

CHAPTER 6

PROPERTY (HOUSE TAX) & OTHER TAXES

INTRODUCTION

6.1 This chapter contains the recommended accounting system for Property (House Tax) and Other Taxes related transactions.

6.2 **Property Tax (House Tax)** is the main source of income of most ULBs. Property tax (House Tax) is levied on residential and commercial properties. Property tax is collected from the citizens and organisations, which own the properties. In respect of property tax on State or Central Government departments or undertakings, the property tax is received from the State or Central Government, as the case may be and in respect of Government undertakings, property tax is received directly from such undertakings or from the State or Central Government.

6.3 **Other Taxes may comprise of the following:**

- i. General Tax
- ii. Water Tax
- iii. Water Benefit Tax
- iv. Conservancy Tax or Sewerage Tax
- v. Sewerage Benefit Tax
- vi. Education Cess
- vii. Development Cess
- viii. Street Tax
- ix. Fire Brigade Tax
- x. Tax on Vehicles, Boats and Animals
- xi. Light Tax
- xii. Health Tax
- xiii. Dog Tax
- xiv. Tree Cess
- xv. Fire Cess
- xvi. Any other taxes as defined in the Act.

- 6.4 In addition to the taxes referred above, following may be collected by the Property Tax (House Tax) Department:
- a. Property Transfer Charges
 - b. Notice Fee, Warrant Fee, Other Fees and interest and penalties charged for delays and defaults made by the taxpayers

ACCOUNTING PRINCIPLES

6.5 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Property and Other Taxes:

- a. Revenue in respect of Property and Other Taxes shall be recognised in the period in which they become due and demands are ascertainable.
- b. In case of new or changes in assessments, tax can be accrued in the month in which the demand is served;
- c. Interest element and Penalties, if any, in demand shall be reckoned only on collection;
- d. Revenue in respect of Notice Fee, Warrant Fee, and Other Fees charged shall be recognised when the bills for the same are raised;
- e. Revenue in respect of Property Transfer Charges shall be recognised on actual receipt;
- f. Collections to be made on behalf of state Government i.e., State Education Cess, Employment Guarantee Cess and Library Cess and included in the Property tax demand shall be reckoned together with Property tax demand and credited to a control account called "State Government Levies in Taxes- Control Account."
- g. The liability towards dues to the State Government for collections on its behalf shall be recognised as and when they are collected;
- h. Revenue in respect of Rebate from State Government for collection made on their behalf shall be recognised at the rates prescribed by the State Government at the time of creating the liability to the State Government;
- i. In respect of the demand outstanding beyond two (2) years, provision shall be made in the Demand, based on the following provisioning norms:
 - Outstanding for more than 2 year but not exceeding 3 years: 25%
 - Outstanding for more than 3 years but not exceeding 4 years: 50% (additional 25%)

- Outstanding for more than 4 years but not exceeding 5 years: 75% (additional 25%)
 - Outstanding for more than 5 years: 100% (additional 25%)
- j. While making provision for receivables as stated above, the relevant proportion 'State Govt. Cesses/ levies in Property Taxes - Control account' shall also be provided by debiting to a separate account.
 - k. Any additional provision for demand outstanding (net on overall basis) required to be made during the year shall be recognised as expenditure of the current year and any excess provision written back during the year shall be recognised 'as other income' of the ULB for the current year.
 - l. Refunds, remissions of taxes for the current year shall be adjusted against the income and if pertain to previous years then it shall be treated as prior period item
 - m. Write-offs of taxes shall be adjusted against the provisions made and to that extent recoverable and 'State Government dues control' account balance gets reduced.
 - n. Any subsequent collection or recovery of 'Receivables for Property Taxes which were already written off' shall be recognised as a 'Prior Period Income'.
 - o. Demands raised with retrospective effect will be treated as prior period income to the extent it pertains to earlier years.
 - p. Part-payments received in respect of Property and Other Tax levies shall be adjusted as per provisions of the Act.
 - q. Wherever self-assessment of taxes are prevalent, income can be accrued based on records available with the ULB when it becomes due as per the provisions of the respective Municipal Acts. Further changes arising out of self-assessment will be treated as 'Change in Demand' and will be accounted accordingly.

ACCOUNTING RECORDS AND PROCEDURES

6.6 *This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Property & Other Taxes For the purposes of accounting of Property & Other taxes there are certain forms, registers, etc., which are specific to Property & Other Taxes, e.g., Summary Statement of Year-wise & Head-wise Collection of Property & Other Taxes (Form POT-3). These (Form POT-1 to POT-5) are annexed to this chapter*

TAX BILLS

6.7 A Summary Statement of Bills Raised shall be prepared ward-wise and tax- head-wise, in Form P&OT-1 on monthly basis within 7 days from the end of the previous month. This forms the base for accounting and the following entry shall be passed.

a. Recording of demand raised on existing assessment:

Code of Account	Accounting Entry (Illustrative Heads)	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-10-(a)	Receivable for Property Taxes (year)	Dr.	770000		Journal Book, Ledger
110-01-(a)	To Property Tax – Residential	Cr.		200000	
110-01-(a)	To Property Tax - Commercial	Cr.		300000	
110-02-(a)	To Water Tax –	Cr.		100000	
110-03-(a)	To Sewerage Tax	Cr.		50000	
110-(b)	To Others*	Cr.		50000	
431-91-(a)	To State Govt. Cesses/ levies in Property Taxes- Control account**	Cr.		70000	

Specify the heads of each income for which demand is raised.

