Centre for Peace and Development Initiatives

BUDGET STUDY CENTRE

Own Source Revenue Potential of District Jhelum

Amer Ejaz

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TITLE PAGE

Executive Summary

The Local Government Laws provide an elaborate mechanism for financial independence of the local bodies. There are certain taxes which have been devolved at the local level. Over time the local governments are to achieve financial viability under this arrangement.

District Jhelum is a major district of Punjab. The own source revenue of Jhelum has remained below 1% of total expenditure. A research has been carried out to examine the possibility of enhancing the receipt under the local taxes and also to explore new arenas of taxation. The methodology adopted for research is based on case study technique. Historical data of past 4 years has been examined.

It has been observed that there is huge potential of increasing the receipts under the Urban Immovable Property tax. Tax on transfer of property is being collected to the optimal level. Rents from state owned lands and buildings are 10 times below the market rates. Income from movable assets is ZERO; which is quite alarming. A reasonable amount is being collected through advertisement fee. However a change in the existing regulations to allow shifting from the present model of 'auction of collection' towards 'site-wise' auction can lead to more revenues. This model has been adopted by PHA Lahore. A huge amount is flowing in from the wagon and bus stands. The district being located on GT Road makes it a hub for passenger transport. However, there is a need to develop allied businesses and services on these bus stands.

The situation of district receipts has remained quite bleak over the past few years. No effort has been made to enhance income levels. Income from minor sources (like sewerage, building plan, fines and panelties) has remained steady. An effort to improve enforcement of by-laws can lead to increase in income of these minor heads.

In the end it can be concluded that certain policy amendments and bold initiatives from the state authorities can increase the income of local governments by 2 to 3 times.

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ASSESSMENT OF REVENUE POTENTIAL OF DISTRICT JHELUM

1.0 INTRODUCTION:

1.1 District Governments and TMAs were established as body corporate under the PLGO 2001. The same have now been transformed into district councils and town committees under the PLGA 2013. The transition has been completed on first of January 2017 and all assets and liabilities of the TMAs have been taken by the respective local bodies (municipal corporations/committees). The establishment of district governments witnessed the dawn of a new financial model in public sector. One of the fundamentals of this financial model has been to grant 'financial autonomy' to these local governments/bodies. This was to be achieved through two means. Firstly; ensuring formula based fund transfer from provincial to district levels. Secondly; decentralization of certain taxation heads to the district/tehsil. Under this arrangement it was expected that districts and TMAs would gradually enhance their OSR (Own Source Revenue) generation overtime. A list of local taxes has been attached at attachment-1. This list has been drawn from the second schedule of the Local Government Ordinance 2001. The list of local taxes under PLGA 2013 is placed at attachment-2. A comparison between the two lists would reveal that there is very little difference. Present study is based on analysis of historical data of the last 4 years. Therefore more reliance will be placed on the old list.

2.0 DISTRICT JHELUM

2.1 Jhelum is one of the oldest and prominent districts of Punjab. It is situated besides river Jhelum. It is best known for tourist places like the Rohtas Fort and Khewra Mines and industrial concerns like Pakistan Tobacco Company and ICI Pakistan. Jhelum has a high literacy rate of 79%. It consists of 4 tehsils namely; Jhelum, Dina, Sohawa and Pind Dadan Khan (also called as PD Khan). The District has a population of 936,957[1] and area of 3587 square kilometers.

2.2 Historical analysis of the district/TMA revenues would depict that these have remained heavily dependent on PFC transfers. Their OSR has generally remained very low. District Jhelum is a case in point. For instance, the OSR of district government has remained below 1% of total expenditure. Table-1 captures the situation of district Jhelum over the last few years.

TABLE-1: BUDGET OF DISTRICT GOVERNMENT JHELUM

(in million Rs)

Year	2012-13	2013-14	2014-15	2015-16
Total Budget	3,898.477	3652.624	5047.639	4916.992
OSR	8.000	7.29	24.623	22.44
Percentage	0.021%	0.20%	0.48%	0.46%

* taken from budget books of the respective financial years

[1] Figure taken from 1998 census. Projecting by growth rate of 1.6% the population of Jhelum is estimated at 1,280,000.

2.3 District Jhelum was one of those districts of Punjab which faced financial crunch after freezing of PFC in 2013. Jhelum had very little OSR. Its heavy dependence on provincial grants forced the administration to impose cuts on social services and developmental projects. This situation impels the researchers to look into the causes of such low revenue generation.

