



THE REVENUE SOURCES OF AIZAWL MUNICIPAL CORPORATION: TAX AND NON-TAX

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ABSTRACT

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Municipal corporations generate revenue from various sources to fund their operations and provide services to residents. Municipal revenue sources are broadly divided into - Tax and Non-tax revenue. Tax revenue includes property taxes, which is the collected from property owners, based on the assessed value of their properties. Non-tax sources of municipal revenue typically refer to revenue streams that local governments collect apart from taxes, such as, use fees and charges, licences and permits, fees and penalties, grants and fund transfers, investment income, etc.

Like other municipalities in India, especially, smaller municipalities, Aizawl Municipal Corporation (AMC) is heavily dependent on fund transfers from higher governments such as, the central and state governments. This is basically due to the limited revenue sources available to the Corporation. The AMC received funds primarily, through state tax devolution from the state government as recommended by State Finance Commission. The revenue resources of Aizawl Municipal Corporation include Own Revenues, consisting of Tax Revenues (of which the property tax is a major source) and Non-Tax Revenues such as funds for local bodies, grants and devolution by the State Government, Grants from the Central Government and Finance Commissions and other receipts. Data shows that the contribution of own source revenue is very small, less than one-third of total revenue expenditure in 8 of the last 12 years. The financial resources of the Aizawl Municipal Corporation play a critical role as engines for the growth of local bodies in the state.

KEYWORDS: Revenue sources of municipalities, Tax and non-tax revenue of municipal corporations, AMC

INTRODUCTION

The Mizoram State Legislative Assembly passed The Municipalities Bill 2007 on 29 March 2007, which received the assent of the Governor on April 16, 2007 of Mizoram and became “The Mizoram Municipalities Act 2007”. The Act came into force in 2008 and was enacted to incorporate the provisions of the 74th Constitutional Amendment Act, 1992. Then, the first urban local body in the State, Aizawl Municipal Corporation (AMC) was formed covering a total area of 129 sq. km. and population of 2,93,416 as per 2011 census. Under the AMC, there are 19 Wards comprising of 83 Local Councils. The first general election to constitute the AMC was held in 2010.

Like other municipalities in India, especially, smaller municipalities, the Aizawl Municipal Corporation (AMC) is heavily depending on fund transfers from the central and state governments. Municipalities in India have been suffering from inadequacy of funds and AMC is no exception, which largely hamper the growth of municipal infrastructures and the provision of basic civic services to the residents. AMC received funds primarily, through State Tax Devolution as recommended by State Finance Commission from the State government. The AMC also generate own resources out of tax revenues (Property tax) and non-tax revenues including rental income, fees, fines and other revenues from Municipal properties. The AMC also

received ample amount of grants under Central Finance Commission. The financial resources of the Aizawl Municipal Corporations play a crucial role in the development and maintenance of local infrastructure and services and also play a crucial role in the state economy, it contributes to the growth of the local bodies in the state.

The Second Mizoram Finance Commission (MFC) divided The Corporation's revenue sources into four categories - (i) Own revenue comprises tax, (ii) non-tax revenues, (iii) fund transfers from the Central Government, transfers from State Government, and (iv) other receipts. The heavily-dependence of AMC on central and state transfers is basically due to the limited revenue sources available to the Corporation. The contribution of own source revenue is less than one-third of total revenue expenditure in 8 of the 12 years presented, indicating their heavy reliance on higher government fund transfers for the work they need to perform over the years. Its inability to mobilise enough funds from its own sources has forced this Corporation to be at the mercy of the State and Central Governments for any developmental work (Second MFC, 2023). The Commission also states that greater dependency on the upper tiers renders the local government vulnerable regarding spending on the provision of basic infrastructure and services.

According to the report of Accountant General, Mizoram (2017), the resource base of the AMC comprises of own source of revenues (OSR), central finance commission grants and state government grants for maintenance and development purposes. As per Section 210 of the Mizoram Municipalities Act, 2007 (as amended in November 2015), the AMC may levy taxes such as property tax, market fees and rents, profession tax, tax on carriages and animals, tax on carts and advertisement tax other than advertisements published in newspapers. Thus, Market fees and Rents, Building regulation, Ch. Chhunga Bus Terminal fees, Ch. Saprawnga Truck Terminal fees, Parking fees, etc., constituted the main sources of revenue of the AMC.