*** Specify the name of the cess*

(a) Insert Detailed Head Codes of Account as applicable

(b) Insert Minor & Detailed Head Codes of Account as applicable

Note: The postings in the Ledger Account of “Receivables for Property Tax” Account and Revenue accounts shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book.

1. It is a normal practice for the ULB to include the arrears of the tax dues while issuing the fresh demand. Entries in respect of the arrears would have already been recorded in the earlier years. The above entry to be passed is only in respect of the current year demand.
2. Cesses/Levies collected on behalf of State Government together with property tax demand shall be reckoned and credited to control account, “State Govt. Cesses/ levies in Property Taxes - Control account” above. However the liability to the State Government arises only upon collection. The treatment of this is discussed subsequently.

b. Recording of demand raised in case of new assessments

1. In case of new assessments, demand may be raised for a period earlier to the financial year in which the assessment is made. In such case the demand should be split according to the period to which it relates and income related to earlier period be accounted as Prior period Income as provided below.

Code of Account	Accounting Entry (Illustrative Heads)	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-10-(a)	Receivables for Property Taxes (Year...)	Dr.	4400		Journal Book, Ledger
110-90-(a)	To Property Tax – Residentail	Cr.		2000	
280-10-(a)	To Prior period Income-Taxes*	Cr.		2000	
431-91-(a)	To State Govt. Cesses/ levies in Property Taxes – Control Account **	Cr.		400	

Specify the heads of each income for which demand is raised.

*** Specify the name of the cess*

(a) Insert Detailed Head Codes of Account as applicable

Note: The demand raised is for 2 assessment periods for Rs.2,200 each of which Rs. 200 is towards state cess.

c. Recording of Change in assessment:

Any demand raised earlier may undergo changes by court order / by the order of Commissioner / by any other competent authority. This may either lead to increase or decrease in demand amount. A summary statement of all changes in Demand Raised shall be prepared, in Form P&OT- 2 on monthly basis within 7 days from the end of the previous month. This forms the base for accounting and the following entry shall be passed.

i. In case the revised demand is more than what was recorded earlier, then, the entry to be passed is same as accounting of existing demand, for the difference amount.

ii. In case the revised demand is less than what was recorded earlier, the entry passed earlier has to be reversed for the difference. The reversal shall be reflected in the current year revenue incase the revision in demand relates to the current year and in any other case the reversal shall be accounted as prior period expenses. The remission / refund amount shall be adjusted against Receivables if the demand is outstanding. The accounting entry for the same is as follows.

Code of Account	Accounting Entry (Illustrative Heads)	Dr./Cr.	Debit Amount(Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
110-90-(a)	Tax Remission & Refund Property & other Taxes	Dr.	500		Journal Book, Ledger
280-50-(a)	Prior period expenses-refund of Taxes*	Dr.	500		
431-91-(a)	State Govt. Cesses/levies in property Taxes-Control Account	Dr.	100		
431-10-(a)	To Receivables for Property Taxes (Year.....)	Cr.		1100	

* Specify the heads of each income for which demand is raised.

** Specify the name of the cess

(a) Insert Detailed Head Codes of Account as applicable

ii. If the demand is already paid, it will either be taken as credit and adjusted against future payments or will be paid to the tax payee as refund depending on the governing principle of the ULB. The amount of refunds/remissions shall be credited to the account

‘Advance Collection of Revenues’ with account code 350-41-(a) (instead of 431-10-(a) as indicated in the above entry) when it is to be adjusted against future payments. If it is to be refunded then it shall be credited to the Refunds payable account with account code 350-40-(a).

SELF ASSESSMENT

6.8 Self-Assessment of taxes is a method of bringing better compliance and improved collection. In such cases, income shall be accrued on the due date (as per provisions of Act) based on the information available with the ULB in the assessment records. On due date, a Summary Statement of Bills Raised shall be prepared by the Tax Department as provided earlier and income shall be accrued as in the normal case.

6.9 However on submission of self- assessment forms, upon scrutiny and approval as per the rules and regulations laid down for this purpose, it shall be recorded in the books of accounts. The effect of this could either lead to increase or decrease in demand. The accounting procedure to be adopted will be same as change in assessment.