3.0 REVENUE POTENTIAL AND METHODOLOGY

3.1 The present study would focus on assessing the revenue potential of district Jhelum. What is meant by 'Revenue Potential"? The term refers to the maximum income from each source. The assessment of revenue potential is a twofold process. Firstly; evidence based analysis of the current revenue generation. How much revenue has been collected under the various heads in the past 3 years? Secondly, extrapolation of these into their true revenue potential. This extrapolation has to be scientific and logical. And additionally; to explore the hitherto un-explored areas of revenue generation.

3.2 This research had been carried out by gathering data on the following lines;

a) Actual revenue collected during the last 3/4 years on the heads mentioned in Annexure-B
b) Revenue Potential under these heads. This aspect is the core of this study. The Revenue Potential will be determined/calculated on the basis of evidence as well as in-house analysis. Case study methodology has been adopted to arrive at concrete results.

3.3 The data collected by the research teams has been compiled and tabulated for the ease of comprehension and placed at the end from attachment-3 to attachment-7. Lets discuss each income head separately.

4.0 PROPERTY TAX

4.1 Property Tax is levied under the section 3 of the Punjab Urban Immovable Property Tax Act **(UIPT)** 1958. This tax is collected by the Provincial Government through the Excise and Taxation Department. Under Section 3/A the Government is to transfer 85% of the collected amount to the concerned local body after retaining collection charges etc. UIPT is collected at the rate of 10% of the assessed annual value of the property (building or land or both). It is therefore of utmost importance that an accurate assessment of the annual (rental) value of the property is made. The actual revenue actualized by district Jhelum as UIPT since 2012 is presented below.

TABLE-2: PROPERTY TAX SHARE RECEIVED BY JHELUM

(All Figures in Rupee)

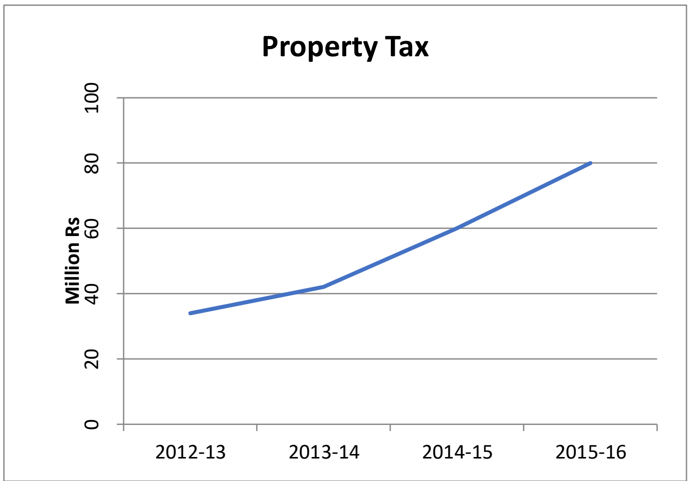
Name of Tehsil	2012-13	2013-14	2014-15	2015-16
Jhelum	7,332,082	10,740,293	32,255,525	43,502,968
Sohawa	7,238,345	5,610,359	4,403,708	4,493,175
Dina	11,828,648	14,510,644	12,737,819	18,930,628
PD Khan	7,750,960	11,128,741	10,510,855	13,266,824
Total	34,150,035	41,990,037	59,907,907	80,193,595

*Figures obtained from the Excise & Taxation Dept and cross matched with TMAs

4.2 It would be quite clear from the above figures that the receipts under the head of UIPT witnessed a steady spike from 2014. This is due to the fact that the government of Punjab introduced new valuation criteria and conducted fresh survey of properties.

4.3 The hypothesis of this study is that the revenue being collected by the district is much less than the actual revenue potential. In order to prove/disprove this hypothesis an attempt has been made to compare the "assessed value" with the "market value" of property. Some shops located on the main road/front of the Shandar Chowk (Long 32.928961, Lat 73.731288) have been considered as a case study. Following table shows the comparison of assessed rental value and actual rental value. It is important for the reader to understand the mechanism of assessment and the related laws/SROs. In order to facilitate the reader an explanatory note has been added at the end and placed as attachment-8.

TABLE-3: COMPARATIVE ANALYSIS OF UPIT



Departmental Assessment	Market Assessment
a) Size of the Shop = 25 ft * 11 ft = 275 sq ft b) Location = Main Road Shandar Chowk c) Category = D d) Type = Rented e) ARV per sq ft = Rs 40 f) Assessed rental value of the shop = 40*275 = Rs 11000 pm g) Annual Rental Value = 11000*12 = Rs 132000 h) After 10% reduction = Rs 118800 i) Tax @ 10% of above = Rs 11880/- annually	a) Market rent as recommended by property dealer[2] = Rs 25000 monthly b) Annual rental value = 25000*12 = Rs 300,000 c) After 10% reduction = Rs 270,000 d) Tax payable @ 10% = Rs 27000/- annually

[2] Quotation obtained from Japan Property Consultants is placed at Attachment-2.

