



## ABSTRACT

Grants – Assigned Revenue to Rural Local Bodies – Pooling of Assigned Revenues at State Level and Apportionment to Rural Local Bodies for the year 2010-2011 – Sanction of Rs.236,38,91,608/- – Orders – Issued.

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Rural Development and Panchayat Raj (PR.I) Department

G.O.(Ms.)No.71

Dated 14.7.2010

Read:

1. G.O.Ms.No.168, Rural Development and Panchayat Raj Department, dated 4.10.2007.
2. G.O.Ms.No.191, Rural Development and Panchayat Raj Department, dated 22.11.2007.
3. G.O.Ms.No.70, Rural Development and Panchayat Raj Department, dated 23.7.2009.
4. From the Commissioner of Rural Development and Panchayat Raj, Letter Rc.No.28131/ 2010/PRI.II-3, dated 21.5.2010.

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## ORDER:

In the Order first read above, the Government had issued orders for pooling the Assigned Revenues due to the Rural Local Bodies from proceeds of the Local Cess, Local Cess Surcharge, Surcharge on Stamp Duty and Entertainment Tax (except Social Forestry receipts and income from Mines and Minerals) at the State level and apportioning the same to the Rural Local Bodies. The levy of Local Cess and Local Cess Surcharge has been dispensed with by Government since 2009-2010. In the order second read above a fund known as “Fund for Priority Schemes in Rural Areas” has been constituted.

2. In the Order third read above, the Government had sanctioned a sum of Rs.359.49 Crores as assigned revenue due to Rural Local Bodies during 2009-2010.

3. The Commissioner of Rural Development and Panchayat Raj in his letter fourth read above has stated that during 2009-2010, 50% of the total revenue to be assigned to the Rural Local Bodies from out of the amount pooled was apportioned to the Rural Local Bodies and balance 50% was credited to the “Funds for Priority

Schemes in Rural Areas". However, for the year 2010-2011, the allocation under the Scheme component of Pooled Assigned Revenue from 50% to two-third of the Pooled Assigned Revenue and to apportion the remaining one-third amount to the Rural Local Bodies due to the following reasons:

- i) Works that are being taken up from the fund for the Priority Schemes of Assigned Revenues are genuinely useful and worthwhile projects like Major Roads, Bridges, Tourism related Projects, etc., which, otherwise, could not have been normally taken up by the Rural Local Bodies from their own funds. There is a great demand for such major projects in rural areas not only from the elected public representatives such as MPs and MLAs but also from other Government Departments.
- ii) Due to the uncertainty in the NABARD funding under RIDF and the Centrally Sponsored PMGSY for Road Projects in the coming years, higher allocation under the fund for Priority Scheme Component of Pooled Assigned Revenues is necessitated.
- iii) For the year 2010-2011, Rural Local Bodies are getting an additional allocation of 0.5% of the States Own Tax Revenue as per the State Finance Commission Recommendations. The State Finance Commission (SFC) Grant to Rural Local Bodies has been enhanced from Rs.1,926.57 Crores for the year 2009-2010 to Rs.2,334.21 Crores for the year 2010-2011. This is an increase of Rs.407.64 Crores over previous year. Hence, even if the funding of the Rural Local Bodies through the Pooled Assigned Revenue is modified from one-half to one-third, overall funds at the disposal of Rural Local Bodies will still be much more in 2010-2011 as compared to 2009-2010, since total Pooled Assigned Revenue amount is much lower than the increased SFC amount of Rs.407.64 Crores. Thus, while the funds for Priority Schemes will also be relatively more if two-third of the Pooled Assigned Revenue is given towards this component.

4. The Commissioner of Rural Development and Panchayat Raj has requested that except for the increased allocation under the Fund for Priority Schemes component of Pooled Assigned Revenue for the year 2010-2011 as mentioned above, the Government to issue orders similar to the orders issued in G.O.Ms.No.168, Rural Development and Panchayat Raj, dated 4.10.2007 and G.O.Ms.No.70, Rural Development and Panchayat Raj, dated 23.7.2009 for pooling the Assigned Revenues and apportioning to Rural Local Bodies in the following formula:-

- (i) The assigned revenues due to the Rural Local Bodies from the proceeds of the Local Cess, Local Cess Surcharge, Surcharge on stamp duty and Entertainment Tax shall be pooled out at the State level.
- (ii) One-third of the total revenue to be assigned to the Rural Local Bodies from out of the amount pooled at State level may be apportioned to Village Panchayats, Panchayat Unions and District Panchayats in the ratio 60:32:8. The actual

amount due to the respective Village Panchayats, Panchayat Unions and District Panchayats from out of the share allocated to each tier may be in proportion to the rural population of the Local Body as per 2001 Census. This amount will be released to the Rural Local Bodies by the Commissioner/Director of Rural Development and Panchayat Raj on a quarterly basis.

