



URBAN GOVERNANCE DIALOGUE

Transforming Urban Governance

March, 2022



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Fiscal Empowerment Study Visit to the cities of Udaipur and Jaipur

As part of the carrying forward the advocacy on policy changes required, Praja has taken an initiative to conduct in-depth research by deep diving into one of the four themes of the UGI i.e., **Fiscal Empowerment of the City Governments**. The Phase 1 study covered 14 cities across 7 states. In the Phase 2 of the study, we are will create a database for over 17 cities across 11 states. To continue the study in this phase, Praja Team visited Udaipur and Jaipur, Rajasthan in the second week of February 2022, to study the Municipal Finance structure of the cities.

Currently, city governments depend on the state and central governments for funds. For the city government to be independent and financially secure, fiscal decentralisation is very crucial. This involves transferring the power and authority to introduce new taxes and revise tax rates, among other things.

Rajasthan Municipalities Act, 2009

The Rajasthan Municipalities Act, 2009, amended in 2010 is the latest act drafted for the Municipal Corporations of Rajasthan. The Act (section 108, 109 and 110) consists of provision to provide city government with independent authority to revise the existing tax rates/charges and approve the municipal budget, but as per section 103 of the act they do not have authority to introduce new taxes/charges from the assigned list of taxes as per State Municipal Act. Currently, city governments depend on the state and central governments for funds. For the city government to be independent and financially secure, fiscal decentralisation is very crucial. This involves transferring the power and authority to introduce new taxes and revise tax rates, among other things. There is no provision to mandate publishing of budget and accounts documents, according to the section 88.

Nagar Nigam Udaipur (NNU):

Out of 18 functions of devolution mentioned in the 74th CAA, Nagar Nigam Udaipur has independent authority over only 7 functions. Even after many requests by the officials, the powers for all 18 functions have not been transferred to the Nagar Nigam; due to various political reasons. Officials mentioned that the power to convert agricultural land stays with Urban Improvement Trust (UIT), Government of Rajasthan.

Even though UD Tax (Property Tax) is the main source of revenue for any city government, for Udaipur, the authority for any decision making regarding it is under the preview of the State Government. Nagar Nigam Udaipur (NNU) does not have the authority to change or revise the tax rates. The UD tax rate was last revised in 2007.



Nagar Nigam Udaipur (NNU) has been collecting property tax based on the last survey conducted in 2005. In August 2020, NNU signed a contract with private company - Sparrow Softech Pvt. Ltd. for 'Urban Development Tax Coverage & Collection'. The role of Sparrow Softech is to conduct and collect Urban Development Tax and Property Survey including issuance of Notice & Bills, with Technical Handholding support in updating of Urban Development Tax Demand, Collection, Registers etc. for Nagar Nigam Udaipur for the next 10 years after completion of survey work.

Currently, the project is in the Phase of conducting survey. A total of 35 tax collectors and 35 surveyors, are accompanied by city government officials to survey each property in the city. In addition to this public-private partnership, based on the detailed information collected during survey, each property will be assigned a Unique ID enabled with a QR code. This code will help identify taxes and user charges imposed on the particular household. It will also identify what services are due and send advance notifications via SMS or email. The aim of this project is to create an integrated dashboard with 100% corrected Demand Register Data.

Sparrow Softech has also developed a mobile and online portal where all the details with pictures of a property are captured. Citizens can login to view the information and also self-assess the property.

As Udaipur city majorly depend on grants and funds for revenue generation, NNU has taken a step to provide for itself and become self-sufficient for the revenue collected. For the same, the tourist city plans to impose a tax on the rent payed by the guests for their hotel rooms. Similarly, Udaipur is also developing the ancient infrastructure with underground water pipes and drainage lines; which seemed an impossible task for The Walled City of Udaipur.

Jaipur Municipal Corporation (Greater) (JMC):

Similar to Nagar Nigam Udaipur, Jaipur Municipal Corporation Greater has only 6 functions devolved. Additionally, the funds transferred from the state and central government for various development schemes is not sufficient to meet the requirements of the city. Jaipur city heavily depend on the funds and grants transferred by the state and central government. One reason for it can be the lack of powers devolved. City government in Jaipur, has got autonomy power to levy taxes subject to the approval of the state government. Multiple agencies: Jaipur Development Authority (JDA), Jaipur Municipal Corporation (greater and heritage) and Rajasthan Housing Board undertake and planning and development of the city. Rajasthan State Government has defined Property Tax as Urban Development Tax. Therefore, the rules and processes are formed by the state government and the city government only need to implement it without having any decision making powers in the matter.

As a part to undertake innovative mechanisms to increase revenue collection, Jaipur Municipal Corporation bills sanitation and light charges with electricity bill. Before Udaipur, Jaipur Municipal Corporation (Greater) signed a tender with Sparrow Softech Pvt. Ltd. in March 2020. For UD Tax collection. JMC had 86,000 properties identified before the tender. Currently with the assistance of Sparrow, 43,000 properties have been surveyed. Authorities expect to see a growth of 10% per annum based on the new survey of properties.

JMC (Greater) has adopted Self-Assessment Method for UD Tax collection. An official in the corporation shared that, 10% rebate in UD tax is given to those who pay between 1st April to 10th June, 5% rebate if payment done till 30th September. But if a tax payer fails to pay within the given period, the 10% penalty per annum is applicable.



Important Links:

Nagar Nigam Udaipur Website (<https://www.udaipurmc.org/>)

Jaipur Municipal Corporation Website (http://www.jaipurmc.org/Jp_HomePagemain.aspx)

Rajasthan Municipalities Act, 2009

(https://urban.rajasthan.gov.in/content/dam/raj/udh/ulbs/jodhpur%20division/shivgani/pdf/Rajasthan_Municipal_Act-2009%20.pdf)

We would like to know your views and feedback based on the above information shared. Feel free to reach us at urbandialogue@praja.org

Kind Regards,

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