4.4 It should be noted from above that there lies a difference of more than double (127%) in terms of tax between the assessed and market payable values. The difference is likely to be less pronounced in residential/non-commercial areas. Difference is also to be less pronounced in case of self occupied properties than rented properties.

4.5 The upshot of the discussion is that the figures shown in table-3 could have been enhanced to double if a realistic assessment of the properties is made. For this purpose the TMA/Municipality needs to revise the rated area from category 'D' to category 'C'.

5.0 TAX ON TRANSFER OF PROPERTY

5.1 All TMAs are authorized to levy tax on transfer of property. Under **the Punjab Local Government Tax on Transfer of Property Rules 2001**, each sub-registrar is authorized to collect this tax at the time of registration of Sale Deed. The reader would be very interested to learn that there is a direct connection between the valuation table[3] and the TMA revenues. This connection needs to be fully understood before analyzing the revenue potential.

5.2 In each financial year the District Collector/Deputy Commissioner is required to notify the value of land and property located in the district. This value forms the basis of stamp duty and tax collection. As per law the purchaser is bound to pay committee/tax at the rate of 1% of the value of land as assessed in the DC Rate[4]. In case the DC Rates are not realistic (ie under valued) then the purchaser would be paying lesser taxes than the due. Since TMA fee is collected at the rate of 1% of the DC Rate therefore any error in the DC Rate would directly impact the revenue of the TMA.

5.3 The research team gathered information from the official gazette containing the Valuation Table for the whole district, property valuation done by FBR and gathered information from the market. The hypothesis of the researcher was to establish that TMAs are not able to collect their due share of committee fee because the DC Rates are lower than the actual market value of the properties. Case study methodology has been adopted to validate this hypothesis. A 5 Marla[5] house located in Professor Colony has been assessed. The following table presents the comparison between DC Rate and market rate. The figures appearing in the left column of the table have been taken from the actual registered deed. Copy of the registered deed is placed at attachment-9 for ready reference. Whereas the figures in the right column are taken from the FBR (Federal Board of Revenue) schedule[6]. The FBR schedule is being considered authentic because they had carried out a country vide evaluation exercise

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[3] Called as the DC Rate in common parlance. The Valuation table is issued each year on the first of July under the Punjab Registration Act 1908.

[4] This is called the Committee Fee in common parlance. In fact it is the Tax of Transfer of Property.

[5] Marla is a unit of area. It is equal to 272 square foot.

[6] This valuation has been recently notified by FBR vide SRO.No.681(1)/281 dated 03-08-2016. Copy of the same is placed at attachement-10. This SRO is also available on line at

http://download1.fbr.gov.pk/SROs/2016851084413308201684148554977620l4SRO681JEHLUM.pdf through third party consultants. This exercise was carried out after the introduction of CGT (Capital Gains Tax) at the Federal level[7].

Table-4: COMPARATIVE ANALYSIS OF COMMITTEE FEE

Departmental Assessment	Market Assessment
Size of property = 5 Marla	Size of property = 5 Marla
Location = Professor Colony	Location = Professor Colony
Type = Residential	Type = Residential
Per Marla DC Rate = Rs 360,000/-	Per Marla FBR Rate[9] = Rs 412,000/-
Value of Land = 360000*5 = Rs 1,800,000	Value of Land = 412000*5 = Rs 2,060,000
Value of building[8] = Rs 2,800,000	Value of building = Rs 2,800,000
Total assessed value of the property = 4,600,000	Total assessed value of the property = 4,860,000
TMA tax @ 1% = **Rs 46,000**/-	Payable TMA tax @ 1% = **Rs 48,600**/-

5.4 It would be crystal clear from the above that there is not much of a difference between the assessed TMA tax and the actual potential. The difference comes to slightly over 5%. In other words the DC Rates notified by the Government are quite realistic and TMAs are not suffering much of a loss under this head of revenue. It is however deemed necessary to state that in the recent years the government of Punjab has worked harder towards enhancing the revenue under stamp duty and computerization of land record. Regular updation of the DC Valuation table was part of this effort. The TMA fee is a byproduct of this exercise. In light of above it can be safely stated that the TMA Tax **is being collected to its optimal potential**.