- (iii) The balance two-third of the pooled amount to be credited to the Fund for the Priority Schemes in Rural Areas (ordered in G.O.Ms.No.191, Rural Development and Panchayat Raj Department, dated 22.11.2007) on behalf of Rural Local Bodies on half-yearly basis as contribution and the fund may be utilized for implementing specific Development Schemes in the Rural Local Bodies.
- (iv) The quantum of the pooled amount shall tentatively be fixed on the basis of the collection of taxes during the previous year for making necessary budgetary allocation.
- (v) The apportionment of assigned revenue to Rural Local Bodies and contribution to the fund shall initially be done to the level of tentative allocation for the pooled amount in the budget and finally adjusted in the next financial year after determining the entitlement of the Rural Local Bodies.
- (vi) The system of adjustment of assigned revenues from the Entertainment Tax and Surcharge on Stamp Duty to Local Bodies directly from the revenue receipt heads by the Commercial Taxes Department and Registration Department respectively shall be restricted only to Urban Local Bodies.
- (vii) The system of adjustment of Local Cess and Local Cess Surcharge to Rural Local Bodies by the Revenue Department shall continue to be discontinued.

5. The Commissioner of Rural Development and Panchayat Raj has also stated that to calculate the amount of Assigned Revenues, the procedure as prescribed in G.O.Ms.No.168, Rural Development and Panchayat Raj Department, dated 4.10.2007 and G.O.Ms.No.70, Rural Development and Panchayat Raj Department, dated 23.7.2009 were followed. Accordingly, the collection details for 2009-2010 were collected from the Commissioner of Commercial Taxes and Inspector General of Registration. The Commissioner of Commercial Taxes and Inspector General of Registration have furnished the actual collection of Surcharge on Stamp Duty and Entertainment Tax for the year 2009-2010. Based on the details, the amount of assigned revenue due to Rural Local Bodies have been arrived at as per the procedure prescribed by the Government in the said orders as detailed below:

**i) Surcharge on Stamp Duty:**

In respect of Surcharge on Stamp Duty, Rs.360,62,44,281/- have been taken as tentative allocation for the year 2009-2010. Whereas the Inspector General of Registration has reported that the actual collection is Rs.296,44,38,561/- for the year

2009-2010. As per G.O.Ms.No.168, Rural Development and Panchayat Raj Department, dated 4.10.2007 the difference in actual collection and tentative allocation for the year 2009-2010 should be deducted from the allocation for the year 2010-2011. As such, Rs.64,18,05,720/- (Rs.360,62,44,281/- - Rs.296,44,38,561/-) has to be deducted from the actual collection of Rs.296,44,38,561/- for the year 2009-2010. Hence, the allocation under Surcharge on Stamp Duty for the year 2010-2011 will be Rs.232,26,32,841/- (Rs.296,44,38,561/- - Rs.64,18,05,720/-).

**ii) Entertainment Tax:**

For the year 2009-2010, the tentative allocation in respect of Entertainment tax was Rs.2,29,72,685/- and the same was released to the Rural Local Bodies. Now, the Commissioner of Commercial Taxes, Chennai has sent the actual collection of Entertainment tax for the year 2009-2010 amount to Rs.3,21,15,726/-. As such, Rs.91,43,041/- - (Rs.3,21,15,726/- - Rs.2,29,72,685/-) has to be additionally claimed from the actual collection of Rs.3,21,15,726/- for the year 2009-2010. Hence, the allocation under Entertainment Tax for the year 2010-2011 will be Rs.4,12,58,767/- (Rs.91,43,041/- + Rs.3,21,15,726/-).