COLLECTION OF TAXES

6.10 The procedure for accounting of collections is described below:

a. Recording of tax collections. Based on Summary of Daily Collection (Form GEN-12) received from the various Collecting Offices / Centers, the Accounts

Department shall pass the following entry:

Code of Account	Accounting Entry	Dr/Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 431-80-(a)	Bank Account* To Receivables Control Accounts- Property Taxes	Dr. Cr.	510000	510000	Cash Book, Ledger

* Specify name of the Bank and account number

(a) Insert Detailed Head Codes of Account as applicable

b. The Summary of daily collection (Form GEN-12) does not provide the details in respect of the year-wise head-wise collections made in respect of Property and Other Taxes. Hence, the total amount collected should be credited to “Receivables Control Accounts - Property Taxes” Account. The collection made shall be segregated into year wise, head wise collection on a monthly basis.

c. Recording of break-up of Collection: A Summary Statement of Year-wise/ Head-wise Collection of Property & Other Taxes in Form P&OT-

3 on a monthly basis shall be prepared and sent to the Accounts Department to record the details of collection. Interest on delayed payment may be charged to the taxpayer in accordance with relevant provisions. Interest shall be recognised as income only on collection.

d. To record the break-up of collections into year-wise recovery, tax received in advance and to record the interest income the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-80-(a)	Receivables Control Accounts -Property Taxes	Dr.	510000		Journal Book, Ledger
431-10-(a)	To Receivables for Property Taxes (Year...)	Cr.		440000	
431-10-(a)	To Receivables for Property Taxes (Year...)	Cr.		55000	
350-41-(a)	To Advance Collection of Revenues –Property Taxes*	Cr.		11000	
171-80-(a)	To Other Interests – Receivables	Cr.		1000	
140-20-(a)	To Penalties and Fines	Cr.		3000	

* Adjustment of tax collected in advance is discussed separately under section ‘Adjustment of Tax Received in Advance’ below.

(a) Insert Detailed Head Codes of Account as applicable

RECOGNITION OF LIABILITY AND PAYMENT OF SPECIFIC STATE GOVERNMENT DUES

6.11 Recording of liability to State Government and rebate income earned .The specific head-wise liability in respect of the amount collected on behalf of the State Government shall be recognised on collection based on the Summary Statement of Year-wise Head-wise Collection of Property & Other Taxes (Form P&OT 3). Further the ULB may be entitled to a rebate for the collections made on behalf of the State Government. It shall be accounted as income on creation of specific head wise liability. To record the liability and income the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-91-(a)	State Govt. Cesses/ levies in Property Taxes – Control account *	Dr.	45,000		Journal Book, Ledger
350-30-(a)	To Government Dues Payable *	Cr.		40,500	
140-70-(a)	To Service/ Administrative Charges –Rebate from State Government	Cr.		4,500	

* Specify the name of the cess

(a) Insert Detailed Head Codes of Account as applicabe.

6.12 **Recording of payment made to State Government.** A Payment Order (FormGEN-14) is made for remittance of payment of collections made on behalf of the State Government. Based on Payment Order the following entry shall be made to record the payment order.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-30-(a)	Government Dues Payable – Cess*	Dr.	40,500		Cash book, Ledger
450-21-(a)	To Bank Account **	Cr		40,500	

* Specify the name of the cess

* Specify name of the Bank and account number

(a) Insert Detailed Head Codes of Account as applicable

DISCOUNT ALLOWED

6.13 The ULB may provide for discount on property & other taxes for payment within a certain period, if allowed by its rules. Discount allowed shall be reckoned along with the details of collection and be recorded from the Summary Statement of Year-wise Head-wise Collection of Property & Other Taxes. To record the discount allowed, the following accounting entry to be passed.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
240-80-(a)	Other Finance Expenses – Discount on early payment	Dr.	100		Journal Book, Ledger
431-10-(a)	To Receivables for Property Taxes (Year..)	Cr.		100	

(a) Insert Detailed Head Codes of Account as applicable

NOTICE FEE, WARRANT FEE, OTHER FEES AND PENALTIES

6.14 Notices of demand and warrants shall be issued and penalties may be charged as per the relevant provisions.

6.15 Recording of demand raised. A Summary Statement of Notice Fee, Warrant Fee and Other Fees in Form P&OT-1 shall be prepared on a monthly basis. The following entry shall be passed to record the demand raised. :

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-10-(a)	Receivables for Property Taxes (Year..)	Dr.	600		Journal Book, Ledger
140-40-(a)	To Other Fees – Notice Fees	Cr.		300	
140-40-(a)	To Other Fees - Warrant Fee	Cr.		300	

(a) Insert Detailed Head Codes of Account as applicable

REFUNDS AND REMISSIONS

6.16 All refunds and remissions arising under eligible circumstances as provided in the Act and regulations governing the revenues shall be duly recorded in the Demand registers maintained and the details of the same shall also be communicated to the Accounts Department. It is to be noted that refund/ remission on account of the reasons referred

above generally granted for the tax amounts only and the portion of any other levy/cess in the original demand is not refunded/remitted. The reversal shall be reflected in the current year revenue incase the revision in demand relates to the current year and in any other case the reversal shall be accounted as prior period expenses.

6.17 Recording of refunds/remissions payable. Summary Statement of Refunds and Remissions in Form P&OT- 4 on a monthly basis shall be prepared. Refunds/Remissions pertaining to prior period shall be identified separately from the current period based on which the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
110-90-(a)	Tax Remission and Refund– Property Taxes	Dr.	300		Journal Book, Ledger
280-50-(a)	Prior period expenses –Refund of Taxes – Property Taxes	Dr.	200	500	
350-40-(a)	To Refunds Payable-Taxes*	Cr.			