5.5 An important clarification about the table-4 is warranted at this stage. The above table contains the figures of UPIT and TMA Tax collectively. Although these are separate heads of collection and have separate streams of collection yet the TMAs are not booking these separately. The standard CoA (Chart of Accounts) provided by the government do not provide for a separate classification for these two. It needs to be proposed to the government that separate booking of these two taxes should be introduced at the level of TMAs.

6.0 RENT ON LAND AND BUILDING

6.1 District Government as well as TMAs have corporate assets, both movable and immovable, which are being rented out. These rents form income for them. Movable assets include vehicles, tractors, trolleys etc. Whereas, shops and lands are usually considered as immovable assets. Research team has been able to prepare a list of

[7] Any detailed discussion on gains tax is beyond the scope of the present study since it is a federal tax.

[8] Value of building is calculated at the rate of Rs 10 per square foot of the covered area.

[9] At serial No. 21 of the SRO ibid.

assets which are available for rental. The list of movable assets is placed at attachment-10. Table-5 below captures the income from rentals.

TABLE-5: INCOME FROM RENT OF BUILDING, LAND AND ASSETS

(All figures are in Pak Rupee)

	2012-13	2013-14	2014-15	2015-16
District Government	N/A	N/A	6,063,000	5,680,000
Jhelum	15,148,238	19,391,205	17,080,746	15,811,931
Sohawa	767,030	863,504	1,206,152	427,054[10]
Dina	298,750	490,535	569,290	519,769
PD Khan	1,807,362	2,088,829	2,755,320	3,141,071

*Source: Budget books of the respective local government,

6.2 It would be clear from the table that the district has shown a steady increase on rental income. The year-to-year increase varies between 12-16% in most of the cases except for a couple of spikes observed in 2013-14. This steady trend is incremental in natures rather than indicative of any extra-ordinary effort towards revenue collection. The fundamental and basic question is; whether the TMAs are collecting the rents up to their potential or not? Case study method is found to be best suited for arriving at a concrete conclusion in this regard.

6.3 TMA Jhelum owns some shops near Shandar Chowk. TMA has granted these shops on rent on long term leases. TMA is collecting rent between Rs 5000 to Rs 10000 per month. 5000 being the minimum and 10000 being the maximum. These rates have not been revised during the last 4 years. Furthermore, the market rates of these shops range between Rs 25000 to Rs 50000 per shop per month[11]. Thus leading to the obvious conclusion that TMA can increase their revenue at least by 5 times under this head.

6.4 Another case study has been carried out regarding the TMA shops located at Bano Bazaar. Here the TMA is receiving rent for one shop at the rate of Rs 1500 per month. Whereas, the potential rent ranges from Rs 10000 to 20000 per month[12]. Here the difference between the potential income and actual income is more than 15 times. The upshot of this discussion is that TMAs are receiving much less rental income than the market potential. Even more unfortunate is the fact that this appears to be have been continuing for over a decade. Thus causing a great loss to the exchequer in direct financial terms.

6.5 While discussing the income from assets, it is of utmost importance that the unutilized and undeveloped real estate of the district and tehsils be examined. Instances have to the notice of the research team wherein, prime located state lands are lying under-utilized or un-utilized. For instance 13 kanals of commercial state land is lying close to Akram Park in Jhelum city. This land can be used for commercial

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[10] This figure is doubtful in the sense that the sudden dip from the previous year collection could not be explained by the TMA officials. There is a likelihood of reporting error as well.

[11] Statement of one of the property dealers are attached at attachment-2.

[12] Ibid.

purpose for income generation. Similarly, the offices of civil administration and revenue department have recently shifted from civil lines to the new district complex. This prime real estate should also be put to use. Smaller tehsils (Dina and Sohawa) also have vacant properties in the middle of the city. These properties need to be put to use for income generation activities. Last but not the least, district Jhelum has a wonderful tourist attraction in the shape of Rohtas Fort. It has an area of over 51000 square meters. Not much effort has been made by the tehsil or district to generate income by way of toll, shops or any other commercial activity. Instead there lies a long drawn litigation between the government and the residents of the fort. This has lead to a huge loss of income potential from this area.

