

GOVERNMENT OF TAMIL NADU

FINANCE (FC-IV) DEPARTMENT

**EXPLANATORY MEMORANDUM ON THE ACTION TAKEN ON THE
RECOMMENDATIONS MADE BY THE FIFTH STATE FINANCE
COMMISSION IN ITS REPORT SUBMITTED TO HON'BLE
GOVERNOR OF TAMIL NADU ON DECEMBER 27, 2016**

The Fifth State Finance Commission constituted with effect from 01.12.2014 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 Hon'ble Governor of Tamil Nadu and Hon'ble Chief Minister on 27.12.2016. The report of Fifth State Finance Commission together with the Explanatory Memorandum on the action taken on the recommendations of Fifth 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 Fifth State Finance Commission are as follows:

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
CHAPTER-III STATUS OF IMPLEMENTATION OF FOURTH SFC'S RECOMMENDATIONS			
1	3.11 (i)	The Departments concerned must take follow up action on the pending recommendations of the Fourth State Finance Commission and ensure compliance in accordance with the Explanatory Memorandum submitted in the Assembly. (Annexure – III (3)) (para 3.7)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
2	3.11 (ii)	The recommendations of the Fourth SFC regarding strengthening the existing FC wing in the Finance Department and forming exclusive sections in RD & PR and MA&WS departments to deal with the subjects relating to SFCs are reiterated. (para 3.8)	Accepted
3	3.11 (iii)	A permanent SFC cell should be formed in Finance Department similar to the Kerala model to deal with the issues relating to State Finance Commissions. (para 3.9)	Accepted
4	3.11 (iv)	The data collected by the Commission should be taken up for further analysis and after the report of the Commission is laid on the table of 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 tn.gov.in website. (para 3.11)	Accepted
CHAPTER-IV			
ASSESSMENT OF FINANCES OF RURAL LOCAL BODIES			
House Tax			
5	4.32 (i)	The recommendations of Third SFC and Fourth SFC to revise the unit measurement in square decimetre into square metre under Schedule I of the Act is reiterated. (para 4.25)	Accepted
6	4.32 (ii)	The recommendation of Fourth SFC, that the quinquennial revision of House Tax in respect of all Village Panchayats be brought forward to a common date i.e. 1 st April 2013 through appropriate amendments to the Act and Rules so as to ensure that Village Panchayats do not postpone or not revise House Tax, is reiterated. (para 4.32)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
7	4.32 (iii)	The recommendation of Fourth SFC that the Government in RD & PR Department shall take up the issue with Ministry of Rural Development of Government of India for levying service charges on Central Government properties is reiterated. (para 4.32)	Accepted
	4.32 (iv)	To enhance house tax collection, the following measures should be taken: (para 4.28)	
8	4.32 (iv) (a)	GPS, GIS techniques are to be used for tax assessment.	Accepted
9	4.32 (iv) (b)	Hand billing machines should be used for House Tax collection.	Accepted
10	4.32 (iv) (c)	Slab system should be introduced for various types of houses to have transparent and non discretionary levy.	Accepted
11	4.32 (iv) (d)	Unassessed buildings should be brought under tax net by comparing with list of electricity service connections and Commercial Taxes registration list.	Accepted
12	4.32 (iv) (e)	The minimum rate of House Tax may be revised to Rs.100 per annum.	Accepted
13	4.32 (iv) (f)	Windmills, lands 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. (para 4.30)	Accepted
14	4.32 (v)	Tribunals should be constituted at the district level to settle issues on tax assessments and the Block Development Officer (Village Panchayats) should function as an arbitral authority and the Assistant Director (Panchayat) should act as the appellate authority. (para 4.28)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
Profession Tax			
15	4.37 (i)	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 simplify the process of raising the limit in future as recommended by the 14 th CFC. (para 4.34)	Accepted
16	4.37 (ii)	State and Central Government agencies like the Commercial Taxes Department, Labour and Employment Department, Employee Provident Fund Organization and professional self regulating organizations should co-ordinate and co-operate with local bodies to enable more effective collection of Profession Tax. (para 4.36)	Accepted
Advertisement Tax			
17	4.42 (i)	As per the Tamil Nadu Panchayats (Licensing and Levy and Collection of Advertisements) Rules 2009, vide G.O. (Ms). No.41, Rural Development and Panchayat Raj (PR-1), Department, Dated:18.05.2009, power to grant permission for erecting hoardings and displaying advertisement boards are vested with the District Collector. This power may be delegated to Revenue Divisional Officers. Any application for grant of permission should be considered only if it is accompanied by proof of payment of tax into the account of the local body concerned. (para 4.39, 4.40 and 4.41)	Accepted
18	4.42 (ii)	Local bodies may be empowered to prosecute and levy penalties on persons who put up unauthorized hoardings and advertisements in addition to removing hoardings which have not received requisite permission. (para 4.41)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
19	4.42 (iii)	The Local Body may be empowered to remove advertisements which have not received the requisite permission. (para 4.41)	Accepted
20	4.42 (iv)	Rural Local Bodies should be allowed to collect tax for all types of advertisements including wall paintings / writings, posters, banners and flex boards. (para 4.41)	Accepted
21	4.42 (v)	As per the existing rules, the license 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. The revision of tax should be done annually with an upward revision of atleast 5 percent per year. (para 4.41)	Accepted
Non Tax Revenue			
22	4.46	Assets including buildings of Village Panchayats lying vacant and unused should be identified, renovated and rented out to augment revenue. (para 4.45)	Accepted
Water charges			
23	4.52 (i)	Village Panchayats should be encouraged to enhance water charges by including enhancement of water charges as one of the factors based on which allocation from the capital Grant Fund /Pooled Fund for Deficit RLBs would be considered. (para 4.52)	Accepted
24	4.52 (ii)	Measures to improve collection of water charges should be undertaken including through fixing water meters and tracking down illegal connections. Water meters should be made mandatory for all house service connections and water charges should be collected on the basis of actual consumption. (para 4.51)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
25	4.52 (iii)	The quantum of water supplied under CWSS to Village Panchayats should be measured by bulk meters to be installed by TWAD Board, out of the special allocation recommended by the Commission. (para 4.48)	Accepted
26	4.52 (iv)	Village Panchayats should be permitted to establish water purifying units and to sell such purified water to the public at cost. (para 4.51)	Accepted
Dangerous and Offensive (D&O) Trades License Fees			
27	4.54	The recommendation of the Fourth SFC to change the nomenclature of D&O Trade License fees as Trade License fees as in the case of the Greater Chennai Corporation is reiterated. (para 4.53)	Accepted
Bus Stand fees			
28	4.57	Bus stand fees may be revised by 50%. (para 4.56 and para 5.122)	Accepted