The collection of Property Tax was assigned temporarily to the AMC as per the Government Notification dated 08 October 2012. Mizoram Municipalities (Property Tax Management) Rules, 2014 came into force with effect from 01 April 2015. This Rule has empowered the AMC with the sole authority to collect Property Tax.

II. LITERATURE REVIEW

Municipal revenues constitute a minimal share in India's GDP. Jain, et al. (2015) found out that since independence, municipal finances in India have shared an insignificant position in the country's public finance, and are largely characterized by a poor resource base, lack of autonomy, low capacity to mobilize revenues and high dependence on central and state level transfers and grants-in-aid coupled with internal inefficiencies for financial management.

Mathur (2006) finds that the finances of municipalities in India are in a grossly unsatisfactory state. The spending levels of municipalities are about 130 per cent lower compared with norms and standards. Own revenues of municipalities are insufficient to meet even the revenue account expenditure. In India, the first attempt at setting urban service norms and standards was made in 1963 by the Zakaria Committee, which laid down the physical norms and corresponding expenditure norms for five services, i.e. water supply, sewerage, stormwater drainage, urban roads, and street lighting. The Zakaria Committee adopted a demand-driven approach for estimating service standards and per capita investment requirements for urban India. HPEC (2011) The revenue-expenditure gap is particularly high in states like Madhya Pradesh, Rajasthan, Uttar Pradesh and West Bengal. Mathur et al. (2007) have compiled various estimates that have been made by updating the Zakaria Committee estimates. However, the key challenge has been to ensure that urban local governments have the requisite financial resources to meet the estimated expenditure. It is also necessary to have new 'Zakaria Committee type' estimates to better assess the expenditure requirements for local governments that are in tune with emerging standards for various municipal services. (CWAS, 2020).

Municipal property tax is an important source of local revenue in many countries. Notwithstanding that the dominance of property tax over other municipal taxes, the collection of property tax in India is much lower compared to the OECD countries due to several factors, viz., property undervaluation, incomplete registers, policy inadequacy and ineffective administration. (Awasthi et.al, 2020). However, there is a wide variation in the collection of property tax across Municipal Corporations. (RBI, 2022). According to Lall and Deichmann (2006), urban Property Tax levied by municipalities is an underused source of revenue in India. Moreover, the collection system is marred by challenges of pending litigations and inadequate staffing pattern in Municipal Corporations (Mankikar, 2018).

Thanga, et. al. (2023) assessed the finances of the Aizawl Municipal Corporation (AMC) and shows that the average contribution of revenue from own sources to the total revenue receipt (TRR) from 2015-16 to 2021-22 was only 11.59%, which renders the AMC vulnerable in its ability to provide basic infrastructure and civic services. Moreover, the own revenue receipt is less than one-third of the revenue expenditure of the Corporation throughout the years under study with no visible sign of improvement. The only tax revenue source is property tax, which showed time volatility with an annual growth rate of 14.2% since its introduction.

III. OBJECTIVES OF THE STUDY

1. To analyse the trends of fund devolution to the AMC from the Central Finance Commissions and State Government.
2. To examine the various components of own revenue, property tax revenue and total transfers of fund.

3. To analyse the trends of property tax collection by the AMC

IV. TAX AND NON-TAX REVENUES

Based on the study of RBI, the revenue receipts of Municipal Corporations in India - consisting of own tax revenue, own non tax revenue and transfers - are estimated at 0.61 per cent of GDP in 2017-18 and were budgeted to increase to 0.72 per cent of GDP in 2019-20. This shows an increasing trend of revenue receipts by the urban local bodies. According to RBI Report, Own tax revenue, comprising property tax, water tax, toll tax and other local taxes, accounted for 31-34 per cent of total revenue during the period under study. Property tax accounts for around half of the total tax collections of Municipal Corporations, which amounts to less than 0.5 per cent of GDP with significant inter-state variations. However, there is a wide variation in the collection of property tax across Municipal Corporations. (RBI, 2022).

Recommendation of the first State Finance Commission of Mizoram (1st MFC) was effective since 2015. In the initial year of the award period in 2015-16, all fund transfer to the AMC was non-tax devolution. After the implementation of the 1st MFC in 2016-17 the Corporation collected Property tax and the devolution tax was included in the revenue sources. Eighty

percent of the property taxes collected are distributed as Ward Assistance Fund and token amount are transferred to the Local Councils (LCs) in accordance to decisions made at the Board of Councillors (BOC). The state government grants involve state tax devolution fund which are transferred to the Local Council. After property tax is collected from LCs, the Board of Councillors decides how the 80% of property tax collected needs to be distributed to Ward Committees.