6. Thus the Pooled Assigned Revenue to be released to the Rural Local Bodies for the year 2010-2011 is as follows:

Surcharge on Stamp Duty :	Rs.232,26,32,841/-
Entertainment Tax :	Rs. 4,12,58,767/-
Total :	Rs.236,38,91,608/-

7. The Commissioner of Rural Development and Panchayat Raj has further stated that the reports have been received from all the districts that no amount has been drawn under Surcharge on Stamp Duty, Entertainment Tax and Local Cess and Local Cess Surcharge during the year 2009-2010 at District level. The Commissioner of Rural Development and Panchayat Raj has requested that necessary orders be issued by the Government to release the Pooled Assigned Revenue of Rs.236,38,91,608/- (Rupees Two hundred thirty six crores thirty eight lakhs, ninety one thousand six hundred and eight only) due to Rural Local Bodies for the year 2010-2011 from the proceeds of Surcharge on Stamp Duty and Entertainment Tax during the year 2009-2010.

8. The Commissioner of Rural Development and Panchayat Raj has also indicated that out of the said Rs.236.39 Crores, one-third of the Assigned Revenues to be released to the Rural Local Bodies based on the rural population as per 2001 Census and the balance two-third of the pooled amount to be credited to the "Fund for the Priority Schemes in Rural Areas" for implementing specific development schemes in the rural areas will be as detailed below:-

Amount to be released to the Rural Local Bodies on the rural population as per 2001 Census. (one-third of the allocation)	Rs.78,79,63,869/-
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Amount to be credited to the Fund for the Priority Scheme in Rural Areas by Commissioner/Director of Rural Development and Panchayat Raj for Scheme Component. (two-third of the allocation)	Rs.1,57,59,27,739/-
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Rs.236,38,91,608/-

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9. The Government after careful examination of the proposal of Commissioner of Rural Development and Panchayat Raj accept the proposal and accordingly, sanction and release a sum of Rs. Rs.236,38,91,608/- (Rupees Two hundred and thirty six crores thirty eight lakhs, ninety one thousand six hundred and eight only) being the assigned revenue due to Rural Local Bodies from the proceeds of Surcharge on Stamp Duty and Entertainment Tax for the year 2010-2011.

10. The Government also order the following:

- (i) The assigned revenues due to the Rural Local Bodies from the proceeds of the Surcharge on Stamp Duty and Entertainment Tax shall be pooled out at the State level.
- (ii) One-third of the total revenue to be assigned to the Rural Local Bodies from out of the amount pooled at State level shall be apportioned to Village Panchayats, Panchayat Unions and District Panchayats in the ratio 60:32:8. The actual amount due to the respective Village Panchayats, Panchayat Unions and District Panchayats from out of the share allocated to each tier shall be in proportion to the rural population of the Local Body as per 2001 Census. This amount shall be released to the rural Local Bodies by the Commissioner/Director of Rural Development and Panchayat Raj on a quarterly basis.
- (iii) The balance two-third of the pooled amount shall be credited to the Fund for the Priority Schemes in Rural Areas (ordered in G.O.Ms.No.191,Rural Development and Panchayat Raj Department, dated 22.11.2007) on behalf of Rural Local Bodies on half-yearly basis as contribution and the fund may be utilized for implementing specific Development Schemes in the Rural Local Bodies.
- (iv) The quantum of the pooled amount shall tentatively be fixed on the basis of the collection of taxes during the previous year for making necessary budgetary allocation.
- (v) The apportionment of assigned revenue to Rural Local Bodies and contribution to the fund shall initially be done to the level of tentative allocation for the pooled amount in the budget and finally adjusted in the next financial year after determining the entitlement of the Rural Local Bodies.

- (vi) The system of adjustment of assigned revenues from the Entertainment Tax and Surcharge on Stamp Duty to Local Bodies directly from the revenue receipt heads by the Commercial Taxes Department and Registration Department respectively shall be restricted only to Urban Local Bodies.
- (vii) The amount sanctioned in para 9 above shall be released to Rural Local Bodies and to be credited to the "Fund for the Priority Schemes in Rural Areas" (ordered in G.O.Ms.No.191, Rural Development and Panchayat Raj Department, dated 22.11.2007) shall be as indicated below:

Amount to be released to the Rural Local Bodies on the rural population as per 2001 Census (one-third of the allocation) Rs.78,79,63,869/-

Amount to be credited to the "Fund for Priority Schemes in Rural Areas" by Commissioner/Director of Rural Development and Panchayat Raj for Scheme Component. (two-third of the allocation) Rs.1,57,59,27,739/-

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Rs.236,38,91,608/-

11. The amount sanctioned in para 9 above shall be debited to the following Heads of Accounts under Demand 42-02 of Rural Development and Panchayat Raj.

a) Amount to be released to the Rural Local Bodies based on the rural population as per 2001 Census (one-third of the allocation).