Building Plan and Layout Approval Fee			
29	4.63 (i)	A special Country Planning Unit may be created at the district level to provide technical support for the grant of layout and building plan approvals in rural areas. (para 4.60)	Accepted
30	4.63 (ii)	Regularization of unapproved layouts based on certain norms should be expedited to ensure that local bodies receive revenue. Necessary regulatory and legal measures must also be taken to ensure that the problem of unapproved layouts does not recur. (para 4.61)	Accepted
31	4.63 (iii)	The fees for Building Plan and Layout approval should be revised at the earliest. (para 4.62)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
Pooling of Assigned Revenue			
32	4.74 (i)	Since Entertainment Tax is expected to be subsumed under the Goods and Services Tax in Tamil Nadu and 101 st Constitution Amendment permits levy and collection of Entertainment Tax by Local Bodies, Government of Tamil Nadu should enact necessary legislation to enable Local Bodies to levy, collect and appropriate Entertainment Tax. (para 4.66)	Accepted
33	4.74 (ii)	Pooling of Assigned Revenues viz. Surcharge on Stamp Duty and Entertainment Tax must be done away with. The Assigned Revenues should be distributed to the Local bodies based on the place where they actually accrue, after deduction of cost of collection. (para 4.73)	Accepted
34	4.74 (iii)	The recommendation of Third SFC and Fourth SFC to 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 is again reiterated. (para 4.67)	Accepted
35	4.74 (iv)	Surcharge on Stamp Duty should be levied on registration of "Construction Agreements" and "Settlement among Family Members" to augment revenue to the local bodies. (para 4.68)	Accepted
36	4.74 (v)	Separate receipt head of account should be indicated under the major head "0030 Stamps and Registration fees" for remitting the Surcharge on Stamp Duty. (para 4.69)	Accepted
37	4.74 (vi)	The details of collection of Surcharge on Stamp Duty should be shared to the local bodies concerned and the District Collector by the Registration Department. (para 4.69)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
Shared Revenue / Fishery Rental			
38	4.77 (i)	The timely release of the Panchayat share of the proceeds of fishery rentals from Panchayat Unions and Public Works Department tanks should be regularly monitored by the District Collectors and the Director of Rural Development and Panchayat Raj. (para 4.76)	Accepted
39	4.77 (ii)	The process of the auctions should be carefully monitored and it should be ensured that upset prices are fixed on a realistic basis and auctions are not confirmed whenever collusive bidding to keep auction prices down artificially is suspected. (para 4.76)	Accepted
Social Forestry			
40	4.82 (i)	A simple procedure should be evolved to release the share of social forestry sale proceeds to the Village Panchayat in time, such that sanction for the release is accorded at the District Level itself and the funds are transferred to Panchayats as electronic credits. (para 4.80)	Accepted
41	4.82 (ii)	Taking up social forestry plantation works under MGNREGS could be considered, but in such cases, the deduction of wage costs by the Forest Department would not be justified. The entire sale proceeds should be transferred to the Village Panchayat. (para 4.81)	Accepted with modification. If the expenses are incurred by Forest Department like watch and ward that can be deducted.
Mines and Minerals			
42	4.92 (i)	A separate receipt head of account to be opened, only for the remittance of lease rent and seigniorage fees of minor minerals intended to be apportioned to the local bodies. (para 4.86)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
43	4.92 (ii)	The proportion of revenue from minor minerals to be shared with local bodies should be fixed at 60 percent to leave the government with an incentive to levy and collect this revenue more effectively and at higher rates. (para 4.91)	Accepted
44	4.92 (iii)	60 percent of the revenue from sand quarrying should also be transferred to local bodies on the same basis as other minor mineral based revenue, i.e., 75 percent to the local body where the quarry is located and 25 percent to be distributed by the District Collector to the neighbouring local bodies that are impacted by quarrying activity. (para 4.88)	Accepted
45	4.92 (iv)	The release mechanism for the share of the Village Panchayats should be changed and 75 percent of the entitlement of the Panchayat based on the previous year's collection should be released in advance to overcome delays. The advance release can be adjusted against actual collection subsequently. (para 4.89)	Accepted with modification that the release mechanism should be centralised and done by the HoD for prompt settlement.
Track Rent on Optical Fibre Cable feeders			
46	4.95 (i)	The Government should take necessary action to resolve the legal issues regarding collection of track rent on OFC feeders and Cable Television cables at the earliest to enable local bodies to collect track rent. (para 4.94)	Accepted
47	4.95 (ii)	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 G.O.s in force. (para 4.94)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
Electricity charges			
48	4.111 (i)	All the unused electricity connections of Village Panchayats should be surrendered. The Village Panchayat should ensure that electricity charges are paid only for the electricity connections used by the Village Panchayats for its functions. (para 4.110)	Accepted
49	4.111 (ii)	TANGEDCO should raise its electricity consumption demand only after taking and recording the actual meter reading and not on a historical or ad hoc basis. (para 4.110)	Accepted
50	4.111 (iii)	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 water pumps should be taken up. (para 4.110)	Accepted
51	4.111 (iv)	TANGEDCO should provide the data related to Village Panchayat current consumption charges online to facilitate timely payment and close monitoring to avoid belated payment of electricity charges. Further, TANGEDCO should use other modes of communications such as SMS to intimate the meter readings and electricity charges to the Village Panchayats. (para 4.110)	Accepted
Peri Urban Panchayats			
52	4.123 (i)	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. (para 4.121)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
53	4.123 (ii)	The recommendations of the Fourth SFC and 14 th CFC that Peri-Urban Panchayats be empowered to levy Vacant Land Tax (VLT) for house sites other than agricultural lands based on plinth area as in ULBs by amending the Tamil Nadu Panchayats Act, 1994 is reiterated. (para 4.121)	Accepted
54	4.123 (iii)	Large Village Panchayats should be bifurcated based on population to solve some of the issues relating to Peri Urban Panchayats. (para 4.121)	Accepted
District Panchayat Expenditure			
55	4.148	The ceiling on administrative expenditure of District Panchayats be revised as 7.5 percent of the total SFC devolution or Rs. 40 lakhs whichever is less. (para 4.146)	Accepted
CHAPTER – V			
ASSESSMENT OF FINANCES OF URBAN LOCAL BODIES			
Tax Rates and Revisions			
56	5.65 (i)	The target for property tax collection for ULBs should be fixed to reach 0.60 percent of GSDP by the last year of award period i.e., 2021-22. (para 5.27)	Accepted with modification that the increase may be fixed to reach 0.25% of GSDP instead of 0.60%.
