

**GOVERNMENT OF INDIA
MINISTRY OF HOUSING AND URBAN AFFAIRS
LOK SABHA UNSTARRED QUESTION NO. 2684
TO BE ANSWERED ON MARCH 17, 2022**

REVENUE OF URBAN LOCAL BODIES

**NO. 2684. SHRI P.P. CHAUDHARY:
 SHRI JAGDAMBIKA PAL:
 SHRI RAJENDRA AGRAWAL:**

Will the Minister of HOUSING AND URBAN AFFAIRS be pleased to state:

- (a) the steps being taken by the Government to strengthen and increase the revenues of Urban Local Bodies (ULBs) in the country and results yielded so far during the last five years, particularly for the State of Rajasthan and Uttar Pradesh;**
- (b) whether it is a fact that ULBs have become dependent on property tax collection and if so, the schemes implemented by the Government to reduce this dependency;**
- (c) whether it is a fact that just on high rate of property tax is not capable to enhance the efficiency of ULBs to provide better quality of services, facilities and infrastructure to the citizens; and**
- (d) if so, the provisions the Government would intend to make to improve the existing property tax collection system?**

**ANSWER
THE MINISTER OF STATE IN THE
MINISTRY OF HOUSING AND URBAN AFFAIRS
(SHRI KAUSHAL KISHORE)**

(a): 74th Constitutional Amendment Act paves the way for transfer of funds, functions and functionaries to the Urban Local Bodies (ULBs). These transfers are to make ULBs self-reliant and financially sustainable. These transfers are in the purview of States/Union Territories (UTs). Government of India (GoI) has advisory role in the matter of increase in revenue of ULBs.

In order to encourage the States/UTs including States of Rajasthan & Uttar Pradesh and ULBs to increase the own revenue of ULBs, GoI has taken following initiatives:

- 1. Under the Atmanirbhar Bharat Abhiyaan, States were allowed for additional borrowing for 2020-21 of 2% of Gross State Domestic Product (GSDP). 0.25% of this additional borrowing was linked to reforms in property tax and user charges for water, sewerage and drainage. 11 States have undertaken these reforms and qualified for 0.25% additional borrowing. State-wise details are at Annexure-I.**
- 2. For being eligible for 15th Finance Commission grants for ULBs for the year 2022-23, States are mandated to notify floor rates of property tax and for the following years, demonstrate increase in property tax collections equivalent to simple average growth rate of State's own GSDP in the most recent five years.**
- 3. Atal Mission for Rejuvenation and Urban Transformation (AMRUT) 2.0 and Swachh Bharat Mission (SBM) (Urban) 2.0 launched on 01 October, 2021 mandate property tax and user charges reforms. 500 AMRUT cities (now 487 after merger of certain cities), where water supply coverage has improved substantially, are mandated to submit roadmap for achieving 90% billing and collection.**
- 4. Property tax, which is one source of own revenue, may be increased by reforms at all five stages of property tax cycle namely enumeration, valuation, assessment, billing & collection and reporting. In order to handhold the States and ULBs for implementing the property tax reforms, Ministry in consultation with 6 States namely Gujarat, Odisha, Punjab, Tamil Nadu, Tripura and Uttar Pradesh has prepared a toolkit with actionable recommendations and stepwise implementation plan.**
- 5. Ministry of Housing and Urban Affairs (MoHUA) is encouraging municipal bonds as an alternate source of funding for infrastructure development of ULBs. Under AMRUT, Ministry has encouraged the ULBs to do the credit rating and issue municipal bonds. Ministry has incentivized 10 cities that issued municipal bonds during AMRUT period. ₹13 crore have been earmarked as incentive for issuing of bonds worth ₹100 crore, subject to maximum incentive of ₹26 crore per city. 470 cities have completed their credit rating and 164 cities have got investment grade rating. 10 AMRUT cities have issued municipal bonds worth ₹3,840 crore. ₹226.84 crore have been released as incentive. City wise details are at Annexure-II.**

(b): Two major streams of revenues of ULBs are grants from GoI and States, and own sources of revenues. Own sources of revenue include property tax, user charges, rentals from municipal properties in the form of rent from shops and hoardings, parking charges etc.

In order to increase their own revenue and diversify their revenue sources, under AMRUT, Ministry has encouraged the ULBs to do the credit rating and issue municipal bonds. Also, GoI through its different schemes is encouraging ULBs to implement reforms in user charge collection apart from property tax collection.

(c): ULBs can provide better quality of services, facilities and infrastructure to the citizens by increasing their own revenue, capacity building of their functionaries, encouraging digitization of Municipal Services etc. along with charging an optimal rate of property tax which reflects the market value of the properties and putting a mechanism in place for periodic revision of property tax rates to maintain the tax buoyancy.

(d): In order to encourage the States/UTs and cities to improve the existing property tax collection system, following measures have been taken:

1. For being eligible for 15th Finance Commission grants for ULBs for the year 2022-23, States are mandated to notify floor rates of property tax and for the following years, demonstrate increase in property tax collections equivalent to simple average growth rate of State's own GSDP in the most recent five years.
2. Atal Mission for Rejuvenation and Urban Transformation (AMRUT) 2.0 and Swachh Bharat Mission (SBM) (Urban) 2.0 launched on 01 October, 2021 mandate property tax and user charges reforms.
3. Property tax may be increased by reforms at all five stages of property tax cycle namely enumeration, valuation, assessment, billing & collection and reporting. In order to handhold the States and ULBs for implementing the property tax reforms, Ministry in consultation with 6 States namely Gujarat, Odisha, Punjab, Tamil Nadu, Tripura and Uttar Pradesh has prepared a toolkit with actionable recommendations and stepwise implementation plan. Property tax reforms toolkit issued by the Ministry addresses all stages of property tax cycle.

Amount approved by Ministry of Finance against 0.25% component of additional borrowing on urban reforms		
S. No.	State	Amount (₹ in crore)
1	Madhya Pradesh	2,373
2	Rajasthan	2,731
3	Goa	223
4	Tripura	385
5	Chhattisgarh	895
6	Punjab	1,516
7	Kerala	3,617
8	Uttarakhand	702
9	Manipur	75
10	Andhra Pradesh	2,525
11	Telangana	2,508

City-wise details of municipal bonds issued and incentive awarded under AMRUT:

S. No.	Name of city/ ULB	State	Amount of Municipal Bonds issued (₹ in crore)	Incentive awarded (₹ in crore)
1	Amaravati	Andhra Pradesh	2,000	26.00
2	Vishakhapatnam	Andhra Pradesh	80	10.40
3	Ahmedabad	Gujarat	200	26.00
4	Surat	Gujarat	200	26.00
5	Bhopal	Madhya Pradesh	175	22.75
6	Indore	Madhya Pradesh	140	18.187
7	Pune	Maharashtra	200	26.00
8	Hyderabad	Telangana	495	26.00
9	Lucknow	Uttar Pradesh	200	26.00
10	Ghaziabad	Uttar Pradesh	150	19.50
Total			3,840	226.837