



Government of Odisha
Housing & Urban Development Department

No. 13216 /HUD., Date. 7/8/2020
HUD-FUND-COMM-0003-2020

From

G. Mathi Vathanan, IAS
Principal Secretary to Government

To

All the Commissioners of Municipal Corporations
All the Executive Officers of Municipalities & N.A.Cs

Sub:- Guidelines for utilisation of funds under "Assignment of Taxes (out of SGST) for Salary and Establishment Cost, Sitting Fee and Honorarium & Assignment (out of Motor Vehicle Tax) for Maintenance/Improvement of Road Infrastructure as recommended by 5th State Finance Commission to Urban Local Bodies for the period from 2020 - 21 to 2025 - 26 (6 years).

Madam/ Sir,

I am directed to say that taking into account the rate of growth considered by 5th State Finance Commission in its report and as agreed in the Action Taken Report (ATR), the Government have decided to transfer a total sum of Rs.4025.26 crore as assignment out of SGST in lieu of Entry Tax for Salary & Establishment cost of Urban Local Bodies, Sitting fee & Honorarium of elected representatives and Rs.482.91 crore out of MV Tax for maintenance/ improvement of road infrastructure for the year 2020-21 to 2025-26.

The year wise assignment of fund to Urban Local Body is given below:

[Rs. in Crore]

Item	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2020-26
1. Salary & Establishment Cost	596.50	642.40	605.93	660.46	719.91	784.70	4009.90
2. Sitting fee & Honorarium	2.56	2.56	2.56	2.56	2.56	2.56	15.36
Assignment (1+2) (Out of SGST in lieu of Entry Tax)	599.06	644.96	608.49	663.02	722.47	787.26	4025.26
Maintenance /improvement	65.83	71.09	76.78	82.92	89.56	96.73	482.91

of road infrastructure (Out of MV Tax)							
Total Assignment of Taxes to ULBs	664.89	716.05	685.27	745.94	812.03	883.99	4508.17

1. Objectives:

One of the mandates of the 5th State Finance Commission was to determine the principles that govern the determination of taxes, duties, tools and fees to be assigned to or appropriated by the Local Bodies. Since Entry Tax, Advertisement Tax and Entertainment Tax has been subsumed under GST, a certain percentage of net State GST revenue is required to be assigned to the local bodies in lieu of such taxes. Assignment of taxes to ULBs cover the salary and establishment expenses of the Officers and staff engaged in municipal administration, the sitting fees, honorarium, TA & DA for elected representatives etc. Besides this the Commission has also recommended certain per cent of Motor Vehicle Tax for maintenance and improvement of road infrastructure which also forms the part of Assignment of taxes.

2. Mode of Distribution of Assigned Taxes:

A. The Assignment of Taxes out of SGST is to be transferred to ULBs under following heads:

(a) Salary & Establishment Cost (assignment out of SGST):

- The Salary & Establishment Cost will be released proportionately on the basis of population of ULB as per latest Census Report.
- **“Salary & Establishment Cost”** will be utilised for payment of salaries of Municipal Employees employed on regular / contractual basis as per the FD norm and with prior approval of Government and other establishment expenses of the office. The dues towards payment of Pension, Family Pension, Pension Contribution, DCRG and other retirement benefit of Municipal employees as per existing rules in force may also be charged from the amount released towards Salary & Establishment Cost.

(b) Arrear Salary (assignment out of SGST):

- As decided by the Government in the Action Take Report, the principle and modalities of payment of arrear salary to ULB employees on account of 7th Pay Commission as recommended by 5th SFC will be decided in due course.

(c) Sitting Fee & Honorarium of elected representatives (assignment out of SGST):

- The sitting fee & Honorarium will be released on the basis of rate decided by the Government & the number of sittings in a year.

B. Improvement of Road Infrastructure (Assignment out of M.V. Tax):

- Assignment out of M.V. Tax will be released proportionately on the basis of population of ULB as per latest Census Report and the same will be utilised for maintenance/ improvement of road infrastructure of ULBs on priority basis with due approval of Municipal Council.