57	5.65 (ii)	The coordination between the Town Planning and Revenue Wings should be structurally strengthened through an automated work flow process with data sharing regarding planning permissions, construction and completion to ensure that properties are brought to tax promptly. (para 5.33)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
58	5.65 (iii)	In Chennai, where the powers to permit different types of buildings are with different authorities, ranging from the Corporation to CMDA to the Government, an online link between the databases of CMDA and Corporation of Chennai 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. (para 5.33)	Accepted
59	5.65 (iv)	GIS mapping of all ULBs to bring left out properties to assessment should be completed in all Municipalities and Corporations. A special drive should be launched for Town Panchayats as well to cover all Town Panchayats in a phased manner during the award period. (para (5.35)	Accepted
60	5.65 (v)	The Computerisation of the property tax system must be speedily completed and online Self Assessment of Property Tax should be implemented with the necessary enabling amendments to the Tamil Nadu District Municipalities Act, 1920 and other City Municipal Corporations Act. (para 5.38)	Accepted
61	5.65 (vi)	Property Tax Clearance Certificate may be made mandatory to acquire Government benefits and to avail the service like electricity connections. (para 5.39)	Accepted
62	5.65 (vii)	Greater awareness building through IEC programmes to pay Property Tax can be undertaken, similar to the advertisement campaigns undertaken for Income Tax and Service Tax payment. The expenditure on such campaigns can be shared on a pro rata basis by the ULBs. The IEC programmes could also involve the Residents Welfare Associations, local NGOs and Chambers of Commerce. (para 5.40)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
63	5.65 (viii)	Prompt payment rebates should be offered to encourage payment before time. (para 5.41)	Not Accepted. As the property tax etc. have to be collected in full, rebate is not possible.
64	5.65 (ix)	Incentives can be given to Wards and Streets which show the best collection performance, in terms of percentage of collection by implementing small special schemes exclusively in that area. (para 5.41)	Not Accepted. As it is administratively cumbersome and such incentive may not enthuse the public.
65	5.65 (x)	Penalty should be imposed for belated payments. Tax defaulters list should be published by the ULBs soon after the close of the financial year. (para 5.41)	Accepted
66	5.65 (xi)	“Any time anywhere” remittance systems should be enabled for Property Tax in all ULBs (para 5.42)	Accepted
67	5.65 (xii)	A mechanism should be initiated by the Commissioner of Municipal Administration 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 to prevent accumulation of arrears on State Government buildings. (para 5.43)	Accepted
68	5.65 (xiii)	Government should take up necessary amendments to Article 285 of the Constitution to make Central Government buildings liable for Property Tax. In the interim, 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 proved ineffective. (para 5.44 &5.55)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
69	5.65 (xiv)	Strict instructions should be issued to the Urban Local Bodies not to encourage write off of Property Tax quoting invalid reasons since properties are stationary.(para 5.46)	Accepted
70	5.65 (xv)	The differences in the methodology of tax calculation between properties belonging to the period prior to 1993 and post 1993 should be done away with and all urban properties should be treated alike. (para 5.52)	Accepted
71	5.65 (xvi)	An Area Based Property Assessment System should be introduced for Property Tax. The value of the property should be determined based on the guideline value of the land, the value of the building, the built up area, type and quality of construction, number of floors and its usage. The Government should mandate the adoption of the new methodology during the next revision of Property Tax.(para 5.50, 5.51 and 5.52)	Accepted
72	5.65 (xvii)	The proposed methodology for Property Tax assessment will enable an automatic calculation of the tax to be paid based on data, some of which, like the guideline value of the land is already available online and the rest could be provided by the assessee directly, like the type of building, plinth area etc. The system of self-assessment could then be effectively utilized, with provisions for scrutiny and audit to ensure that the self-assessment has been done correctly. Filing of self-assessment return by the taxpayer was introduced in Tamil Nadu in 1998. The response from the property owners to this system has not been encouraging. The system has to be popularized by simplifying it and making it an on-line automated process, in which the tax payer would be informed about the amount due immediately on filling in the requisite details about the property. (para 5.53)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
73	5.65 (xviii)	The Property Tax Board should be activated and disputes relating to valuation of property referred to the Board for speedy resolution. (para 5.54)	Accepted
74	5.65 (xix)	The list of tax exempted properties under section 81 of the District Municipalities Act, 1920 should be reviewed and minimized, specifically self financing educational institutions should be brought under the Property Tax net by suitably amending the Act. (para 5.57)	Accepted
75	5.65 (xx)	Cell Phone towers and buildings on which such towers are situated should be assessed to Property Tax as commercial buildings with the levy based on the height and capacity of the cell phone towers. (para 5.58)	Accepted
76	5.65 (xxi)	Despite the provisions contained in the ULB Acts, the quinquennial general revision of Property Tax has not been done since 2008 and since 1998 for some ULBs. There should be no further postponement of the general revision. In the event of further postponements of general revision, the Government should compensate the ULBs and CMWSSB for the loss of revenue. (para 5.60)	Accepted
77	5.65 (xxii)	Section 81 (A) of the District Municipalities Act, 1920 should be seen as only a safeguard for revenue, whereby the local body is stopped from either doing away with a tax or reducing the rate of levy. Government may issue suitable instructions reiterating the above position and thereby ensure that timely general revision of taxes is carried out by the respective ULBs. (para 5.61)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
Vacant Land Tax			
78	5.72 (i)	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 the inventory of vacant land, VLT should be levied. (para 5.69)	Accepted
79	5.72 (ii)	The basis and the rate of levy of Vacant Land Tax should be revised since the present rate of levy is not indexed to the value of the land. (para 5.71)	Accepted
Betterment Levies			
80	5.80	Betterment levy should be implemented for urban infrastructure works undertaken by ULBs to ensure more effective land value capture on a sustainable basis, along the lines of the existing provisions under the Tamil Nadu Highways Act, 2001. (para 5.79)	Accepted
Profession Tax			