6.6 A word needs to be added to about income from movable assets. The TMAs and district government are having zero income from rents of movable assets. The movable assets are consisting of machinery and equipment (like tractors, trolleys and road rollers) which can be taken on rent by private parties. However it has come to the notice of the research team that most of these machines are non-functional and lying in parking lots getting rusty. The only exception being the agriculture department workshop who are regularly giving the machinery to the farmers on rent during harvesting and sowing seasons. The rates charged by the government are very low as compared to market value. For instance, the agriculture department charges Rs 560/= per hour for rent of bull dozer. Whereas the market rate of rent is near Rs 1200/= per hour. However, it to be noted here that the government has kept the rates lower for agriculture purpose only. This is done for providing subsidy to the farmers and encouraging the agriculture sector. Furthermore, the proceeds of this rent are deposited in the provincial revenues.

7.0 ADVERTISEMENT FEE

7.1 Before venturing into the details of income from advertisement, few clarifications are necessary for the reader. Advertisement fee is one of the major income sources for the TMAs. District has no share in it. Table-6 below presents the income under this head. It would be noticed that in one instance the annual income has even crossed the Rs 10 million mark. Thus making it the second most lucrative source of income. Secondly, advertisement income is earned in two different ways; firstly, skyline fee is charged on every advertisement being made; and secondly, processing fee is charged by TMA as and when NOC is granted for installation of new boards or development of new advertisement sites. There can be a third mode of earning as well wherein the TMAs are allowed to install their own advertisement bill boards and them let them on rent to interesting parties. However, this mode is not being followed in Jhelum. Lets have a look at the situation at Jhelum.

TABLE-6: INCOME FROM ADVERTISEMENT FEE

(All figures are in Pak Rupee)

	2012-13	2013-14	2014-15	2015-16
Jhelum	2,267,724	3,866,850	7,133,160	10,630,000
Sohawa	911,000	150,500	1,100,000	1,185,000
Dina	1,479,060	1,769,010	1,974,400	3,266,770
PD Khan	443,149	467,240	477,061	690,168

*Source: Budget books of the respective local government,

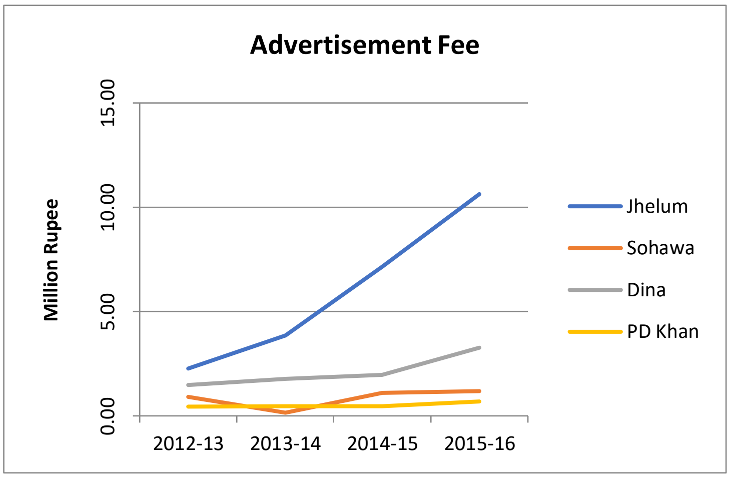
7.2 This would indicate that advertisement fee has shown a steady and healthy increase in income around 20% on year-to-year basis, except for tehsil Jhelum, wherein the income has enhanced significantly by 6 times. The sudden spike in 2015 had come due to the election campaigns being conducted by candidates during local government elections in 2015. Whether or not the TMAs or their successor MCs are able to keep up the same level of earning is yet to be seen in the coming year and two. The upshot of the discussion is that advertisement fee is a very promising source of income for the TMAs.

7.3 The research team has carried out hectic survey to count the number of advertisement boards being installed in district Jhelum. Tehsil wise breakup of the bill boards is placed at attachement-11.

7.4 The fundamental question here is that; what is the potential for increasing the income of TMAs under this head? It would be worth the observation that the number of advertisement boards is quite low. For instance in PD Khan there are only 20. There is definitely margin for increasing the income under this head of revenue. Here is a suggestion in this regard.

7.5 Examination of the advertisement by-laws indicates that the TMAs are not collecting the advertisement fee themselves. Instead 'Collection Rights' of the advertisement have been auctioned out to private contractor. There is one contractor for one tehsil. This policy has two impacts; Firstly, the same contactor is able to win the auction rights over and over again years on. Secondly, the increase in the number of advertisement boards or the advertisement activity might not have direct positive increase in TMA income. Instead the contractor would benefit more from that. Another important observation with regard to advertisement bill boards is that TMA/MC own very few bill boards or does not own them at all.

