCO, solar powered water pumps should be installed wherever feasible. A component of the existing water supply schemes may be allocated for this purpose.	Accepted.
<b>211.</b>	<b>IV</b>	<b>5.18</b>	Centage charges can be increased to 13% for all capital works implemented by TWAD Board.	Accepted.
<b>212.</b>	<b>IV</b>	<b>5.19</b>	Water charges should be revised to atleast Rs.9 per kl from Rs. 8.1 per kl for RLBs, and to Rs.13 per kl from Rs.10.4 per kl for ULBs, with a minimum 5% annual increase moving forward.	Accepted.
<b>213.</b>	<b>IV</b>	<b>5.20</b>	When a new scheme is implemented, a rate 25% higher than the normal rate should be charged from the benefiting Local Bodies for the first five years. This would cross subsidise the older schemes to some extent.	Accepted that a rate of 10% be charged higher than the normal rate instead of 25%.
<b>214.</b>	<b>IV</b>	<b>5.21</b>	A separate Head of Account should be opened for allocation of grants to TWAD as per the Commission recommendations, and TWAD Board may be permitted to draw the amount directly from the consolidated fund. The dues of the respective Local Bodies can be adjusted as per the recommendation of the concerned Head of Department.	Accepted.



Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
<b>CMWSSB</b>				
215.	IV	5.36	The CMWSSB should take up metering of water connections in a phased manner. In the first phase, high cost residential areas, and large commercial establishments should be targeted.	Accepted.
216.	IV	5.37	Desalination plants are a very high cost solution to meet water supply requirements. Such plants should be undertaken only as a last resort. The project cost should include fund tie up for ten years of operations and maintenance cost. The CMWSSB should also explore the possibility of bringing in renewable energy components integrated into desalination plant projects.	Accepted.
217.	IV	5.38	Water charges can be applied through a slab system, imposing higher charges on larger properties. The higher consumption slabs of other agencies such as domestic consumer category with more than 500 units of electricity consumption, or properties with more than a particular plinth area as per GCC and adjoining local bodies' property tax database can be taken as a base.	Accepted.
218.	IV	5.39	The sharing ratio of devolution grant between the Greater Chennai Corporation and CMWSSB should be changed to 82:18 from the current ratio of 85:15.	Accepted.
219.	IV	5.40	CMWSSB should be given its component of devolution grants directly through a separate Head of Account.	Accepted.
220.	IV	5.41	Water Consumption charges should be enhanced immediately. The minimum charge per dwelling unit should be ₹ 100 per month.	Decided to continue with the existing practice.