The Table 1 shows devolution of funds from the state and central governments to AMC. The share of tax received in the total transfers from the state government during 2015-2020 was Rs 6,596.55 lakh. There was commendable improvement in the amount of tax revenue during this period. Total transfer from the state government also shown sharp increase during 2016-17 and 2017-18, it has increased from Rs 584.87 lakh in 2015-16 to Rs 1,417.93 lakh in 2019-20, while the total transfer received from the state government during 2015 to 2020 is Rs 7,181.42 lakh. The share of taxes received was Rs 333.66 lakh only in 2016-17 and increased to Rs 1,417.93 in 2019-20, which was more than four times. During 2015 to 2020, the total share of taxes received accrued to Rs 6,596.55 lakh. Also, the 14th FC grants received during the period of 2015-2020 was Rs 13,013.91 lakh.

Table 1
Devolution of funds from the State and Centre to Aizawl Municipal Corporation

(₹ in lakh)

Year	Projected share of taxes as per 1st SFC	Share of taxes received	14th FC grants received	Projected grants-in aid from State Government as per 1st SFC	Grants-in-aid received from State Government	Total projected transfers from the State Government (2+5)	Total transfers received from State Government (3+6)
2015-16	770.7	0.00	2,968.91	0.00	584.87	770.7	584.87
2016-17	887.07	333.66	1,375.5	0.00	0.00	887.07	333.66
2017-18	1,020.97	2,905.4	2,192.5	0.00	0.00	1,020.97	2,905.4
2018-19	1,175.13	1,939.56	1,990.5	0.00	0.00	1,175.13	1,939.56
2019-20	1,352.56	1,417.93	4,486.5	0.00	0.00	1,352.56	1,417.93
2015-20	5,206.43	6,596.55	13,013.91	0.00	584.87	5,206.43	7,181.42

Source: Aizawl Municipal Corporation and 1st MFC Report (2015)

The following Table 2 shows the summary of revenue receipts of AMC during 2011-12 to 2021-22. The revenue sources are divided into four categories: Own revenue comprises tax and non-tax revenues, fund transfers from the Central Government, transfers from the State Government, and other receipts. Like municipalities in the other states in

India, the AMC is also heavily dependent on revenue transfers from higher governments. This is basically due to the limited revenue sources available to the Corporation. As depicted in table 2, AMC's own revenue comprises non-tax revenue only in the initial two years, the total own revenue accounted Rs 20.41 lakh and Rs 29.70 lakh in 2010-11 and 2011-12

respectively. According to 2nd MFC (2023), the Corporation's inability to mobilise enough funds from its own sources has forced this Corporation to be at the mercy of the State and Central Governments for any developmental work. Greater dependency on the upper tiers renders the local government vulnerable regarding spending on the provision of basic infrastructure and services.

Fund transfers from the Central Government (Central transfers) include grants as per the recommendation of the Central Finance Commissions (CFC transfers) and Centrally Sponsored Schemes (CSS). Similarly, fund transfers from the State Government (State transfers) also comprise devolution of State's own taxes as recommended by the State Finance Commission and Grants-in-Aid (GIA). The Table 2 shows that the total revenue receipt (TRR) has shown an increasing trend at a compound annual growth rate of 14.3% during the last 12 years, from Rs 1,113.96 lakh in 2010–11 to a peak of Rs 7,357.26 lakh in 2020–21 and down to Rs 3,917.35 lakh in 2021–22. The own revenue receipt has been increasing very fast at an annual compound rate of 34.8%, mostly driven by the collection of property tax since 2015, going from Rs 20.41 lakh to Rs 643.72 lakh during this period. However, the average contribution of own revenue to total revenue receipt (TRR) during this period is 9.3%, having been as low

as 1.8% in 2010-11 and 3.1% in 2014-15, indicating the AMC's heavy reliance on revenue transfers from higher governments. Accordingly, the total transfer of funds received by the Corporation from higher governments (Central and State Governments) has been continuously increasing from Rs 1,093.55 lakh in 2010–11 to Rs 5,298.01 lakh in 2017–18, peaked at Rs 6,772.45 lakh in 2020–21, and decreased to Rs 3,273.63 lakh in 2021–22.