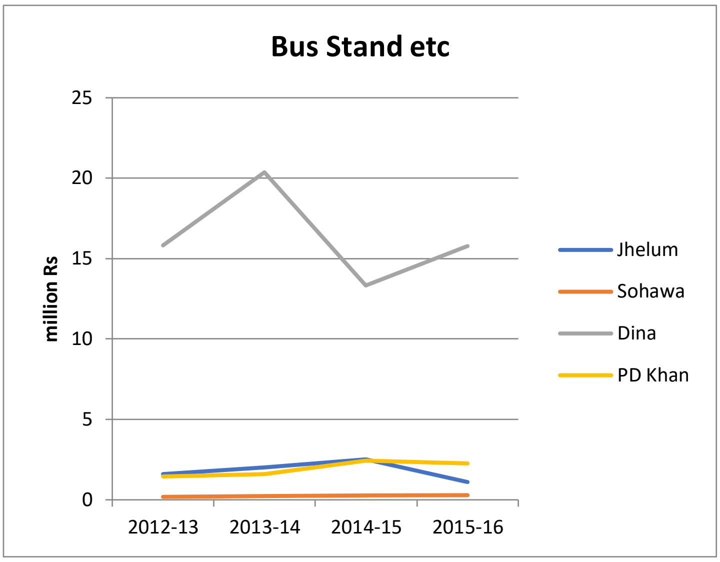
7.6 Local bodies, therefore, need to work on developing advertisement sites. The model of Parks and Horticulture Authority Lahore is a learning for them. Firstly, the TMAs/MCs need to have their own advertisement boards on prominent sites. The fact that GT Road passes right from the middle of the district bears a great potential for this kind of business. Ideally the TMA/MC should have a business wing wherein the officials should be engaged full time in developing advertisement sites and strategizing for income enhancement. Secondly, the one-contractor-one-teshil model needs to be replaced by a more dynamic model wherein each site should be auctioned separately. This approach would require more effort and input from the TMA/MC employees. This would also entail an amendment in the prevailing by-laws, for which the TMA/MC is fully competent. If the above proposals are implemented then the advertisement income potential can be enhanced by at least double from the present level.



8.0 WAGON STANDS

8.1 The particular geography of district Jhelum due to its location on the GT road gives it huge potential for income in the transport sector. Every tehsil has established its bus stands and collecting revenue. Table-7 presents the income from wagon stands and parking stands.

TABLE-7: INCOME FROM WAGON/PARKING STANDS



(All figures are in Pak Rupee)

	2012-13	2013-14	2014-15	2015-16
Jhelum	1,588,650	2,007,600	2,516,240	1,105,020
Sohawa	186,000	225,000	276,000	290,000
Dina	15,837,859	20,367,200	13,327,020	15,784,990
PD Khan	1,453,600	1,590,117	2,437,097	2,247,820

*Source: Budget books of the respective local government,

8.2 It would be observed from the above that tehsil Dina has the highest level of income in this head. This is because of the fact that Dina has the largest bus stand and the greatest traff ic movement. Its location in the GT road has enhanced its income potential. However, it is to be observed from the above that all the tehsils are showing a steady trend in income. Further initiative and effort for enhancing the income under this head can bear fruit.

8.3 In this regard attention of the reader is invited towards successful models of income generation from the transport sector as adopted in developed countries like Singapore and Hong Kong where the road/transport authorities have focused toward development of allied businesses and services for enhancing income level. Following suggestions are submitted for consideration of the policy makers

a) Shops can be constructed on the premised of the bus stands and then leased on monthly rent. In case the TMA/TC does not have enough capital to invest on this kind of project, there is the option of undertaking a BLT (build-Lease-transfer) project. Government of the Punjab has also introduced new law for PPP (Public Private Partnership) to facilitate this kind of work[13]. This Act was promulgated in 2014 and a full fledge PPP cell is working in the Planning and Development Department Lahore for facilitating the local bodies and other government agencies for PPP projects. Having stated the above a word of caution is to avoid any situation similar to the TMA shops located in the city which have been leased out at 10 times below the market rates.

b) It has been observed by the research team that a large number of Ching Che motorcycles are plying on the roads. And there is no proper parking facility or adda for them. If the local bodies focus on developing paid parking places for them it will have the dual advantage of not only resolving the traffic issue on the main roads but also generate income for them.