81	5.86 (i)	ULBs should systematically verify the details of employees of private companies, and self-employed professionals, with reference to data that is available with other departments such as Income Tax Department, Labour Department, Provident Fund Commissioner, and professional bodies like the Bar Council, Medical Council, Institutes for Company Secretaries, Chartered Accountants, Architects etc and update the Profession Tax assesses list. (para 5.84)	Accepted
82	5.86 (ii)	The State Government should take up with the Government of India the early passage of the necessary Constitutional amendment to enhance or even remove the ceiling on the Profession Tax that can be levied and to simplify the process of raising the limit in future as recommended by the 14 th CFC. (para 5.85)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
Advertisement Tax			
83	5.90 (i)	The procedure for grant of permission for hoardings and banners should be revised and the applications for permission to advertise being made to the respective Local Bodies with a requirement to remit the due fee and tax in advance, directly into the Local Bodies' accounts. The application along with the proof of payment of the due fees and tax could then be submitted to the authority competent to grant permission. (para 5.89)	Accepted
84	5.90 (ii)	The power to grant permission could be delegated from the District Collectors to the Revenue Divisional Officers/ Sub Collectors. Local Bodies should be given enforcement powers to ensure that advertisements without due permission and payment of tax are not put up. (para 5.89)	Accepted
Non-Tax Revenue			
85	5.98 (i)	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 the non-tax revenue. (para 5.92)	Accepted
86	5.98 (ii)	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. (para 5.93)	Accepted
87	5.98 (iii)	Arrears of rent payable to ULBs for the Uzhavar Sandhais should be settled by the Cooperative Marketing Societies/ Regulated Market Committees without further delay. (para 5.95)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
88	5.98 (iv)	To augment non-tax revenue, the ULBs may prepare and enforce effective parking policies and also create parking lots including multi-level car parks on PPP mode. (para 5.96)	Accepted
Water Charges			
89	5.106	All individual water supply connections should be metered and water consumption charges should be levied on the metered supply at a rate that at least ensures the recovery of the operation and maintenance costs. (para 5.104)	Accepted
Fees / Trade Licences			
90	5.113 (i)	The Commission reiterates the recommendation of the Fourth SFC that the Rule provisions in Schedule-V in Tamil Nadu District Municipalities Act, 1920 and the relevant schedule in respect of other Municipal Corporation Acts 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. (para 5.110)	Accepted
91	5.113 (ii)	The Commission also reiterates the recommendation of the Fourth SFC to change the nomenclature D&O trade license fee, be revised as "Trade License fee" as in the case of Chennai Corporation. (para 5.111)	Accepted
92	5.113 (iii)	The Government may issue suitable directions to the Commissioner of Commercial Taxes to create a separate mandatory field in the application form for registration as dealers to capture the details of the trade license given by the local bodies and the payment of License fee, Property Tax and Profession Tax, as part of the GST Reform process. (para 5.112)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
Building License Fees			
93	5.118 (i)	Common building Rules should be notified at the earliest for greater clarity (para 5.117)	Accepted
94	5.118 (ii)	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. (para 5.117)	Accepted
Bus Stand Fees			
95	5.122	Bus stand fee should be increased by 50%. (para 5.121)	Accepted
Track Rent Fees on OFC Feeders and Cables			
96	5.125	The Government should take necessary action to resolve the legal issues regarding collection of track rent on OFC feeders and Cable Television cables at the earliest to enable local bodies to collect track rent. (para 5.124)	Accepted
Entertainment Tax			
97	5.129	The Government should take urgent action to legislate and permit Local Bodies to levy and collect Entertainment Tax, in the light of new GST provisions. In Tamil Nadu's context this is very important as the entire revenue from Entertainment Tax is assigned to local bodies even though it is collected by a State Government agency. (para 5.128)	Accepted
Surcharge on Stamp Duty			
98	5.138 (i)	Pooling of Assigned Revenues including Surcharge on Stamp Duty must be done away with. The Assigned Revenues should be distributed to the local bodies based on the place where they actually accrue, after deducting cost of collection, if any. (para 5.135)	Not Accepted. The purpose is to encourage taking up some useful capital work to fulfill State priority works like roads etc. Hence existing system may continue.

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
99	5.138 (ii)	The recommendation of the Third and Fourth SFCs to 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 is reiterated. In addition "Construction Agreements" and "Settlement among Family Members" should also be made subject to Surcharge on Stamp Duty. (para 5.137)	Accepted
100	5.138 (iii)	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. (para 5.138)	Accepted
Issuance of Municipal Bonds to augment capital revenue			
101	5.153	The ULBs must be encouraged to issue bonds and other debt instruments for augmenting resources for capital projects. (para 5.152)	Accepted
CHAPTER VI			
TOWARDS STREAMLINING ACCOUNTS, AUDIT AND FISCAL DATA			
Internal Audit			
102	6.33 (i)	The relevant provisions of the Local Fund Audit Act, 2014 should be effectively implemented in order to ensure that the local body accounts are compiled and audited in time in order to ensure that the local bodies are able to avail of the Performance Grants under the 14 th CFC. (para 6.2 & 6.16)	Accepted
103	6.33 (ii)	The implementation of the Municipal e-governance system which will integrate all functional department modules with the Financial Accounting Module in order to get a holistic view of the finances and operations of ULBs should be completed expeditiously. (para 6.32)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
104	6.33 (iii)	The DRD & PR shall ensure effective implementation of PRIA Soft Model Accounting System with more focus on deployment of skilled human resources at critical levels training at the village level to realise the full impact and benefit of the software so that credible fiscal data is made available to all stakeholders including policy makers. DRD & PR should work towards making available the accounts of RLBs online to be viewed by the public as is being done in Karnataka. (para 6.8 to 6.11)	Accepted
105	6.33 (iv)	The Government should consider, in consultation with the C & AG and Controller General of Accounts, implementing through the Central Plan Scheme Monitoring System (CPSMS) and the Integrated Financial and Human Resources Management System being implemented in Tamil Nadu, a mechanism of allowing local bodies to incur expenditure on the basis Personal Deposit Accounts on "Letters of Credit" mechanisms from the State Government's accounts through the Treasury system. This would improve accountability in local bodies and also ensure more efficient use of fiscal resources. (para 6.26)	Not Accepted. Existing system may continue as the recommendation may curtail freedom of local bodies. Further, keeping Village Panchayat account etc in Treasury will make their operation more difficult.