Fund transfers from the Central Government in the form of Urban Local Bodies' grants, as recommended by successive Union Finance Commissions (13th, 14th, and 15th FCs), has increased from Rs 932.05 lakh in 2010-11 to Rs 1,745.11 lakh in 2021-22. The central transfers peaked in 2020-21 amounting to Rs 5,904.45 lakh, but, it reduced sharply to Rs 1,745.11 in the subsequent year 2021-22. The state transfers also increased steadily from Rs 161.50 lakh in 2010-11 to Rs 333 lakh in 2016-17, it has jump to Rs 2,905.40 lakh in the subsequent year 2017-18, and the trend has shown fluctuating rate thereafter. The Table shows that whenever the Central fund transfer falls short of the requirements, the State government makes up the difference by allocating additional funds to the Corporation. Hence, the proportion of State and Central transfers changes accordingly.

Table 2
Summary of Revenue Receipts of the Aizawl Municipal Corporation
Rs in lakh

Year	Own Revenue			Central Transfer			State Transfer			Others (Penal Interest)	Total Revenue Receipt	Own Revenue as % of TRR
	Property Tax	Non-Tax Revenue	Total	FC transfer	CSS	Total	Tax Devolution	GIA	Total			
2010-11	0.00	20.41	20.41	932.05	0.00	932.05		161.50	161.50		1113.96	1.80
2011-12	0.00	29.70	29.70	1107.00	0.00	1107.00		378.09	378.09		1514.79	2.00
2012-13	223.47	81.34	304.81	1982.09	0.00	1982.09		339.37	339.37		2626.27	11.6
2013-14	0.00	102.97	102.97	1863.10	0.00	1863.10		604.19	604.19		2570.26	4
2014-15	1.94	129.08	131.02	3600.46	0.00	3600.46		558.09	558.09		4289.57	3.1
2015-16	114.18	174.39	288.57	2968.91	0.00	2968.91	0.00	584.87	584.87	32.69	3875.04	7.40
2016-17	220.40	277.57	497.97	1375.50	73.00	1448.50	333.66	0.00	333.66	54.38	2334.51	21.30
2017-18	275.53	244.57	520.10	2192.50	200.11	2392.61	2905.40	0.00	2905.40	38.74	5856.85	8.90
2018-19	297.07	571.29	868.36	1990.50	220.37	2210.87	1939.56	0.00	1939.56	0.00	5018.79	17.30
2019-20	344.06	308.93	652.99	4486.50	70.60	4557.10	1417.93	0.00	1417.93	14.06	6642.08	9.8
2020-21	307.79	276.77	584.56	4500.00	1404.45	5904.45	0.00	868.01	868.01	0.25	7357.26	7.9
2021-22 (RE)	322.09	321.63	643.72	1700.00	45.11	1745.11	0.00	1528.52	1528.52	0.00	3917.35	16.40
CAGR (%)	**	28.1	34.8	8.4	**	9.8	**	**	20.1	**	14.3	

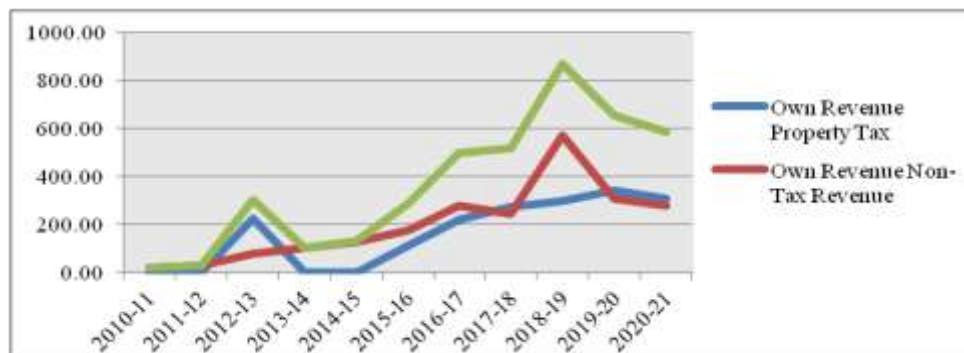
Source: Report of the 2nd Finance Commission, Mizoram and Aizawl Municipal Corporation

Note: FC Transfer is the fund transfer from the Central government as recommended by the Central Finance Commissions; CSS includes receipt from AMRUT, Swach Bharat Mission, BAY-NLUM; CAGR is the Compound Annual Growth Rate; and ** indicates Insignificant trend coefficient

The figure 1 also shows the trends of own tax and non-tax revenue of the AMC since 2010-11 till 2020-21. The total own revenue shows fluctuating trend during this period. In the

Table 2, we see that in the initial year (2010-11) total own revenue was only Rs 20.41 lakh and Rs 29.70 lakh in 2011-12, then increased sharply to Rs 304.81 lakh.