9.0 DISTRICT GOVERNMENT REVENUES

9.1 The discussion so far has examined the sources of revenue head-wise. However, it is deemed pertinent to shed some light on district revenues separately. For the sake of understanding of the reader it is to be stated here that the PLGO as well as PLGA has laid down clear cut bifurcation and separation of income heads for district and tehsils. For instance, UIPT is a tehsil level tax and district will not have any right to interfere in that tax. As a matter of fact there is complete ban on flow of funds from tehsil to district. The upshot of this discussion is that District and Tehsil are financially independent of each other. District has to raise its own revenues and cannot accept or loan funds from the Tehsil.

9.2 As already discussed in Table-1 (Section 2.0 infra) district revenues are less than one percent of their total expenditures. Meaning thereby that district had been heavily depending on vertical grants from the provincial government and not earning much on its own. Lets have a look at the situation of the revenue in FY-2013/14.

TABLE-8: DISTRICT RECEIPTS IN 2013/14

(In Million Rs)

Sr.	Description	Agency	Receipt
1(i)	Rent of Shops, Licenses Fees etc.	Taxation Branch	5.680
(ii)	Recovery actualized from ICI		11.240
2	Tender Fees	DO Roads	3.221
3	Tender Fees	DO Buildings	1.606
4	Sample Fees of Soil & Water	DO Soil	0.020
5	Parchi Fees	DO Livestock	0.083
6	Ponds	DO Fisheries	2.755
7	Compensation	DO Forest	0.018
G. Total			**24.623**

[13] The complete text of the law is available at

http://www.punjablaws.gov.pk/index1.html

9.3 In the above table one prominent figure is that of recovery effected from ICI. It is submitted for the information of the reader that this amount had been pending against ICI since 1980s-90s. After a long litigation between the parties the ICI agreed to deposit the outstanding amount in 2 installments. One of these installments was collected in 2013/14. Hence this is not a recurring source of income.

9.4 The situation of rent of shops has already been discussed. Rest of the income is very minor. It is mostly transaction based. For instance the licensing fee or the tender fee is deposited by the license holder or the bidder on every renewal. The income under these heads is not reflective of any effort on the part of district authorities. There appears to be a total lack of initiative for exploring new areas of income by them or enhancing income from the existing resources. No wonder the district Jhelum landed into financial crunch.

9.5 Toll on district roads and bridges could have been a wonderful source of income. There is heavy traffic in PD Khan area. And there is tourist traffic for Rohtas Fort. Similarly there are two roads leading to AJK from Jhelum. One of these roads can be converted into toll road. The second schedule of PLGO had clearly authorized the district government to raise toll on district roads. A counter argument raised by the district authorities is that raising toll on any of the main roads can lead to public resistance and litigation. A comfortable solution to this problem could have been to start with a small step. For instance imposing a 2 rupee toll and then enhance gradually. There are successful examples of raising toll on smaller raods in Tehsil Murree, District Rawalpindi. That toll started from Rs 45 and has not gone to Rs 200 per entry.

10.0 OTHER RECEIPTS

10.1 In addition to the major sources of receipts discussed above there are other minor sources of receipt as well. A look at attachments 3 to 8 would reveal that there are other sources like building plan fees, sewerage charges, slaughter fee, fines and penalties etc. These receipts are mostly transaction based. For instance, building plan fee is deposited by the developers of houses for seeking approval of their building plans. If the construction activity starts to go up due development of new colonies or roads then automatically building plan fees will go up. Similarly slaughtering fee is dependant on the number of animals being slaughtered.

10.2 There is no direct way to enhance income under these heads. For instance the administration cannot force the people to construct new houses. What the administration can do is to improve enforcement. For instance a crack down on houses which are being constructed without proper approval be fined and panelized. Or commercial activity in residential areas be stopped. Similarly illegal slaughtering be apprehended etc etc. Such like steps will impel people to approach the government for regularization of their accommodations and deposit the government dues.

11.0 CONCLUSIONS AND RECOMMENDATIONS

11.1 There is great need to work on enhancement of receipt under the UIPT. Although UIPT is collected by the Excise & Taxation Department but TMA/MC have to take the lead in this regard. The key lies in revising the category. At present the main urban areas are assessed to property tax under category ‘D’. TMA/MC needs to take up the matter with the provincial government for revising the category to ‘C’. As per the UIPT Act the excise department is bound to initiate fresh survey once the concerned local government initiates the demand. Moreover, tehsil Sohawa and Tehsil PD Khan are exempted from UIPT. There municipal facilities (though limited) are being provided by the TMA/MC. It is but logical that they should be assessed to UIPT. The concerned local government will have to take initiative and move the provincial government in this regard. It has come to notice of the research team that not a single reference had been sent to the provincial government in this regard.