<b>Sl. No.</b>	<b>Chapter No.</b>	<b>Para No.</b>	<b>Gist of Recommendations</b>	<b>Decision taken by the State Government</b>
<b>TOWN AND COUNTRY PLANNING (T&amp;CP)</b>				
<b>221.</b>	<b>IV</b>	<b>5.49</b>	All fee/charges should be revised in line with CPI since the last revision of such fees and charges.	Accepted.
<b>222.</b>	<b>IV</b>	<b>5.50</b>	Town and Country Planning authorities can devise a mechanism to train the village level staff and elected representatives on existing provisions/rules for the building/layout approval, to check for any violations.	Accepted.
<b>223.</b>	<b>IV</b>	<b>5.51</b>	The reconciled and audited establishment expenditure of the Planning wing of the T&CP authorities should be borne by all the Local Bodies in such areas.	Accepted.
<b>224.</b>	<b>IV</b>	<b>5.52</b>	The Local Planning Authorities should ensure that the plans are followed up, and future development is encouraged through planned improvement in infrastructure, especially of road networks.	Accepted.
<b>225.</b>	<b>IV</b>	<b>5.53</b>	The Town and Country Planning Department should take up Town Planning Schemes for major towns.	Accepted.
<b>CHENNAI METROPOLITAN DEVELOPMENT AUTHORITY (CMDA)</b>				
<b>226.</b>	<b>IV</b>	<b>5.61</b>	CMDA should positively consider allocation of more funds for provision of infrastructure and civic amenities in Local Bodies in proportion to the sources raised by CMDA from the properties that fall within these ULBs.	Accepted.
<b>227.</b>	<b>IV</b>	<b>5.62</b>	Development Charges and other fees to be enhanced immediately to reflect the inflation i.e., the CPI change since the last revision.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
<b>TAMIL NADU URBAN HABITAT DEVELOPMENT BOARD (TNUHDB)</b>				
228.	IV	5.69	The initiatives taken by TNUHDB for involving the occupants in the maintenance of the tenements are appreciated. TNUHDB should take these efforts forward and build capacity among the associations of residents to manage their localities and make themselves sustainable.	Accepted.
229.	IV	5.70	After construction of the buildings/infrastructure, Local Bodies should take over the common infrastructure maintenance and ensure basic amenities to the residents.	Accepted.
230.	IV	5.71	PPP models of area development and affordable rental housing need to be taken up in core areas of high density urban areas. The Government should assist such projects through adequate Viability Gap Funding to make them feasible.	Accepted.
231.	IV	5.72	Transferable Development Rights (TDR) are an under utilised source for raising funds. The Government should frame a comprehensive policy framework to encourage this source with adequate incentive mechanisms.	Accepted.
232.	IV	5.73	While spending the allocation from the Capital Grant Funds and Operations and Maintenance Grants devolved to urban local bodies, priority should be given to the improvement of common infrastructure development in tenements handed over by the TNUHDB.	Accepted.
233.	IV	5.74	The poverty reduction and other welfare programmes implemented by various departments, such as the MA&WS, Labour Welfare, Employment and Training, Social Welfare and RD&PR etc. should have special focus on the rehabilitated tenements. A separate committee may be formed for monitoring these focus programmes. This would ensure that resources are dovetailed across departments and habitat development becomes a comprehensive exercise.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
234.	IV	5.75	While developing new tenements, TNUHDB should conduct a comprehensive need assessment exercise in coordination with other relevant departments to ensure access to basic services such as water, road access, bus service, bus stops, schools, etc. The Apex Committees monitoring schemes should approve comprehensive plans based on these recommendations and should ensure coordination between various departments and implementing agencies.	Accepted.
<b>HIGHWAYS DEPARTMENT</b>				
235.	IV	5.77	The Highways Department should take up upgradation of important Panchayat Roads in a phased manner. Critical roads can be identified in consultation with Local Bodies and respective town planning authorities.	Accepted.
236.	IV	5.78	The Highways department should extend technical support to the Local Bodies in designing solutions for reducing road accidents on roads under the Local Bodies jurisdiction.	Accepted.
237.	IV	5.79	Local Body roads connect to highways in numerous locations. Many of such roads join State or National Highways in acute or right angles. A comprehensive joint exercise should be undertaken to identify such important junctions and junction improvement plans should be drawn in consultation with concerned Local Bodies.	Accepted.
238.	IV	5.80	The Local Bodies, through their funds for road improvements, should give high priority for road safety.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
239.	IV	5.81	District level technical committees should be formed with representatives from the Highways department and engineering wings of local bodies to recommend technical solutions and fund requirements. Based on the review in the District Road Safety meetings chaired by the District Collectors, such comprehensive plans can be considered by the Government for implementation through appropriate fund tie-ups.	Accepted.
<b>TAMIL NADU POLLUTION CONTROL BOARD</b>				
240.	IV	5.89	The Local Bodies should reconcile the pending dues of Environmental Compensation, and ensure payment in a phased manner.	Accepted.
241.	IV	5.90	Local Bodies provide many services using traditional methods that have serious implications for the environment. However, due to resource constraints they are not able to explore better technology. The TNPCB should explore such solutions and implement pilot projects to demonstrate effectiveness.	Accepted.
242.	IV	5.91	Environment conscious measures need to be internalised among Local Bodies regular development works. Considering their functional delegation and fund constraints, the TNPCB should form broad energy efficiency guidelines and environment friendly frameworks with suggestions on cost effective technologies that would help Local Bodies to graduate towards better plans with in their fund and capacity constraints. The TNPCB can broaden its scope of work from its regulatory role, as creation of an enabling environment would have a long lasting impact on climate change.	Accepted.