Figure 1: Composition of Tax revenue, non-tax revenue and total own revenue



Source : Computed from Table 2

Central transfers, including funds received through Central Finance Commissions' recommendations and funds received from Centrally Sponsored Schemes (CSS) go up and down during 2010-11 to 2020-21 as shown in the Figure 2.

According to Table 2, no CSS funds was received by AMC during 2010-11 to 2015-16, and the total CSS funds received was Rs 1,404.45 lakh only, constituting only 23.79 per cent of the total own revenue of the AMC.

Figure 2: Composition of Central Transfers including FCs' transfers and CSS funds during 2010-2020



Source : Computed from Table 2

V. MIZORAM FIRST FINANCE COMMISSION AND AIZAWL MUNICIPAL CORPORATION

As per the 73rd Constitutional Amendment Act 1992, every state is mandated to create State Finance Commission to recommend fund devolution at the state level. Article 243I of the Indian Constitution prescribes that "the Governor of a State shall, as soon as may be within one year from the commencement of the Constitution (73rd Amendment Act, 1992), and thereafter at the expiration of every 5th year, constitute a Finance Commission". State governments were required to devolve resources to local

bodies based on the recommendations of SFCs. In fact, as Mathur (2020) argues that the Article 280(3)-(c) of the Constitution also needs to be relooked at as it requires the Central Finance Commissions to review the SFC Reports to make an assessment of ULB fund requirements.

In consonance with the directive of the Constitutional amendment the first Mizoram Finance Commission was constituted (On 30 September 2011) in pursuance of the Sub-

Section (1) of Section 3 of the Mizoram Finance Commission Act, 2010 (Act No. 17 of 2010) to make recommendations on the following matters. However, the Report of the first Mizoram Finance Commission (for the period 2015-20) was laid in the Mizoram Legislative Assembly in March 2016. The principles which inter alia should govern:

- (a) The distribution between the State and the Village Councils, Aizawl Municipal Council and the Autonomous District Councils of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them to enable these bodies to perform the functions assigned, and which may be assigned to it under any laws in force or orders, and the allocation between the Village Councils, Aizawl Municipal Council and the Autonomous District Councils at all levels of their respective shares of such proceeds;
- (b) The determination of the taxes, duties, tolls and fees which may be assigned to or appropriated by the Village Councils, Aizawl Municipal Council and the Autonomous District Councils;
- (c) The Grants-in-aid to the Aizawl Municipal Council from the Consolidated Fund of Mizoram; and
- (d) The measures needed to improve the financial position of the Aizawl Municipal Council, Village Councils and Autonomous District Councils.

Mizoram is excluded from implementing the 74th Amendment of the Constitution. However, despite this Constitutional exemption, the Government of Mizoram is keen to empower the local bodies to implement the provisions of the

73rd and 74th Constitutional Amendments to perform the functions analogous to the local bodies of the country while at the same time protecting the autonomy enjoyed by these local bodies. Towards this end, the Mizoram Municipalities Act was passed in 2007 and subsequently amended in 2009 to strengthen the greater participation of the urban people in self-governance. (Report of the first MFC, 2015)

The First Finance Commission brought up two most pertinent points about the growth rate Aizawl municipal population that emerged from the census 2011. These are the indications of the complex nature of the urbanization problem of the state of Mizoram that is being encountered increasingly particularly in the context of sanitation and other related problems :

- (i) The robust growth of the population of the Aizawl city during the last three decades
- (ii) The high density of the population is apparent from the fact that more than one-fourth of the State's population is living within an area marginally above half per cent of the total geographical area of the State.

Prior to the first Mizoram Finance Commission, non-tax revenues including central transfers are the only sources of income for the AMC. The following Table 3 shows the trends and amount of revenue receipts during 2010-2015.