106	6.33 (v)	The deployment of dedicated accounting staff in the Municipalities and Corporations should be expedited. (para 6.7)	Accepted
107	6.33 (vi)	Tamil Nadu Institute of Urban Studies and the State Institute of Rural Development should impart intensive training to enhance the capacity of employees in key financial and e-governance issues. (para 6.7& 6.30)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
108	6.33 (vii)	The Fourth SFC had also made a recommendation to introduce internal audit in urban local bodies with professional Chartered Accountants or Cost and Management Accountants through outsourcing to facilitate better accountability and to strengthen the audit and accounting systems. This recommendation is reiterated. (para 6.22)	Accepted
CHAPTER VII			
EQUATION BETWEEN SPECIALIZED DEPARTMENTS / AGENCIES AND LOCAL BODIES			
TWAD			
109	7.18 (i)	The Centage charges payable to TWAD Board may be increased to 7.5 per cent for ULBs and 10 per cent for RLBs as an interim measure. (para 7.11)	Accepted with modification (i.e.) 7.5 per cent for ULBs 12 per cent for RLBs
110	7.18 (ii)	TWAD shall initiate a process of restructuring existing divisions to rationalize staff strength and enhance productivity on key functions. (para 7.11)	Accepted
111	7.18 (iii)	Government may approve the water charges revision proposal already sent by TWAD in 2014. (para 7.12)	Accepted
112	7.18 (iv)	TWAD should also send fresh proposals on further revision of water charges updating the costs specifically on account of electricity tariff increases. In future, revision of water tariffs should be automatically effected through a price fixation formula so that small annual increases are made which are relatively easier for the local bodies to bear as opposed to large infrequent increases in tariffs. (para 7.12)	Accepted
113	7.18 (v)	An amount of Rs. 25 crores spread over the first two years of the Award period is set apart from the Capital Grant Fund for RLBs to install bulk meters for all local body bulk consumers to accurately measure the actual quantity of water supplied under the CWSS. (para 7.14 & 10.42)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
114	7.18 (vi)	20% of the Pooled Funds for Deficit RLBs and ULBs, amounting to 2% of the RLB devolution and 1% of the ULB devolution may be provided to TWAD Board as a deficit correction mechanism for maintenance of CWSSs, over and above the water charges levied. (para 7.16, 7.17 and 10.47)	Accepted
CMWSSB			
115	7.32 (i)	The sharing of devolution in Chennai City between CoC and CMWSSB may be modified from the present 90:10 ratio to 85:15 ratio. (para 7.30)	Accepted
116	7.32 (ii)	The CMWSSB is responsible for creating infrastructure for the whole of Chennai. CMDA must also allocate funds to CMWSS Board for undertaking water supply and sewerage projects out of its Planning and Development Fund. (para 7.29 and 7.31)	Not Accepted. CMDA is allocating such funds to local bodies. CMWSSB is carrying out only one function of the local bodies. CMWSSB is also getting a share in the devolution. Hence recommendation is not accepted.
Town and Country Planning			
117	7.38 (i)	Town and Country Planning authorities can devise a mechanism to train the village level staff and elected representative on existing provisions / rules for the building / layout approval to check any approval in excess of provisions / rules on building / layout approvals.(para 7.37)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
118	7.38 (ii)	The recommendation of Fourth SFC that, 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 is reiterated. (para 7.36)	Accepted
119	7.38 (iii)	The Government should take an early decision on the issue relating to regularization of unauthorized layouts. (para 7.37)	Accepted
CMDA			
120	7.45 (i)	CMDA should positively consider allocation of more funds for provision of infrastructure and civic amenities in local bodies in proportion to the resources raised from the properties that fall within these ULBs. (para 7.43)	Accepted
121	7.45 (ii)	CMDA should initiate action to provide more trained or qualified town planning staff both in Urban Local Bodies and at the Panchayat Union level in Rural Local Bodies. Local Body clearances should be accorded only after the requisite technical scrutiny of the planning permission applications. A mechanism of fixing responsibility on the architects who prepare such planning permission proposals should also be ensured, as they are professionals who would be bound by a professional code of conduct. (para 7.44)	Accepted
TNSCB			
122	7.50 (i)	The TNSCB should work out Public Private Partnership models which would enable the creation of affordable housing stock, both on ownership and rental models, where the Government or Government entities, including Urban Local Bodies can participate through provision of land as their equity contribution. (para 7.49)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
123	7.50 (ii)	The Government have announced the Shelter Fund in the Budget 2016-17, it should be put in to operation at the earliest. (para 7.49)	Accepted
124	7.50 (iii)	TNSCB should work out alternative managerial models that can be attempted to ensure that affordable housing apartment blocks cater to the truly deserving and at the same time remain well maintained and financially sustainable. Such models through the Shelter Fund and the Tamil Nadu Infrastructure Fund Management Corporation (TNIFMC) should be operationalised early. The existing schemes available under the Government of India's Housing For All programme also need to be fully converged. (para 7.49)	Accepted
Tamil Nadu Rural Road Development Fund			
125	7.56	The improvement of 2500 km of local body roads to ODR standards may be taken up as a priority by Panchayat Unions through the Capital Grant Fund, with an allocation of Rs. 100 crore per year for this purpose. (para 7.55 and 10.42)	Accepted
TNPCB			
126	7.60 (i)	The recommendation of the Fourth SFC that levy of Water Cess for water used for domestic purposes should be withdrawn through a State Amendment to the Water (Prevention and Control of Pollution) Cess Act, 1977 is reiterated. (para 7.58)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
127	7.60 (ii)	In the meantime, the Pollution Control Board shall examine the possibility of releasing the Water Cess collected on domestic water supply to the local bodies or the agency operating the water supply system, for use for environmental upgradation efforts. (para 7.58)	Not Accepted. In the other recommendation water cess on domestic use is proposed for withdrawal. This is accepted also. Therefore this recommendation pertains to arrear and amount involved is not much. Hence not accepted.