11.2 Local governments in Jhelum are earning handsomely from their wagon and bus stands. Receipts from the bus/wagon stands can be increased at least by two-folds if shops and allied facilities are brought in there. Moreover, there is a great scope for ching-chi stands.

11.3 The income from rent of shops, land and machinery can be enhanced upto 10 times. The newly elected members of the MC should take up this matter with the DC office. The DPAC is headed by the DC. The DPAC has the authority to issue fresh assessment of rents. After the fresh assessment all the lease holders should be impelled to pay as per revised rates or new leases should be granted.

11.4 Toll tax should be introduced in tahsil PD Khan and AJK road. This should be done in a phased manner. Starting from a paltry 2 or 5 rupee and then enhancing to higher values over period. This would avoid the apprehensions of the officials about public agitation or litigation.

11.5 Improved enforcement local laws will increase the receipt under the transaction based taxes/fees like building plan fee, fines, licensing fee etc.

11.6 A new paradigm of advertisement auction needs to be introduced. A complete outline of this paradigm has been provided in section 7.0 above

ATTACHMENTS

ATTACHMENT-8

Explanatory notes on UIPT

The tax calculations in the left column of table-2 are based on the assessment formula laid down in Excise & Taxation Department notification No.SO.TAX(E&T)3-38/2014 dated 26-06-2014 (see attachment-1). Here are the explanations for each entry;

a) Size of the shop is measured in square feet. Covered area is obtained by multiplying the length and width of the shop.
b) This case study is based on the shop located on the main road at Shandar Chowk.
c) Excise and Taxation Department has rated this area under Category 'D' (commercial). See Attachment-1 for details of the categories.
d) Excise Department has assigned different rating weightage for 'rented' and 'self-owned' properties. The case study is based on 'rented' shop.
e) Multiplication factor of 40 is provided in the SRO ibid under Category 'D' commercial-rented.
f) Assessed Rental Value is calculated by multiplying the covered area with the factor above. This gives the month assessment of rent.
g) Annual rental value is simply twelve times the monthly rental value.
h) 10% reduction is allowed to cover the taxation expenditures of the land lord (for instance the land lord has to be paying income tax on this rental income.)
i) Tax is payable at the rate of 10 percent of the net rental income of the land lord

Column 2 of the table is based on market rate determined by the research team. Quotation from one of the property consultants has been added as evidence. The actual rent might be higher than Rs 25000 per month. But lowest value has been taken for the purpose of comparison.

ATTACHMENT-10

Movable assets owned by TMAs of District Jhelum

TMA Jhelum

- 10 Tractor/Trolleys
- 1 Sucker Machine
- 6 Ching Chi motorcycle trolleys (out of order)

TMA Dina

- 4 Tractor with trolleys

TMA Sohawa

- 1 Tractor with trolleys

TMA Pind Daden Khan

- 1 Tractor
- 1 Loader
- 1 Trolley

Movable assets owned by the District Government

- Bulldozer 10 + 9 + 6 (Working 7 only)
- Tractor 2
- Loader 1
- Boring Machine : 6 (Rent Rs: 560 per hr)
- Tractor 1
- Tractor Trolley 1 (Non Functional)

ATTACHMENT-11

Advertisement Boards in Jhelum

The detail of Billboards/Hoardings present in District Jhelum is given below

Tehsil Jhelum

128 Boards of different sizes (About 20 are of largest size)

Tehsil Dina

86 Boards

Tehsil Sohawa

28 Boards

Tehsil Pind Daden Khan

20 Boards (mostly small sized 10X14)

List of acronyms

1	TMA	Tehsil Municipal Administration
2	PD Khan	Pind Dadan Khan
3	PFC	Provincial Finance Commission
4	OSR	Own Source Revenue
5	PLGO	Punjab Local Government Ordinance (2001)
6	PLGA	Punjab Local Government Act (2013)
7	DC	Deputy Commissioner
8	FBR	Federal Board of Revenue
9	CGT	Capital Gains Tax
10	CoA	Chart of Accounts
11	MC	Municipal Corporation
12	PHA	Parks and Horticulture Authority
13	DPAC	District Price Assessment Committee

END

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BUDGET STUDY CENTRE

Centre for Peace and Development Initiatives

+92 51 831 27 94, 831 27 95
+92 51 844 36 33
info@cpdi-pakistan.org
/cpdi.pakistan
/cpdi_pakistan
/cpdi_pak

A Company setup under Section 42 of the Companies Ordinance, 1984