3. Mode of Release:

- (i) The funds under Assignment of Taxes to ULBs will be released directly to the PL account of the concerned ULBs through PL module of IFMS.
- (ii) The funds under “**Salary & Establishment Cost**”, “**Sitting Fee & Honorarium**” will be released in two tranches i.e. in the month of April & October during a financial year.
- (iii) Motor Vehicle Tax will be released in two tranches i.e. in April and October during a financial year with following conditions:
 - The ULB should submit the closing balance of the last financial year under Double Entry Accrual Based Accounting System (DEABAS).
 - The ULB should certify that they have created the ULB web site and usage of e-Municipality/SUJOG modules.
 - Revenue generation from internal sources to increase by 6% annually vis-à-vis corresponding period in last financial year.
 - After receipt of 1st instalment, the ULBs must submit Action plan immediately to H&UD Department prioritising the local needs duly approved by the Council resolution for appraisal.
 - While releasing the 2nd instalment of 1st year, AD is to ensure utilisation of at least 30% of the fund allocated in 1st instalment.
 - From 2nd year onwards, on account release is to be made for the 1st instalment of the year and the 2nd instalment shall be released after utilisation of at least 50% of the funds released during previous year.

4. Maintenance of Accounts & Audit

- Separate book of Account to be maintained by the ULBs for Assignment of Taxes.
- The Project approved by the concerned Municipal Council is to be taken up under direct supervision of the N.A.C., Municipality and

Municipal Corporation (as the case may be) and to be reviewed from time to time till completion of the work.

- Inventory Assets Register has to be maintained by the ULB in the prescribed format/Form OGFR 30A in terms of Rule-17 (5)(i) of the OGFR and shall be uploaded online.
- The utilisations of fund under Assignment of taxes are subject to audit by the Local Fund Audit Organisation of State, internal audit of the H & UD Department as well as Annual Technical Inspection of C & AG.

5. Monitoring and Supervision:

The District Level Monitoring Committee in each district which has been constituted vide Finance Department Resolution No 16885/F dated 4.6.2020 under the Chairmanship of Collector & DM with PD, DUDA and Representatives of the Line Departments as Members and PD, DRDA as Member Convenor shall review the demand and collection of own sources of revenue, progress of expenditure, submission of utilisation certificate, end use certificate etc. on quarterly basis.

6. Submission of Utilisation Certificate:

- No Utilization Certificate is required to be submitted towards utilization of Assignment of Taxes. However the Administrative Department may ask for End Use Report from the respective Urban Local Bodies.

This Guideline supersedes all other instructions communicated by H & UD Department as well as Finance Department earlier in this regard. However, on-going projects taken up under the previous guidelines will continue to be governed by the said guidelines.

Housing & Urban Development Department will be competent to clarify doubts, if any, and ensure removal of the bottlenecks, if any, for implementation of the scheme and utilisation of funds and relaxing any of the conditionality for release of grants under special circumstances with due approval of HLMC and concurrence of Finance Department.

This has duly been vetted by Finance Department after obtaining necessary approval of High Level Monitoring Committee (HLMC).

Yours faithfully,



Principal Secretary to Government

Memo No. 13217 /HUD, Date 7/8/2020

Copy forwarded to the Finance (Budget-6) Department for information & necessary action.

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7/8/2020

Joint Secretary to Government

Memo No. 13218 /HUD, Date 7/8/2020

Copy forwarded to all Collectors & District Magistrate/ all Project Directors of District Urban Development Agencies for information & necessary action.

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7/8/2020

Joint Secretary to Government

Memo No. 13219 /HUD, Date 7/8/2020

Copy forwarded to PS to Principal Secretary to Government/ PS to F.A.-cum-Additional Secretary to Government, H & UD Department for kind information of Principal Secretary / F.A.-cum-Additional Secretary

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7/8/2020

Joint Secretary to Government

Memo No. 13220 /HUD, Date 7/8/2020

Copy forwarded all Sections of H & UD Department (Except Issue Section/Diary Section) for information & necessary action.

The RTI Section is requested to upload the guidelines in public domain under section 4(1)(b) of the RTI Act,2005

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7/8/2020

Joint Secretary to Government