128	7.60 (iii)	Appropriate solid waste management fees should be levied on the owners or managers of large residential, commercial, educational, medical and industrial complexes based on biodegradable, non-biodegradable waste generation and disposal of debris in order to reduce solid waste generation. (para 7.59)	Accepted
TEDA			
129	7.63 (i)	A portion of the Capital Grant Fund should be set apart for meeting the cost of the capital investment required towards establishing local renewable energy generation facilities, including solar panels, wind energy and bio-methanation plants. (para 7.61)	Accepted
130	7.63 (ii)	Solar powered drinking water pumping facilities wherever feasible should be encouraged. (para 7.62)	Accepted
Public Libraries			
131	7.67	The DRD, DTP, CMA and Commissioner, Corporation of Chennai may be advised to clear pending dues of library cess as per the audited accounts at the earliest as a statutory due. (para 7.65)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
HR & CE			
132	7.70 (i)	The Fourth SFC's recommendation that the HR & CE Department / Temples should meet at least 50 percent of the cost incurred on provision of civic services even for non-notified festivals is reiterated. 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. (para 7.69)	Accepted with modification that the temple with sufficient resources must share the expenses.
133	7.70 (ii)	The Commission also recommends in order to ensure proper coordination regarding provision of amenities and to ensure that public safety concerns are effectively addressed, more festivals which see large numbers of pilgrims should be notified by HR&CE Department. (para 7.69)	Accepted
CHAPTER – X SCHEME OF DEVOLUTION			
What Constitutes States Own Tax Revenue			
134	10.12	The net SOTR for the award period may be determined by permitting the following deductions from gross SOTR: (i) Surcharge on Stamp Duty of RLBs/ULBs provided in the expenditure budget, if not already deducted under the receipt major head (ii) Cost of collection for the major tax items – Commercial Taxes, State Excise, Stamps and Registration and Motor Vehicles Tax iii) Other surcharges, if any. (para 10.6, 10.7 and 10.8)	Accepted
135	10.14	The cumulative arrears of Rs.156.90 crore for RLBs and Rs. 395.11 crore for ULBs be added to the divisible pool in the first year of the award period, i.e. 2017-18 and released to the respective local bodies as per the devolution scheme recommended. (para 10.13)	Accepted with modification that the cumulative arrears be considered for release in three equal instalments commencing from 2017-18.

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
Implications of Implementation of GST			
136	10.21 (i)	The State Government should compensate Local Bodies for loss of Entertainment Tax revenue in case a separate legislation enabling local bodies to collect Entertainment Tax is not passed. This compensation should extend to 90 per cent of the State GST collected on Entertainment Services and be distributed on the destination principle. (para 10.19)	Not Accepted. As the proposal is likely to be cleared by Government for authorising local bodies themselves to levy Entertainment Tax, the hypothetical situation picturized by SFC may not arise.
137	10.21 (ii)	In the event there is a loss in State Tax collection due to the introduction of GST and the Government of India also agrees to compensate States for loss in devolution from the Union divisible pool of taxes to the States on implementation of GST, in addition to the losses in State's tax revenue, then on a paripassu basis, the State should share 10 per cent of the compensation that it receives from the Centre for the shortfall in revenue collections of the State due to introduction of GST, with the Local Bodies. (para 10.20)	Accepted
Interceptions and Deductions from Devolution			
138	10.28	The practice of deducting funds from the devolution beyond the purposes and mechanisms recommended by the SFC should be eschewed. Interception from devolution should be exercised only as a last resort measure and only to meet statutory dues, court ordered dues, loan dues, pension dues, and in exceptional cases, electricity and water supply related charges. Even in such cases, interception of SFC devolution should be only to the extent of devolution due to that particular local body, without affecting the devolution flowing to other local bodies. (para 10.22 – 10.27)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
Global Sharing			
139	10.33	The existing overall vertical devolution proportion of 10 per cent of the net State's Own Tax Revenue (SOTR) may be retained for the award period of the Commission. (para 10.31 and 10.32)	Accepted
Vertical Sharing Ratio between Rural and Urban Local Bodies			
140	10.39	A 56:44 sharing ratio between RLBs and ULBs may be adopted. (para 10.39)	Accepted
Capital Grant Fund for Rural Local Bodies			
141	10.41	A Capital Grant Fund may be established to replace the IGFF, into which 20 per cent of the aggregate devolution intended for RLBs would be paid. Of this Fund, 20 per cent would be set apart for taking up projects which are deemed to be of importance at the State level. These works may be identified and approved by a Committee comprising the Secretary, Rural Development and Panchayati Raj, Director of Rural Development, a representative of the Finance Department and Member Secretary, State Planning Commission. The balance 80 per cent would be distributed district wise, based on the formula adopted for horizontal distribution amongst District Panchayats. The allocation of these funds project wise would be decided by the District Planning Committee based on detailed guidelines to be issued by the RD & PR Department in consultation with Finance and Planning and Development Departments. (para 10.40)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
142	10.42	<p>The following items may be accorded priority in sanction from the Capital Grant Fund for RLBs :</p> <p>i) Improvement of 2500 km of local body roads to ODR standards may be taken up as a priority by Panchayat Unions through the enhanced Infrastructure Gap Filling Fund/ Capital Grant Fund, with an allocation of Rs.100 crore per year for this purpose. (para 7.55)</p> <p>ii) An amount of Rs. 25 crores spread over the first two years of the Award period be set apart from the Capital Grant Fund to install bulk meters for all RLB bulk consumers to accurately measure the actual quantity of water supplied under the CWSS. (para 7.14)</p> <p>iii) An amount of Rs. 309 crores for revamping of Old CWSSs which are not functioning to full capacity to provide additional water supply to rural areas. (para 7.15)</p>	Accepted