**Refunds/Remissions arising on account of change in provisions shall be either passed for 'Payment (Refund payable account) or credited to the account 'Advance collection of Revenues' (under the account code 350-41-(a)) in accordance with the principles of the ULB.*

(a) Insert Detailed Head Codes of Account as applicable

6.18 Recording of payment refunds/remissions granted: The Accounts Department shall prepare a Payment Order (Form GEN-14) in respect of the refunds and communicate the details of refunds made to the Tax Department for updating the Register of Demand and other registers. To record payment of refunds/remissions granted, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-40-(a) 450-21-(a)	Refunds Payable – Taxes To Bank Account*	Dr. Cr.	500	500	Cash Book, LEDGER

** Specify name of the Bank and Account number*

(a) Insert Minor Head Codes of Account as applicable

PAYMENT TO THE URBAN LOCAL BODY FOR PROPERTIES OCCUPIED BY THE STATE GOVERNMENT IN LIEU OF GENERAL TAX AND EDUCATION CESS:

6.19 Recording of demand raised: In case there are separate provisions under the law for charging property tax on properties occupied by State Government, a Summary Statement of Bills Raised (Form P&OT- 1) in this regard be prepared in the same way as in case of other properties based on which following accounting entry will be passed

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-10-(a)	Receivables for Property Taxes (Year..)	Dr.	1,000		Journal Book, Ledger
110-01-(a)	To Property Taxes - Service Charges	Cr.		1,000	

(a) Insert Detailed Head Codes of Account as applicable

6.20 The procedure for collection and accounting of sums received from the State Government in this regard shall be the same as discussed for Property and Other Taxes collected other wise.

PROVISION FOR UNREALISED PROPERTY AND OTHER TAX RECEIVABLES AND WRITE-OFFS

6.21 Recording of provision for unrealised tax The demand outstanding beyond two (2) shall be provided for as per provisioning norms given below:

- a. Outstanding for more than 2 year but not exceeding 3 years: 25%.
- b. Outstanding for more than 3 years but not exceeding 4 years: 50% (additional 25%)
- c. Outstanding for more than 4 years but not exceeding 5 years: 75% (additional 25%)
- d. Outstanding for more than 5 years: 100% (additional 25%)

6.22 For example, provision for the Period ended 31 March, 2004 is as under:

- a. 25% of outstanding Receivables of Property & Other Taxes for the year ended March 31, 2002
- b. 50% of outstanding Receivables of Property & Other Taxes for the year ended March 31, 2001
- c. 75% of outstanding Receivables of Property & Other Taxes for the year ended March 31, 2000

- d. 100% of outstanding Receivables of Property & Other Taxes for the year ended March 31, 1999 and before

While making provision for receivables as stated above, the relevant proportion 'State Govt. Cesses/ levies in Property Taxes - Control account' shall also be provided by debiting to a separate account.

6.23 The amount required being provided as per provisioning norms stated above, shall be compared with the balance lying in the Provision for outstanding Tax-PTD. If the amount to be provided is more than the balance, then additional provision shall be made for the difference amount. If the amount to be provided is less than the balance, it reflects the amounts provided for has been collected, and the provision made towards that can be written back. This process has to be carried over at every period/yearend.

- 6.24 Computation of provision or write back of as at the period end date is explained with the example given below in Table 6.1 & 6.2.

Table 6.1
Computation of Additional Provision

Sl. No.	Particulars	Taxes (Rs.)	State Govt. Dues (Rs)
a.	Balance in the 'Provision for Outstanding Property Taxes	10,000	1,000
b.	Cumulative provision required to be made as at 31 March 2004	11,500	1,150
c. (a-c)	Additional provision to be made as at 31 March 2004	1,500	150

Table 6.2
Excess of provisions at the Period end

Sl. No.	Particulars	Taxes (Rs.)	State Govt. Dues (Rs)
a.	Balance in the 'Provision for Outstanding Property Taxes account' as at 31 March 2003	10,000	1,000
b.	Cumulative provision required to be made as at 31 March 2004	9,500	950
c. (a-c)	Excess provision to be written back as at 31 March 2004	(500)	(50)

- 6.25 For any additional provision to be made for the period as computed in Table 6.1, the following entry shall be passed by the Accounts Department:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270-10-(a)	Provisions for Doubtful Receivables – Property Taxes	Dr.	1,500		Journal Book, Ledger
432-91-(a)	State Govt Cesses/ levies in Property Taxes – Provision account	Dr.	150	1,650	
432-10-(a)	To Provision for Outstanding Property Taxes	Cr.			

(a) Insert Detailed Head Codes of Account as applicable

6.26 The effect of the above entry will be as follows:

- a. Provision for Doubtful Receivables- Property Taxes shall be shown as an expense under the schedule Provision & write offs.
- b. State Govt. Dues provided will be adjusted against ‘State Govt Cesses/ levies in Property Taxes - Control account’
- c. Provision for Outstanding Tax will be shown as a deduction from Receivables for Property Taxes in the Balance Sheet as at March 31, 2004.

6.27 For any excess provision arrived for the period as computed in Table 6.2, the following entry shall be passed by the Accounts Department:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
432-10-(a)	Provision for Outstanding Property Taxes	Dr.	550	500	Journal Book, Ledger
180-60-(a)	To Excess Provision Written Back – Property Taxes	Cr.			
432-91-(a)	To State Govt. Cess/ Levies in Property Taxes – Provision account	Cr.			

