

Question No.2: Describe main taxes of the local government.

Kautilya, the great India Philosopher, remarked

“All undertakings depend upon finance, hence foremost attention should be paid to the treasury”.

Ursula K. Hicks says in this regard:

“If local bodies are to play any significant part in economic or social development, they must clearly have access to adequate finances.”

The Economic Survey 1991-92 has rightly stated:

“The financial sector is the centre of economic activity, its health affects the entire economy, and municipal government are directly linked with the availability and utilization of financial resources.”

The constitution of the Indian Republic is federal in character. It provides for three levels of government, central, state and local.

The responsibilities of local bodies have tremendously increased as a result of the rapid increase in urbanization and adoption of welfare state as the ultimate goal of our polity. Local government finance, thus assumes great importance.

In India, the planning at the national level has been functioning quite effectively.

In local government municipality gram, Panchayat and district board involved.

After looking at their expense state government has given them rights to apply some taxes. These taxes can be divided into two parts direct and indirect taxes.

Direct Tax

Property tax: This an important tax of local agencies there are of four types – on houses, property transferred tax and on land and on its improvement. Property tax applies in two ways general and service tax.

General tax: Tax which applies annually on property is known as general tax.

Service tax: This applies on water, education, electricity etc. This applies on the basis of assets. It is applied on the progressive rate and it is flexible tax. But one of the Demerit of this tax is that it gives birth to corruption.

Profession tax: This is received in the form of license fee and different tax applies on different profession.

Transport tax: This tax applies to tonga, rickshaw, cycle, bullock cart etc. It is not applied on motor vehicle.

Market tax: This tax is applied by Municipalities or gram Panchayat on businessman who sells goods in the market.

Road tax: This tax applies to those bridges which are constructed on high rates and on people and vehicles passing through it.

Status tax: This applies on individual's social status, economic status and on the basis of the number of family members

Indirect Taxes

It is divided into two:

Octroi tax (2) Terminal Tax.

Octroi tax: This is the main source of MCD and on that area of MCD which is used for production or selling of goods. Goods which are out of the MCD area do not pay this. Octroi tax has a demerit that it increases corruption as most of the income does not go to the MCD, also the poor class gets its burden.

Terminal tax: Whenever goods enter in the boundary of MCD, go out from the area of MCD or pass through its boundary.

The difference between Octroi and terminal tax is that Octroi tax applies while entering in the area where as terminal tax applies in both the condition on entrance and exit at that time of the train journey terminal tax included in the fare which goes to the MCD.