Pooled Fund for Deficit RLBs			
143	10.45	<p>10 per cent of the overall devolution intended for RLBs be credited into a Pooled Fund for Deficit RLBs. 40 per cent of the amounts available in this Fund, i.e. 4 per cent of the overall devolution intended for RLBs, may be disbursed in the first three years of the award period by the DRD only amongst those Panchayat Unions and Village Panchayats which have been in deficit for at least 3 of the last 5 years. The list of such 127 Panchayat Unions and 3921 Village Panchayats is too bulky to be annexed to the report and will be provided separately to DRD. The distribution amongst these deficit RLBs will follow the vertical and horizontal distribution formulae indicated for Panchayat Unions and Village Panchayats.</p>	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
		After the first three years of the Award period, the list of deficit RLBs may be updated on the basis of the accounts for the subsequent years and the distribution may be done amongst those RLBs which are still found to be deficit. In case there are no deficit RLBs at that stage, the funds available in the Pooled Fund or if the total funds available in the Pooled Fund exceed 100 percent of the basic devolution including the minimum lump sum grant of the deficit RLBs, then such excess funds may be transferred to the Capital Grant Fund. (para 10.45)	
144	10.46	40 per cent of the Pooled Fund for Deficit RLBs, should be allocated with 20 per cent retained by the DRD and 20 per cent distributed amongst District Collectors based on the horizontal District Panchayat wise share. These Funds can be utilized by the DRD/District Collectors to provide grants to those Village Panchayats and Panchayat Unions who have special problems which cannot be addressed under any of the existing transfer mechanisms or schemes. (para 10.46)	Accepted
145	10.47	TWAD provides a basic service as an agent of RLBs / ULBs. It also incurs a huge deficit in the maintenance of CWSSs. A provision of sharing the devolution between Chennai Corporation and CMWSSB has been made separately. Accordingly, the Commission recommends that 20% of the Pooled Fund for Deficits RLBs i.e. 2% of the RLB devolution will be provided to TWAD to meet the deficit on CWSSs in addition to the water charges levied and collected from RLBs. (para 7.17)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government																		
146	10.48	Since the Capital Grant Fund and Pooled Fund for Deficit RLBs provide the necessary tools to address equity and flexibility concerns and to meet important requirements that may not be prioritized by individual RLBs, the practice of deducting funds from the devolution intended for RLBs must be scrupulously avoided. (para 10.22)	Accepted																		
Vertical Sharing Ratio between Tiers of RLBs																					
147	10.50	The vertical sharing ratio between RLBs may be determined as 8:37:55 amongst District Panchayats, Panchayat Unions and Village Panchayats. (para 10.49)	Accepted																		
Minimum Lumpsum Grant																					
148	10.51	The minimum lumpsum grant may be increased from Rs.5 lakh to Rs.7 lakh per Village Panchayat per year. (para 10.51)	Accepted																		
149	10.52	The Minimum Lump Sum Grant to Panchayat Unions may be increased to Rs. 40 lakhs per annum per Panchayat Union to be released on a monthly basis out of the 37 per cent share of Panchayat Unions in the SFC devolution. (para 10.52)	Accepted																		
Horizontal Ratio within each Tier of RLBs																					
150	10.60	The horizontal distribution of the SFC devolution to Rural Local Bodies may be done on the basis of the following formula: <table border="1" data-bbox="500 1472 1013 1873"> <thead> <tr> <th>Sl. No</th> <th>Criterion</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Population as per 2011 Census</td> <td>60 per cent</td> </tr> <tr> <td>2</td> <td>Area</td> <td>15 per cent</td> </tr> <tr> <td>3</td> <td>Scheduled Caste / Tribe Population</td> <td>15 per cent</td> </tr> <tr> <td>4</td> <td>Per Capita Consumption Expenditure Distance</td> <td>10 per cent</td> </tr> <tr> <td></td> <td>Total</td> <td>100 per cent</td> </tr> </tbody> </table>	Sl. No	Criterion	Weight	1	Population as per 2011 Census	60 per cent	2	Area	15 per cent	3	Scheduled Caste / Tribe Population	15 per cent	4	Per Capita Consumption Expenditure Distance	10 per cent		Total	100 per cent	Accepted
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Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
Incentive Fund			
151	10.67	Out of the aggregate devolution intended for ULBs, 5 per cent may be set apart for the incentive fund. ULBs who have actually improved their Property Tax collection by more than 20 per cent may be made eligible to receive the incentive amount as a matching share of the collection in excess of 10 per cent growth rate. This incentive will be paid out based on the audited tax collection figures provided by the Director of Local Fund Audit. In case, many ULBs qualify and the amount payable as incentive exceeds the size of the fund, the incentive payable ULB wise will be adjusted on a pro rata basis to fit within the size of the fund available for that year. In case no ULBs qualify, the incentive amount will be carried over into the next year. At the end of the award period, any undisbursed incentive amount will lapse to the Government Account. (para 10.66)	Accepted with modification that at the end of award period, any undisbursed incentive amount will not lapse to the Government Account but will be made available to the HOD for his further use in subsequent years to carry out works relating to amenities and infrastructure
Special Grant to Tamil Nadu Institute of Urban Studies			
152	10.69	A special grant of Rs. 25 crores may be provided to TNIUS to be distributed in equal annual installments over the award period out of the aggregate devolution for ULBs in Tamil Nadu. TNIUS should also open the regional centres in the first phase itself, if need be in rented premises or by co-locating with other government training institutions, so that capacity building activities for ULB elected representatives and staff can be taken up without delay. (para 10.68)	Accepted

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government																		
Vertical Sharing Ratio between the Tiers of ULBs																					