(a) Insert Detailed Head Codes of Account as applicable

6.28 Recording of write-offs: If for any reason, it is decided by the ULB to write-off property and other taxes, which was earlier treated as an income, the write off shall be adjusted against the provision made and the following entry will be passed based on summary statement of write off in form P & OT–5.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
432-10-(a)	Provision for Outstanding Property Taxes	Dr.	1,100		Journal Book, Ledger
431-91-(a)	State Govt. Cesses/ levies in Property Taxes – Control account *	Dr.	100		
431-10-(a)	To Receivables for Property Taxes (Year..)	Cr.		1,100	
432-91-(a)	To State Govt. Cess/ levies in Property Taxes – Provision account	Cr.		100	

* Specify the name of the cess

(a) Insert Detailed Head Codes of account as applicable

6.29 Recording of subsequent collection/ recovery of ‘Receivables of Property and

Other Taxes’ written off: In case of a ‘Receivable of Property & Other taxes’ written off already were recovered/collected during the year, the accounts department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-80-(a)	Receivable Control Account- Property Taxes	Dr.	1,100		Journal Book, Ledger
280-30-(a)	To Recovery of Revenues written off – Property Taxes	Cr.		1,000	
350-30-(a)	To Government Dues Payable – Cess	Cr.		100	

(a) Insert Minor Head Codes of Account as applicable

TRANSFER OF AMOUNT OUTSTANDING IN RESPECT OF ARREARS FROM SPECIFIC YEAR-WISE ACCOUNT TO GENERAL ACCOUNT

6.30 The arrears of Property and Other Taxes shall be carried forward year-wise, i.e., in “Receivables for Property Taxes (Year..)” account up to five years. On completion of the fifth year, the amount outstanding in the specific year-wise receivable account shall be transferred to a general arrears account, i.e., “Receivables for Property Taxes (Others)” Account. For example, the tax receivable in respect of the demand raised during the accounting year 1998-99 shall be carried forward in “Receivables for Property Taxes (1999)” Account up to the year ending March 31,2004. On March 31, 2004, the balance outstanding in this account shall be transferred to “Receivables for Property Taxes (Others)” Account.

6.31 Recording of transfer of arrears to general account : To record this transfer, the Accounts Department shall pass the following entries:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-10-(a)	Receivables for Property Taxes (Others)	Dr.	10,000		Journal Book, Ledger
431-10-(a)	To Receivables for Property Taxes (Year..)	Cr		10,000	

(a) Insert Minor Head Codes of Account as applicable

ADJUSTMENT OF TAX RECEIVED IN ADVANCE

6.32 The Tax Department shall intimate the Accounts Department of the advance adjusted against the subsequent demand raised through the Summary Statement of Bills Raised (Form P&OT-1).

- a. Recording of subsequent demand raised: To record the demand raised for tax, the Accounts Department shall pass the same entry as in the case of existing assessments. The accounting entry to be passed is explained in Para 6.7 a.
- b. Recording of adjustment of advance : To record the adjustment of tax received in advance, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-41-(a)	Advance Collection of Revenues – Property Taxes	Dr.	1,000		Journal Book, Ledger
431-10-(a)	To Receivables for Property Taxes (Year..)	Cr		1,000	

(a) Insert Minor Head Codes of Account as applicable

RECOVERY OF PROPERTY AND OTHER TAXES THROUGH LEGAL PROCEEDINGS

Cost of Recovery

6.33 Recording of cost of recovery; incurred in respect of attachment and sale of the properties of the defaulter shall be recorded as cost incurred on recovery, and the accounting entry is as follows.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
220-51-(a) 450-21-(a)	Legal Expenses – Cost of Recovery Tax Revenues To Bank Account*	Dr. Cr	300	300	Cash Book, Ledger

* Specify name of the Bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

Collections on Sale of Attached Property

6.34 **Recording of collection:** On the basis of the Summary of Daily Collection (Form GEN-12) received from the various Collection Offices and Collection Centres, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 350-90-(a)	Bank Account* To Sale Proceeds – Attached Properties	Dr. Cr.	5,00,000	5,00,000	Cash Book, Ledger

* Specify name of the Bank and account number

(a) Insert Detailed Head Codes of Account as applicable

6.35 The Tax Department shall send the details of the adjustment of the amount collected to the Accounts Department. Based on the intimation received from the Tax Department, to record the adjustment of the amount collected on sale of attached property, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-90-(a)	Sale Proceeds - Attached Properties	Dr	5,00,000		Journal Book, Ledger
431-80-(a)	To Receivable Control Accounts – Property Taxes	Cr.		1,00,000	
350-30-(a)	To Government Dues Payable – Court Attachments	Cr		50,000	
350-40-(a)	To Refunds Payable - Attached Properties	Cr		3,50,000	

(a) Insert Detailed Head Codes of Account as applicable

6.36 The Tax Department shall prepare the Payment Orders (Form GEN-14) in respect of the amounts payable subsequent to the sale of the attached property and send it to the Accounts Department for payment. On making the payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-30-(a)	Government Dues Payable – Court Attachments	Dr.	50,000		Cash Book, Ledger
350-40-(a)	Refunds Payable - Attached Properties	Dr.	3,50,000		
450-21-(a)	To Bank Account*	Cr.		4,00,000	

* Specify name of the Bank and account number

(a) Insert Detailed Head Codes of Account as applicable

6.37 The amount to be credited to the ‘Receivable Control Accounts - Property Taxes’ shall include the amount receivable in respect of tax as well as the expenditure incurred in respect of the recovery from the taxpayer.