(i) Stamp Duty – Rs.77,42,10,947/- (Rupees Seventy seven crores Forty two lakhs Ten thousand nine hundred and forty seven only)

3604 00 Compensation and Assignment to Local Bodies and Panchayati Raj Institutions – 102 Stamp Duty – I. Non-Plan – AA. Assignment under Global Sharing of Assigned Revenue to Rural Local Bodies - 09 Grants-in-Aid – 09. Others (DPC 3604 00 102 AA 0991)

(ii) Entertainment Tax – Rs.1,37,52,922/- (Rupees One crore thirty seven lakhs fifty two thousand nine hundred and twenty two only)

3604 00 Compensation and Assignments to Local Bodies and Panchayati Raj Institutions – 103 Entertainment Tax – I. Non-Plan – AD Assignment under Global Sharing of Assigned Revenue to Rural Local Bodies – 09. Grants-in-Aid – 09 Others (DPC 3604 00 103 AD 0993).

b) Amount to be credited to the “Fund for Priority Schemes in Rural Areas” by Commissioner/Director of Rural Development and Panchayat Raj for Fund for Priority Schemes in Rural Areas

- (i) Stamp Duty – Rs.154,84,21,894/- (Rupees One hundred and fifty four crores eighty four lakhs twenty one thousand eight hundred and ninety four only)

3604 00 Compensation and Assignment to Local Bodies and Panchayati Raj Institutions – 102 Stamp Duty – I. Non-Plan – AB. Contribution on behalf of Rural Local Bodies to the Fund for Priority Schemes in Rural Areas – 10 Contributions – 01 Contribution to Specific Fund (DPC 3604 00 102 AB 1014)

- (ii) Entertainment Tax – Rs.2,75,05,845/- (Rupees Two crores seventy five lakhs five thousand eight hundred and forty five only)

3604 00 Compensation and Assignments to Local Bodies and Panchayati Raj Institutions – 103 Entertainment Tax – I. Non-Plan – AE Contribution on behalf of Rural Local Bodies to the Fund for Priority Schemes in Rural Areas – 10 Contributions – 01 Contribution to Specific Fund (DPC 3604 00 103 AE 1016)

12. The Government authorize the Director of Rural Development and Panchayat Raj to draw and disburse the amount sanctioned in para 9 above as indicated in para 10 above for implementation of specific development scheme in rural areas.

13. The guidelines for sanctioning expenditure under the Fund for Priority Schemes in Rural Areas and list of items disallowed under the Fund for Priority Schemes in Rural Areas as approved in the earlier orders read in the Government Order first, second and third read above are annexed to this order and it shall be scrupulously followed while implementing the schemes.

14. The additional funds of Rs.200,48,767/- over and above the Budget Estimate 2010-2011 will be provided in Revised Estimate/Final Modified Appropriation 2010-2011. However, this expenditure shall be brought to the notice of the Legislature by specific inclusion in the Supplementary Estimates, 2010-2011. Pending provision of such funds in Revised Estimate/Final Modified Appropriation 2010-2011, the Commissioner/Director of Rural Development and Panchayat Raj is authorized to incur the expenditures sanctioned in para 9 above and also requested to include this expenditure while sending the Revised Estimate/Final Modified Appropriation 2010-2011 proposals to Government without fail. The Commissioner/Director of Rural Development and Panchayat Raj is also requested to send necessary draft explanatory notes to Government in Finance (BG.I) Department for inclusion of the expenditure in the Supplementary Estimates 2010-2011.

15. This order issues with the concurrence of Finance Department vide its U.O. No.37347/RD/2010, dated 14.7.2010 and with Additional Sanction Ledger Number 468 (Four Hundred and Sixty Eight)

(BY ORDER OF THE GOVERNOR)

K. ASHOK VARDHAN SHETTY,  
Principal Secretary to Government.

To

The Director of Rural Development and Panchayat Raj, Chennai-15.

The Commissioner of Commercial Taxes, Chennai-5.

The Inspector General of Registration, Chennai-28.

The Special Commissioner and Commissioner of Treasuries and Accounts,  
Chennai-15.

All District Collectors (except Chennai)

The Pay and Accounts Officer, Chennai-35.

The Principal Accountant General (Audit), Chennai-6/18.

The Accountant General (A&E), Chennai-18.

Copy to:

The Commissioner of Rural Development and Panchayat Raj (Training), Chennai-15.