153	10.73	<p>The following devolution formula may be adopted for both the vertical sharing between tiers and horizontal sharing within the tier for ULBs: (para 10.72)</p> <table border="1" data-bbox="511 567 1027 982"> <thead> <tr> <th data-bbox="511 567 592 630">Sl. No.</th> <th data-bbox="592 567 901 630">Criterion</th> <th data-bbox="901 567 1027 630">Weight</th> </tr> </thead> <tbody> <tr> <td data-bbox="511 630 592 703">1</td> <td data-bbox="592 630 901 703">Population as per 2011 Census</td> <td data-bbox="901 630 1027 703">65 per cent</td> </tr> <tr> <td data-bbox="511 703 592 766">2</td> <td data-bbox="592 703 901 766">Area</td> <td data-bbox="901 703 1027 766">15 per cent</td> </tr> <tr> <td data-bbox="511 766 592 840">3</td> <td data-bbox="592 766 901 840">Per Capita Consumption Expenditure Distance</td> <td data-bbox="901 766 1027 840">10 per cent</td> </tr> <tr> <td data-bbox="511 840 592 913">4</td> <td data-bbox="592 840 901 913">Proportion of Slum Population</td> <td data-bbox="901 840 1027 913">10 per cent</td> </tr> <tr> <td data-bbox="511 913 592 982"></td> <td data-bbox="592 913 901 982">Total</td> <td data-bbox="901 913 1027 982">100 per cent</td> </tr> </tbody> </table>	Sl. No.	Criterion	Weight	1	Population as per 2011 Census	65 per cent	2	Area	15 per cent	3	Per Capita Consumption Expenditure Distance	10 per cent	4	Proportion of Slum Population	10 per cent		Total	100 per cent	Accepted
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	Total	100 per cent																			
Minimum Lumpsum Grant																					
154	10.77	The Minimum Lump Sum Grant for Town Panchayats may be enhanced from Rs 20 lakh to Rs 30 lakh. (para 10.76)	Accepted																		
Capital Grant Fund for ULBs																					
155	10.80	A Capital Grant Fund may be established to replace the IGFF, into which 15 per cent of the aggregate devolution intended for ULBs tier wise would be paid. This Fund, which would have three parts corresponding to each tier of ULB, would be utilized to support capital works linked to basic functions and services in the ULBs. Sanctions for works would be accorded based on guidelines to be issued by Government and subject to approval of an empowered committee in order to minimize delays in according administrative sanction. (para 10.78 and 10.79)	Accepted																		

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
156	10.81	In Chapter V, a recommendation had been made that Rs 35 crores would be allocated for implementing a GIS Based Property Tax assessment scheme in Town Panchayats. Given the importance of this initiative to enhance revenues of Town Panchayats, they should be willing to take up the scheme out of their own funds. However, to enable centralized co-ordination, it is recommended that the Rs. 35 crores may be allocated in equal installments over the five year award period from out of the Capital Grant Fund for Town Panchayats as a special grant for completing GIS based mapping and field enumeration in all Town Panchayats for updating Property Tax Registers. (para 5.37)	Accepted
157	10.82	In Chapter VII a recommendation was made that the revival of outlived CWSSs could be taken up as a priority work under the Capital Grant Fund. Accordingly, the share of the cost of ULBs is Rs. 70.13 crores for Corporations, Rs. 81.10 crores for Municipalities and Rs. 129.15 crores for Town Panchayats. This project is for implementation under the respective CGFs. (para 7.15)	Accepted
Pooled Fund for Deficit ULBs			
158	10.84	5 per cent of the overall devolution intended for ULBs be impounded into a Pooled Fund for Deficit ULBs subsuming the Operation and Maintenance Gap Filling Fund. 40 per cent of the Fund, i.e., 2 per cent of the devolution amounts tier wise should be disbursed in the first three years of the award period by the DMA and DTP respectively only amongst those	Accepted with modification that the O&MGFF is to be increased to 5% and the existing practice will continue.

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
		<p>Corporations, Municipalities and Town Panchayats which have been in deficit for at least 3 of the last 5 years based on audited accounts. The distribution amongst these deficit ULBs will follow the horizontal distribution formula for ULBs. After the first three years of the Award period, the list of deficit ULBs may be updated on the basis of the accounts for the subsequent years and the distribution may be done amongst those ULBs which are still found to be deficit. In case there are no deficit ULBs at that stage, the funds available in the Pooled Fund or if the total funds available in the Pooled Fund exceed 100 percent of the basic devolution including the minimum lump sum grant of the deficit ULBs, then such excess funds may be retained by the DMA and DTP along with the balance 50%.</p>	
159	10.85	<p>Out of another 40 per cent of the Pooled Fund for Deficit ULBs (i.e. 2 per cent of the devolution to ULBs tier wise) 30 percent (i.e. 1.5 percent of devolution) will be retained by the DMA and DTP. These Funds can be utilized by the DMA / DTP to provide grants to those ULBs who have special problems which cannot be addressed under any of the existing transfer mechanisms or schemes. The first priority under this fund should be accorded to settling electricity and water supply dues. The unutilized portion of the Pooled Fund can be transferred to the Capital Grant Fund.</p>	<p>Accepted with modification that the O&MGFF is to be increased to 5% and the existing practice will continue.</p>
160	10.86	<p>TWAD maintains CWSSs for both RLBS & ULBs. Hence, a special provision needs to be made for TWAD from out of ULB allocation as well. Accordingly, 20% of the Pooled Fund for Deficit ULBs (i.e., 1% of the devolution intended for ULBs) should be provided to TWAD to meet the deficits on CWSSs maintenance, in addition to the water charges payable by the respective ULBs.</p>	<p>Accepted with modification that the O&MGFF is to be increased to 5% and the existing practice will continue.</p>

Sl. No.	Para No.	Gist of Recommendations	Decision taken by the State Government
CHAPTER XI RECORDING OF BEST PRACTICES			
Bio / Vermi Composting			
161	11.50	The best practices adopted in civic services by some of the local bodies indicated should be tried by other local bodies as well. The Heads of Departments concerned and the District Collectors should take initiatives to follow the best practices proved successful wherever possible through IEC.	Accepted

D.JAYAKUMAR,
Minister for Finance.

March 2017
Chennai-9.