6.38 The entries for adjustment of collection against year-wise receivable and recognition of specific liabilities for collection of State Government dues shall be recorded on the basis of the Summary Statement of Year-wise Head-wise Collection of Property & Other Taxes which have been discussed above.

6.39 To record the receipt of cost of recovery, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-80-(a)	Receivables Control Accounts- Property Taxes	Dr.	20,000		Journal Book, Ledger
220-51-(a)	To Legal Expenses- Cost of Recovery of Tax Revenues	Cr.		20,000	

(a) Insert Detailed Head Codes of Account as applicable

PROPERTY TRANSFER CHARGES

6.40 The ULB may charge fees for transfer of property. The revenue for the Property Transfer Charges levied shall be recognised on collection.

6.41 **Recording of collection:** On the basis of the Summary of Daily Collection (Form GEN-12) received from the various Collection Offices and Collection Centres, the

Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 431-80-(a)	Bank Account* To Receivables Control Accounts- Property Taxes	Dr. Cr.	300	300	Cash Book, Ledger

* Specify name of the Bank and account number

(a) Insert Detailed Head Codes of Account as applicable

6.43 Recording of specific income in respect of Property Transfer Charges:
Based on the Summary Statement of Year-wise Head-wise Collection of Property & Other Taxes (Form P&OT-3) received from the Tax Department, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-80-(a) 140-40-(a)	Receivables Control Accounts- Property Taxes To Other Fees – Property Transfer Charges	Dr. Cr.	300	300	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

INTERNAL CONTROLS

6.43 The following internal controls shall be observed by the ULB in respect of Property and Other Taxes related transactions:

- a. The E.O./Secretary and in case of Municipal Corporation the Head of Tax Department shall ensure those Bills / Demands are raised on a quarterly/half yearly basis for Property and Other Taxes.
- b. The E.O./Secretary and in case of Municipal Corporation the Head of the Accounts Department shall ensure that taxes are accrued in the month in which it is due and journalisation of all the demands/bills raised for property & other taxes before accounting for the collection.
- c. The Accounts Department and the Tax Department shall reconcile the balance at the beginning of the accounting year in respect of the year-wise Property and Other Tax Receivables (as appearing in the Balance Sheet of the previous year) with the year-wise total of the arrears recorded in the Demand Register.
- d. A quarterly reconciliation shall be carried out by the Accounts Department and the Tax Department in respect of the amount collected and the year-wise amount outstanding

between the balances in the Ledger Accounts maintained at the Accounts Department and the Demand Register maintained at the Tax Department.

.e. The officers designated by the ULB for operating the Designated Property Tax Bank Account(s) shall co-ordinate with the banks on a daily basis and ascertain the status of the cheques/drafts deposited by them.

f. The Tax Department shall ensure that the Receipt / Summary of daily collection prepared, provides reference to the Tax Collection Register.

g. Write-off of Property Tax receivables should be based on specific procedures and authorisation levels.

h. The Commissioner/E.O./Secretary shall specify such appropriate calendar of returns /reports for monitoring.

6.44 All Reconciliation Statements shall be certified by the E.O./Secretary and in case of M.Corporation the Head of the Accounts Department.

PRESENTATION IN THE FINANCIAL STATEMENTS

6.45 The various heads of account used for the accounting of Property and Other Taxes related transactions shall be reflected in the Financial Statements or in the Schedules attached to the Financial Statements of the ULB. All these Financial Statements and schedules should be affixed with signature and seal of Commissioner or authority designated by him for this purpose and for other ULBs the E.O./Secretary .

6.46 The provision against the outstanding property tax receivable is to be disclosed under the major head Accumulated Provisions as a separate line item in the Balance Sheet below the 'Sundry Debtors'.

6.47 The Schedule of the Income and Expenditure Statement in respect of Property and Other Taxes is presented below.

Schedule I-1: Schedule of Tax Revenue

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
110-01-(a)	Tax on Residential Properties		
110-01-(a)	Tax on Commercial Properties		
110-01-(a)	Service Charges in lieu of Property taxes		
110-02-(a)	Water Taxes		
*		
	Sub-total		
	Less		
110-90-(a)	Tax Remission and Refunds		
	Sub-total		
Total Income of Property Taxes to be shown as a part of Tax revenue Schedule			

* Insert all taxes raised along with Property Taxes

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-1 (a): Refund/Remission of revenues

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
110-90-(a)	Property Taxes		
Total Income of Property Taxes to be shown as a part of Refund and Remissions of Taxes Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I – 4: Schedule of Fees and User Charges

