

## 11. STATE FINANCE COMMISSION

### 11.2 Purposes for which Grants to be utilised and dispensing with the system of adjustment of accounts between Panchayats and Panchayat Unions

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Rural Development (C.III) Department

G.O. (Ms) No. 93

Dated : 26.03.1997

#### ORDER

The recommendations of the State Finance Commission appointed by the Government have been examined and Government have taken decisions for the devolution of 8% of all taxes other than Entertainment Tax to the local bodies. Detailed orders regarding amounts which will be granted to Panchayats and Panchayat Unions are being issued separately.

2. Consequent on this devolution some of the earlier grants being made to Panchayats/ Panchayat Unions will no longer be available. The grants which will not be available from 1.4.97 are -

Panchayats -

1. Maintenance of Hand Pumps;
2. Maintenance of Power Pumps;
3. Grants for Panchayat Assistants Salary;
4. Provision of street lights to weaker Panchayats;
5. Compensation grant in lieu of Surcharge on Sales Tax to Village Panchayats;
6. House Tax Matching Grant;

Panchayat Unions -

7. Local Cess Surcharge Matching Grant;
8. Local Roads Grant

3. The expenditure so far incurred from the above grants will now have to be incurred by the respective local bodies from out of the grants being devolved from the State Finance Commission recommendations.

4. Other grants will continue

5. The State Finance Commission Devolution grants must therefore be utilised only for the following purposes:

Panchayats

1. Salaries and Wages of the approved staff;
2. Maintenance of drinking water facilities including Hand Pumps and Power Pumps;
3. Maintenance of Street lights and payment of electricity charges;
4. Statutory obligations like Public Health, Hygiene, Sanitation, Sewerage etc., which are required to be taken care of by the Panchayats under the various sections of the Tamil Nadu Panchayats Act;
5. Office Maintenance and expense including stationery;

Panchayat Unions:

1. Salaries and wages of the approved Panchayat Union Staff;

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2. Pension Fund, Provident Fund, TA/DA and other related expenses of the Panchayat Union Staff;
3. Office Maintenance and expenses including stationery, electricity charges, telephone charges, etc.,
4. Maintenance of all Panchayat Union Buildings and buildings vested with the Panchayat Unions;
5. Maintenance of Panchayat Union roads;
6. Maintenance of Minor Irrigation tanks vested with the Panchayat Unions.

6. The following instructions are for strict compliance by all local bodies

1. Staff salary, pension contribution and Provident Fund Contribution, Office expenses will be first charges on these grants;
2. In respect of Village Panchayats the next priority should be:
  - a. Maintenance of drinking water facilities including open wells, hand pumps and power pumps;
  - b. Street lights;
  - c. Public Health Hygiene and Sanitation;
  - d. Any other statutory item of works
- e. In respect of Panchayat Unions, the next priority should be the maintenance of all buildings
- f. Maintenance of roads, minor irrigation tanks, etc., should be taken only after providing for the above commitments.

7. Except as provided for by Government Orders, no fresh appointment on part-time / NMR/full time/temporary basis of any category of staff should be made by any of the local bodies.

8. The District Collector, as Inspector of Panchayats and Panchayat Union will ensure strict compliance with these instructions.

9. Instructions regarding taking up capital works with the surplus if any available under these grants, will be issued separately by the Director of Rural Development.

10. Apart from the State Finance Commission Grants, the Panchayats will have their own resources in the form of House Tax, Profession Tax, License Fees etc., Apart from this, they will also be eligible for continuing devolutions on Local Cess, Stamp Duty Surcharge, Share of Entertainment Tax, fees under mines and minerals, etc.,

11. Panchayat Unions will continue to be eligible for Local Cess Surcharge, Surcharge on Stamp duty, Proportion of Entertainment Tax., etc.,

12. it is herewith ordered that transactions between the Panchayat Union Account (L.F.II) and the Panchayat Account be stopped forthwith with effect from 31.3.97, that is to say there should be no adjustment of accounts between the Panchayat Accounts and the Panchayat Union Accounts henceforth. However balances at the credit of Village Panchayats in the existing Village Panchayat fund account as on 1<sup>st</sup> April 1997 should be transferred and credited to the new Village Panchayat Fund Account to be opened in the Cooperative Bank/Regional Rural Bank / Post Office Saving Bank/Nationalized Bank as ordered in G.O. (Ms) No. 92, Rural Development Department dated 26.3.97.

13. Government will separately be constituting a Committee to examine the balances due from the Panchayat Unions to Panchayats and from the Panchayats to the Panchayat Unions and issue orders.

(By order of the Governor)

**S. NARAYAN**  
SECRETARY TO GOVERNMENT