The Director, State Institute of Rural Development, Maraimalai Nagar,  
Kancheepuram District.

The Finance (RD & LE/BG.I/B.G.I & II/Resources-I) Department, Chennai-9.

// FORWARDED :: BY ORER //



**ANNEXURE I****GUIDELINES FOR SANCTIONING EXPENDITURE UNDER THE FUND FOR PRIORITY SCHEMES IN RURAL AREAS**

(i)	<u>Objective of the Fund:</u>	The Fund shall be utilized for executing works towards creation of basic infrastructure in rural areas.
(ii)	<u>Sanctioning Authority:</u>	A Committee comprising the Principal Secretary, Rural Development and Panchayat Raj Department, Commissioner/Director of Rural Development and Panchayat Raj and Superintending Engineer (Rural Development) shall scrutinize the proposals forwarded by District Collectors and accord approval for expenditure under the Fund. The Commissioner/Director of Rural Development and Panchayat Raj shall issue sanction order based on the approval of the Committee subject to availability of adequate budget provision to meet the expenditure initially under Revenue Account.
(iii)	<u>Details of work admissible under the Fund:</u>	Any kind of work except those shown in Annexure II.
(iv)	<u>Proposals for schemes:</u>	The District Collectors shall forward proposals along with detailed estimates for works and a certificate to the effect that sufficient land is available to execute work.
(v)	<u>Executing Agency:</u>	The execution of work shall be entrusted to the District Collectors. The District Collectors may execute the works through District Rural Development Agency (DRDA), Block Development Officers and Village Panchayat concerned as deemed fit.
(vi)	<u>Executing Agencies not allowed:</u>	No work shall be entrusted to line departments such as Public Works, Highways and Minor Ports, Agricultural Engineering and Tamil Nadu Water Supply and Drainage (TWAD) Board for execution. However, the installation of street lights may be entrusted to the Tamil Nadu Electricity Board (TNEB).
(vii)	<u>Implementation of special schemes:</u>	The above Committee may also formulate certain schemes and allocate funds to Districts for implementation. In such cases, the District Collectors shall accord administrative sanction as per guidelines of such schemes.

(viii)	<u>Award of works:</u>	The Tender procedures and Procurement guidelines applicable to Government departments shall be followed while awarding works.
(ix)	<u>Drawal and release of funds:</u>	The Commissioner of Rural Development and Panchayat Raj shall be authorized to draw and release the funds to District Collectors.
(x)	<u>Modification in the guidelines:</u>	The Principal Secretary to Government, Rural Development and Panchayat Raj shall modify any of the above guidelines in consultation with the Commissioner/Director of Rural Development and Panchayat Raj based on exigencies that may arise from time to time.

K. ASHOK VARDHAN SHETTY,  
Principal Secretary to Government.

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SECTION OFFICER.

ANNEXURE IILIST OF EXPENDITURE ITEMS DISALLOWED UNDER THE FUND FOR PRIORITY SCHEMES IN RURAL AREAS

1.	Construction of office and residential buildings for the Central and State Governments, their departments, Government Agencies/Organisations, and Public Sector Undertakings, other than the office buildings for Panchayat Raj Institutions and officers providing technical support to Panchayat Raj Institutions;
2.	Construction of office and residential buildings for private, co-operative and commercial organizations;
3.	All works involving commercial establishments/units;
4.	All maintenance works of any type;
5.	All renovation and repair works except heritage and archaeological monuments and buildings with specific permission available from Archaeological Survey of India (ASI);
6.	Payment of grants, loans and contribution to any Central and State/Union Territory relief funds;
7.	Creation of assets in the name of any person;
8.	Purchase of all movable items except equipment of Panchayat Raj Institutions and vehicles for Panchayat Union Chairpersons, Block Development Officers, Executive Engineers (Rural Development and Panchayat Raj) and Assistant Executive Engineers (Rural Development and Panchayat Raj) for supervision and monitoring of works of Panchayat Raj Institutions;
9.	Acquisition of land or payment of compensation for land acquired;
10.	Reimbursement of expenditure on completed or partly completed works;
11.	Any revenue or recurring expenditure;
12.	Execution of work within the places of religious worship and on land belonging to or owned by any religious faith/group;
13.	Construction of monuments, memorials, statues, idols, arch gates/welcome gates; and
14.	De-silting of ponds, tanks, channels and rivers.

K. ASHOK VARDHAN SHETTY,  
Principal Secretary to Government.

// TRUE COPY //

SECTION OFFICER.