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
140-20-(a)	Penalties and Fines		
140-40-(a)	Mutation Fees		
140-40-(a)	Property Transfer Charges		
140-40-(a)	Notice Fees		
140-40-(a)	Warrant Fees		
Total Income of Property Taxes to be shown as a part of Fees and User Charges Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I – 8: Schedule of Interest Earned

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
171-80-(a)	Other Interests- Interest on Receivables		
Total Income of Property Taxes to be shown as a part of Interest Earned Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I – 9: Schedule of Other Incomes

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
180-60-(a)	Excess provision written-back – Property Taxes		
Total Income of Property Taxes to be shown as a part of Other Income Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-11: Administrative Expenses

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
220-51-(a)	Legal Expenses - Cost of recoveries of tax revenues (net of amount received from State government/assessee for the cost of recovery)		
Total Expense of Property Taxes to be shown as a part of Administrative Expenses Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-13: Interest and Finance Charges– Head-wise

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
240-80-(a)	Other Finance Expenses – Early/Prompt Payment		
Total Expense of Property Taxes to be shown as a part of Interest and Finance Charges Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I – 16: Schedule of Provisions and Write off

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
270-10-(a)	Provision for Doubtful receivables – Property Taxes		
Total Expense of Property Taxes to be shown as a part of Provision and Write off Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-18: Prior Period Items

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
	Income (a)		
280-10-(a)	Taxes		
280-30-(a)	Recovery of Revenues written off		
	Expense (b)		
280-50-(a)	Refund of Taxes		
Total [a-b] of Property Taxes to be shown as a part of Prior Period Items Schedule			

(a) Insert Detailed Head Codes of Account as applicable

6.48 The Balance Sheet Abstracts in respect of Property and Other Taxes are presented below:

**Schedule B-9: Schedule of Other Liabilities
(Sundry Creditors)**

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
350-30-(a)	Government Dues Payable		
350-40-(a)	Refunds Payable		
350-41-(a)	Advance Collection of Revenues		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-15: Schedule of Sundry Debtors (Receivables)

Code No	Particulars	Current Year Amount (Rs.)			Previous Year Amount (Rs.)
431-10-(a)	Receivables of Property Taxes				
	Less than 5 years *				
	More than 5 years*				
	Sub – total				
	Less:				
431-91-(a)	State Government Cesses/ Levies in Taxes – Control Accounts				
Net Receivables of Property Taxes					

* Break up for provision for outstanding revenues are given in Column 4

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-17: Schedule of Cash and Bank Balances

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
450-10-(a)	Cash		
450-21-(a)	Bank Account		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

_____ (NAME OF THE ULB)

SUMMARY STATEMENT OF BILLS RAISED

FOR THE PERIOD
in respect of Property & Other Taxes

Sr. No. _____

_____ Ward

Particulars	Year (Others) (Rs.)	Year (5) (Rs.)	Year (4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)	Current year's First Bill (Rs.)	Current Demand (Rs.)	Total (Rs.)	Advance Adjusted (Rs.)	Outstanding Amount (Rs.) (9-10)
1			2	3	4	5	6	7	8	9	10
General Tax											
Water Tax											
Water Benefit Tax											
Conservancy/Sewerage Tax											
Sewerage Benefit Tax											
Education Cess											
Street Tax											
State Education Cess											
Employment Guarantee Cess											
Library Cess											
Fire Brigade Tax											
Dog Tax											
Tree Cess											
Amount Due in lieu of General Tax											

Particulars	Arrears						Current year's First Bill (Rs.)	Current Demand (Rs.)	Total (Rs.)	Advance Adjusted (Rs.)	Outstanding Amount (Rs.) (9-10)
	Year (Others) (Rs.)	Year (5) (Rs.)	Year (4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)					
1			2	3	4	5	6	7	8	9	10
Other Taxes*											
Notice Fee											
Warrant Fee											
Other Fees											
Total bill raised for income of the ULB											
Demand raised for taxes collected on behalf of State Government											
Library Cess											
State Education Cess											
Employment Guarantee Cess											
Any other Cess^											
Total											
Amount in Words : Rupees _____											
Prepared By :** _____						Examined and entered					
Checked By :** _____						Accountant/Authorised Officer					
Dated: _____						Dated: _____					

* Specify the other taxes that are levied by the ULB.

^ Specify the other cess that are levied and collected on behalf of state government

** Record the name, designation and signature of the person.

Note :1. This statement should be prepared separately for each Ward and then consolidated.