<b>Sl. No.</b>	<b>Chapter No.</b>	<b>Para No.</b>	<b>Gist of Recommendations</b>	<b>Decision taken by the State Government</b>
<b>DEPARTMENT OF PUBLIC LIBRARIES</b>				
<b>243.</b>	<b>IV</b>	<b>5.96</b>	The Local Bodies should clear all the pending dues in a phased manner during the award period. Annual arrear clearance statements can be prepared by the concerned Head of Department and compliance may be ensured through due follow up.	Accepted.
<b>HR&amp;CE BOARD</b>				
<b>244.</b>	<b>IV</b>	<b>5.100</b>	The HR & CE Department / Temples should meet at least 50% of the cost incurred for provision of civic services, even for non-notified festivals. In case a particular temple does not have a surplus, the Commissioner, HR & CE should arrange to make payments to the Local Body from the overall surpluses available with them.	As provision of civic amenities is the primary duty of the Local Bodies, the recommendation is not accepted.
<b>TEDA</b>				
<b>245.</b>	<b>IV</b>	<b>5.104</b>	A portion of the Capital Grant Fund should be utilised for meeting the cost of the capital investment required towards establishing local renewable energy generation facilities, including solar, wind energy and biomethanation plants.	Accepted.
<b>CHAPTER-V</b>				
<b>EFFECTIVE IMPLEMENTATION OF AUDIT AND ACCOUNTS</b>				
<b>246.</b>	<b>V</b>	<b>6.28</b>	The local bodies should take immediate efforts to qualify for the full grants to be received from the Central Finance Commission.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
247.	V	6.29	Presently common bank accounts are used for various purposes and fund sources. This makes reconciliation difficult. Hence, every local body should maintain a separate account for major sources of revenue such as its own sources, SFC grants, CFC grants, scheme funds etc. If this is found difficult to implement, a robust ledger system should be introduced through a single account. This system of accounting would enable to keep track of funds, apart from making account keeping easier.	Accepted.
248.	V	6.30	The State Government is in the process of implementing a Fund Tracking System. The Commission recommends that this should be expedited, and that all levels of local body accounts should be covered under the newly envisaged system.	Accepted.
249.	V	6.31	Presently, the devolution funds are drawn by the respective Heads of Department, and deposited in a separate bank account. From this bank account, funds are further transferred to the local bodies based on the devolution formula as adopted by the government. This procedure can be modified so that the Head of Department prepares a complete list of Local Bodies with their bank accounts, and submits a common bill to the Treasury. This will ensure that the funds are directly transferred to the bank accounts of the Local Bodies, and delays caused due to administrative reasons for fund transfer are avoided.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
250.	V	6.32	For RLBs, funds for payments to utilities are disbursed to a common Account No.II. This includes the dues payable for electricity bills and water charges. It is essential that the dues payable to these utilities are paid in time and no pendency is allowed, to ensure smooth functioning of these utilities there by improving their performance and their service delivery to the local bodies. Therefore, the funds devolved into Account Number II should be devolved into two separate accounts one each for electricity bills and for water charges. Initially, funds should be apportioned between these two accounts in the ratio of 70:30. If the pendency is nil in one of the accounts, the remaining funds may be transferred to the other Account. If pendency is nil in that account as well, the funds can be transferred to the General Fund Account.	Accepted.
251.	V	6.33	A comprehensive software should be developed integrating accounting and transaction for all the local body funds. All expenditures should be authorised through challans in the software at the time of expenditure itself. Once finalised, the software should generate an advice to the bank to credit the amount to the final recipient. This would ensure that accounting does not depend on manual entries after transactions. Rather, the transaction itself will be captured in the accounting software. Any data regarding accounts can be made available at any time. Inaccuracies in data will be greatly reduced. This would ensure availability of timely accounts and data not only to the administrative department and the Local Bodies, but also to all the future SFCs.	Accepted.
252.	V	6.34	Standardised Audit template for RLBs should be developed and proper training should be imparted to the auditing and supervisory officials concerned. Auditing progress should be monitored by the District Collector.	Accepted.



Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
253.	V	6.35	The present system of sending proposals every month for the release of SFC funds should be done away with. Initial release order may be issued by the Finance Department at the beginning of the award period for release of monthly installments. The first ten instalments can be released on fixed dates as per the Budget Estimates. The last four instalments can be released once the Revised Estimates have been finalised, following the same mechanism.	Accepted.
254.	V	6.36	Apart from the funds of the local body, many Government Departments implement various schemes for service delivery in the local bodies. However a consolidated data of such expenditure local body wise is not available. The Government should include a geographical indicator, such as Local Government Directory, linking local bodies in all the expenditures, to track all government expenditure for local bodies. This would go a long way in ensuring efficient fund allocation among various parts of the State in general and among local bodies in particular.	Accepted.
255.	V	6.37	All accounts from Account No. I to XI should be updated online on a timely basis, and the audited reports and remarks should also be available in the public domain, accessible to every citizen. This practice will improve transparency and accountability in financial performance of the local bodies.	Accepted.
256.	V	6.38	Adequate and frequent training should be imparted to the staff handling accounting. Strengthening the capacities of the concerned staff to shift their day-to-day operations online needs to be undertaken. This may be done through Tamil Nadu Institute of Urban Studies (TNIUS) and the Regional Institute of Rural Development (RIRD).	Accepted.