_____ (NAME OF THE ULB)

SUMMARY STATEMENT OF DEMAND ADJUSTMENTS RAISED

FOR THE PERIOD _____

in respect of Property & Other Taxes

Sr. No. _____

_____ Ward

Particulars	Existing Demand							Proposed Demand							Change in Demand					Impact + / (-)			
	Year (Others) (Rs.)	Year (5) (Rs.)	Year (4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)	Current year' s	Year (Others) (Rs.)	Year (5) (Rs.)	Year (4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)	Current year' s	Year (Others) (Rs.)	Year (5) (Rs.)	Year (4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)		Year (-1) (Rs.)	Current year' s	
General Tax																							
Water Tax																							
Water Benefit Tax																							
Conservancy/Sewerage Tax																							
Sewerage Benefit Tax																							
Education Cess																							
Street Tax																							
State Education Cess																							
Employment Guarantee Cess																							
Library Cess																							
Fire Brigade Tax																							
Dog Tax																							
Tree Cess																							
Amount Due in lieu of Education Cess																							

Particulars	Existing Demand							Proposed Demand							Change in Demand					Impact + / (-)		
	Year (Others) (Rs.)	Year (5) (Rs.)	Year (4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)	Current year' s	Year (Others) (Rs.)	Year (5) (Rs.)	Year (4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)	Current year' s	Year (Others) (Rs.)	Year (5) (Rs.)	Year (4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)		Year (-1) (Rs.)	Current year' s
Other Taxes*																						
Notice Fee																						
Warrant Fee																						
Other Fees																						
Total bill raised for income of the ULB																						
Demand raised for taxes collected on behalf of State Government																						
Library Cess																						
State Education Cess																						
Employment Guarantee Cess																						
Any other Cess^																						
Amount in Words : Rupees																						
Prepared By :**																						
Checked By :**																						
Dated:																						
													Examined and entered									
													Accountant/Authorised Officer									
													Dated:									

* Specify the other taxes that are levied by the ULB.

^ Specify the other cess that are levied and collected on behalf of state government

** Record the name, designation and signature of the person

Note:

1. This statement should be prepared separately for each Ward and then consolidated.

Form P&OT-3

_____ (NAME OF THE ULB)

**SUMMARY STATEMENT OF YEAR-WISE HEAD-WISE COLLECTION OF PROPERTY & OTHER TAXES
FOR THE PERIOD _____**

Sr. No. _____
Deposited with _____

_____ Collection Centre

Particulars	Arrears						Current Year' s Demand (Rs.)	Total (Rs.)
	Year (Others) (Rs.)	Year (-5) (Rs.)	Year (-4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)		
Collection in respect of incomes for which demand is raised								
General Tax								
Water Tax								
Water Benefit Tax								
Conservancy/Sewerage Tax								
Sewerage Benefit Tax								
Education Cess								
Street Tax								
Fire Brigade Tax								
Dog Tax								
Tree Cess								
Amount Due in lieu of General Tax								
Amount Due in lieu of Education Cess								
Other Taxes*								
Notice Fee								

Particulars	Arrears						Current Year' s Demand (Rs.)	Total (Rs.)
	Year (Others) (Rs.)	Year (-5) (Rs.)	Year (-4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)		
Warrant Fee								
Other Fees								
Penalties								
Others, Specify _____								
Sub-Total								
Collections of taxes on behalf of State Government								
Library Cess								
State Education Cess								
Employment Guarantee Cess								
Any other cess ^								
Sub-Total								
Collection in respect of incomes accounted on actual receipt basis								
Property Transfer Charges								
Others, Specify _____								
Sub-Total								
Collection in respect of incomes written off								
Property Tax								
Government Cess								
Sub-total								
Receipt of Cost of Recovery								
Tax collected in Advance								
Others, Specify								
Total Collections								
Amount in Words : Rupees _____ Prepared By :** _____ Checked By :** _____ Dated:							Examined and entered Accountant/Authorised Officer Dated:	

* Specify the other taxes that are levied by the ULB

^ Specify the other cess that are levied ad collected on behalf of state government

** Record the name, designation and signature of the person

Note: This statement should be prepared separately for each Collection Office/Collection Centre and then consolidated.

NAME OF THE ULB
SUMMARY STATEMENT OF REFUNDS /REMISSIONS
FOR THE PERIOD _____
in respect of Property & Other Taxes

Sr. No _____

Particulars				Refunds/Remissions*
	Advances # Rs.	Receivables # Rs.	Refunds Payable # Rs.	Total Rs.
Arrears				
Year (Others)				
Year (-5)				
Year (-4)				
Year (-3)				
Year (-2)				
Year (-1)				
Current Year (20XX)				
Total				
Amount in Words : Rupees		Examined and entered		
Prepared By :** _____		Accountant/Authorised Officer		
Checked By :** _____		Dated:		
Dated:				
<p>* Include total amount of all income heads of account in respect of Property and Other Taxes. ** Record the name, designation, and signature of the person. # The details of whether refunds/remissions are treated as 'refund payable' or adjustment of receivables or 'Revenues received in advance' shall be entered in this form in order to account for the refunds/remissions Accordingly</p>				

_____ NAME OF THE ULB

**SUMMARY STATEMENT OF WRITE OFF
FOR THE PERIOD _____**
in respect of Property & Other Taxes

Sr. No. _____

Particulars	Write-offs (Rs.)*			Total
	Taxes*	State Education Cess	Employment Guarantee Cess	
Arrears				
Year (Others)				
Year (-5)				
Year (-4)				
Year (-3)				
Year (-2)				
Year (-1)				
Current Year (20XX)				
Total				
Amount in Words : Rupees _____				
Prepared By :** _____	Examined and entered Accountant/Authorised Officer			
Checked By :** _____	Dated:			
Dated:				

* Include total amount of all income heads of account in respect of Property and Other Taxes.

** Record the name, designation, and signature of the person.