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257.	V	6.39	Local Fund Audit officials may be engaged as faculties in training programmes to impart training on audit procedures and practices to the local body staff engaged in audit work.	Accepted.
258.	V	6.40	Audit of Village Panchayats accounts during the year should be done by engaging external auditing agencies under the overall supervision of Local Fund Audit Department, selected from the list of auditors separately empanelled for this purpose. This may be in the years when the Local Fund Audit Department does not conduct audits for Village Panchayats. Reports should also be made available in the public domain.	Accepted.
259.	V	6.41	Each Village Panchayat should be provided with a unique code to enable easy access of all related data of VPs online.	Accepted.
260.	V	6.42	Local bodies should switch over to digital demand raising for local body taxes and charges as the existing manual demand raising process is very cumbersome. Public should be allowed the choice of digital payments like those enabled by TANGEDCO. Reminders should be sent for payment through SMS. Once the digital platform is put in place, surplus staff may be diverted for other work.	Accepted.
261.	V	6.43	Accounting system in RLBs should be strengthened by forming a separate wing at the Panchayat Union level.	Accepted.
262.	V	6.44	The Fifth SFC recommendation on the deployment of dedicated accounting staff in the Municipalities and Corporations should be expedited for implementation.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
263.	V	6.45	Social Auditing should be strengthened and made mandatory for all works undertaken in local bodies. Major works done by the Panchayats should be displayed with financial details in prominent places. Existing Social auditing mechanism in RLBs needs to be made effective by participation of higher level Government officials.	Accepted.
264.	V	6.46	In Urban Local Bodies as well, social auditing should be experimented, first at a ward level on pilot basis. Based on the experience, it should be extended to all wards in the Urban Local Bodies.	Accepted.
265.	V	6.47	The Government should take urgent action to fill up vacant positions in the Local Fund Audit Wing.	Accepted.
<b>KEY REFORMS</b>				
266.	V	7.140	The Commission has identified 14 key reforms to be implemented before June 2024 with the support of the respective departments. In case these reforms are not implemented before the due date, the annual quantum of Special Grants to be administered at the State level should be reduced by 20% from the year 2024-25 onwards.	Accepted.
267.	V	7.141	The reduced quantum of funds should be added to the direct devolution grants of RLBs and ULBs and should be further devolved as per the formula recommended by this Commission.	Accepted.
<b>REFORM INCENTIVES</b>				
268.	V	7.142	If the reforms are achieved within the time line prescribed, the State Government shall devolve an additional one time incentive grant of Rs. 300 crore to the ULBs and an additional one time incentive grant of Rs.300 crore to the RLBs.	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
269.	V	7.143	The one time additional incentive grant shall be added to the State Level Capital Grant Fund of the RLBs and ULBs as the case may be.	Accepted.
<b>KEY REFORMS - RURAL LOCAL BODIES</b>				
270.	V	7.146	<p>The key reforms identified for RLBs are:</p> <p>a. A slab system should be introduced for various types of houses to have transparent and non-discretionary levy. The minimum rate of House Tax may be revised with rates as follow:</p> <p>i. Huts – Min. Rs.100/-</p> <p>ii. Tiled House – Min. Rs.200/</p> <p>iii. RCC House – Min. Rs.300/- (@ Rs.1/ sq. ft.)</p>	Not Accepted. Decided to continue with the existing practice
			<p>b. The authority to grant permission for advertising should be with Local Bodies, with the concurrence of District administration. Advertising agencies should apply to Local Bodies, and Local Bodies should seek concurrence of the District administration. Permission should be granted or rejected by the District Administration in a time bound manner. If the permission is not accorded within the prescribed time limit then it should be treated as "deemed to have been permitted".</p>	Accepted.
			<p>c. The Tamil Nadu Panchayats Act,1994 should be suitably amended to permit classification as Peri-Urban Villages based on population and proximity to ULBs and to collect House Tax at the rates on par with adjacent ULBs.</p> <p>Large Village Panchayats should be bifurcated based on population.</p>	<p>Deferred and will be examined separately.</p> <p>Accepted.</p>

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
			<p>d. The Government should levy Surcharge on Stamp Duty on documents relating to</p> <p>(i) Agreement including Construction Agreements (ii) Power of Attorney (iii) Release of benami right (iv) Release of right in favour of partners and (v) all types of settlement, to augment revenue of the Local Bodies.</p>	Accepted.
			<p>e. A comprehensive software should be developed for accounting and transaction for all the local body funds. Any expenditure should be authorised through a challan in the software. Once finalised, the software should generate an advice to the bank to credit the amount to the final recipient. This would ensure that accounting does not depend on manual entries after transaction. Rather, the transaction itself will be captured in the accounting software. Any data regarding accounting can be made available at any time. Inaccuracies in data will be greatly reduced. This would ensure availability of accounts and data, not only to the administrative department and the Local Bodies, but also to all the future State Finance Commissions.</p>	Accepted.
			<p>f. Un-tied devolution to Local Bodies should not be intercepted under any circumstances. General Fund to Local Bodies should directly go to the Local Bodies. There should not be any tied component associated with them.</p>	Accepted.
			<p>g. At least 75% arrears of House Taxes as on 01.04.2022 should be collected and at least 75% of current demand of House Tax in 2023-24 should be collected.</p>	Accepted.

Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
<b>KEY REFORMS - URBAN LOCAL BODIES</b>				
271.	V	7.147	<p>The key reforms identified for the ULBs are as follows:</p> <p>a. GIS mapping of all ULBs to bring leftout properties under assessment should be completed in all Municipalities and Corporations. This should be implemented in Corporations within a period of two years.</p>	Accepted.
			<p>b. The quinquennial general revision of Property Tax should reflect atleast the cumulative CPI change since the previous revision. In case Local Bodies fail to notify proactively any revision of property taxes, the Property Tax rates should automatically stand revised to a minimum of the cumulative CPI change during the previous five years. The Government should bring in amendment of the relevant portion of the District Municipalities Act, 1920 to give effect to this recommendation.</p>	Accepted.
			<p>c. Water consumption charges should be revised at least by 100%, and the minimum charge should be Rs. 100 per month.</p>	Not Accepted. Decided to continue with the existing practice.
			<p>d. Currently, no asset register for immovable properties is being maintained by Urban Local Bodies. A comprehensive exercise for creation of Asset Register should be undertaken and the completed register should be made available online.</p>	Accepted.

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			e. Within the Local Bodies, Land Banks of all Government lands should be created so that land availability can be assessed for providing suitable infrastructure to the Local Bodies and development of land either for value capture or for creation of public assets can be planned. It is essential to explore reclaiming the excess land given to various Government departments, agencies, and local body's own infrastructure for future development.	Accepted.
			f. Un-tied devolution to Local Bodies should not be intercepted under any circumstances. General Fund to Local Bodies should directly go to the Local Bodies. There should not be any tied component associated with them.	Accepted.
			g. At least 75% arrears of property taxes as on 01.04.2022 should be collected, and at least 75% of the current demand of property taxes should be collected.	Accepted.
<b>REVIEW MECHANISMS</b>				
272.	V	1.37	The Departments concerned must take follow up action on the pending recommendations of the SFCs, and ensure compliance in accordance with the Explanatory Memorandum submitted in the Assembly. The following steps should be taken:	Accepted.
			a. A comprehensive Government Order should be issued by the Finance Department directing the concerned Departments to implement the list of recommendations as accepted by the Government in the Cabinet meeting.	Accepted.

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			b. Departments, in turn, should prepare proposals and issue G.Os. with detailed Guidelines following normal Government procedure.	Accepted.
			c. Issuance of G.Os. and progress in implementation should be reviewed regularly as per the review mechanisms recommended here under.	Accepted.
<b>273.</b>	<b>V</b>	<b>1.38</b>	SFC may be continued to monitor the implementation of accepted recommendations and to maintain institutional memory with minimal required staff.	Monitoring will be done by the section in Finance (FC) wing and hence the recommendation is not accepted.
<b>274.</b>	<b>V</b>	<b>1.39</b>	The Government should constitute a State High Level Committee, chaired by the Chief Secretary to review the status of implementation of SFC recommendations, and the Committee should conduct quarterly reviews.	Accepted.
<b>275.</b>	<b>V</b>	<b>1.40</b>	Exclusive sections should be formed in RD&PR and MA&WS departments to deal with the subjects relating to SFC, and also at DRD, CMA and DTP levels.	Accepted.
<b>276.</b>	<b>V</b>	<b>1.41</b>	A mid-year status should be submitted to the Hon'ble Finance Minister for review.	Accepted.
<b>277.</b>	<b>V</b>	<b>1.42</b>	The status of implementation of SFC recommendations should be placed in the assembly every year during the Budget Session.	Accepted.
<b>278.</b>	<b>V</b>	<b>1.43</b>	During the third year of the implementation period, a mid-term status should be submitted to the Hon'ble Chief Minister for review.	Accepted.



Sl. No.	Chapter No.	Para No.	Gist of Recommendations	Decision taken by the State Government
279.	V	1.44	The data collected by the Commission should be taken up for further analysis and action by various departments.	Accepted.
280.	V	1.45	After the Report of the Commission is placed in the Legislative Assembly, the Report and the Study Reports specifically prepared by the expert bodies at the behest of the Commission should be hosted on the Government website.	Accepted.

January 2023  
Chennai-9

**Dr. PALANIVEL THIAGA RAJAN**  
**Minister for Finance**