Table 3
Trend in Total Revenue Receipts of AMC during 2010-11 to 2014-15
(Rs in Lakhs)

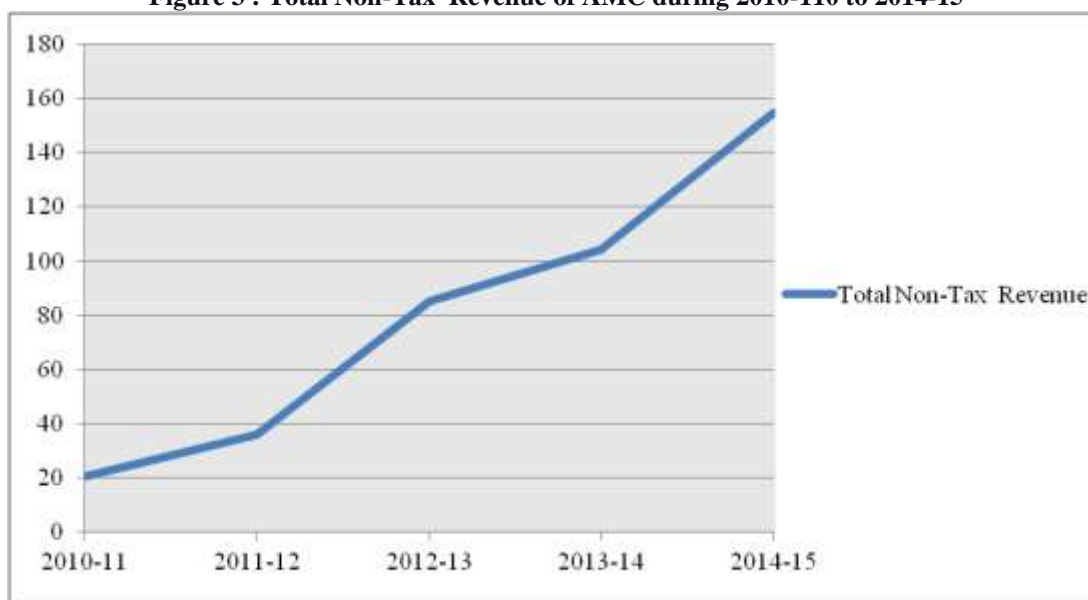
Sl.No	Item	2010-11	2011-12	2012-13	2013-14	2014-15
	Non-Tax Revenue					
1	Total Parking Fees	20.41	22.79	42.94	42.87	59.7
2	Building Permission		10.83	22.91	15.41	16.8
3	Licensing Regulation				0.71	15
4	Bank Interest	0.12	2.2	14.68	36.33	50.85
5	Others		0.02	4.67	8.93	12.8
1 to 5	Total Non-Tax Revenue	20.53	35.84	85.2	104.25	154.52
	Transfers					
6	LC's Remuneration		28.5	28.5	82.44	82.44
7	General Basic Grants (FC)	864	1,107.00	1,245.13	1,746.72	1,662.00
8	Performance Grant (FC)			426.67	426.67	1,131.00
9	General Performance Grant (forfeited of other state)		68.05	310.29		
10	Penal interest		0.35	28.86	65.15	90.48
11	Plan grants	161.5	200	300	686.64	686.64
6 to 10	Transfer net of plan grants	864	1,203.90	2,039.45	2,320.98	2,965.92
6 to 11	Total Transfers	1,025.5	1,403.90	2,339.45	3,007.62	3,652.56
1 to 11	Total Receipts	1,046.03	1,439.74	2,424.65	3,111.87	3,807.08
12	Own revenue % to Total Receipts	1.96	2.49	3.51	3.35	4.06

Source: Report of the 2nd Finance Commission, Mizoram

For total parking fees, the base year estimate has been kept at the level of 2014-15 and is expected to grow at a rate of 6% per annum for the forecast period as inflation effect. Building permission fees and licensing regulation fees have also been kept at the 2014-15 level and grown at a rate of 6% per annum. For Bank interest the base year number has arrived at a level of the average of the last two years (2014-15 and 2013-14) and grown at a rate of 6% per annum.

The AMC registered a healthy growth of non-tax revenue year on year during 2010-11 to 2014-15, and the quantum jump has been witnessed since 2012-13, as the total non-tax revenue increased to Rs 85.2 lakh in 2012-13 from 35.84 lakh in 2011-12. The total transfer of funds also registered steady growth during this period. The trends of these revenue receipts are shown in Figure 3 and Figure 4.

Figure 3 : Total Non-Tax Revenue of AMC during 2010-11 to 2014-15

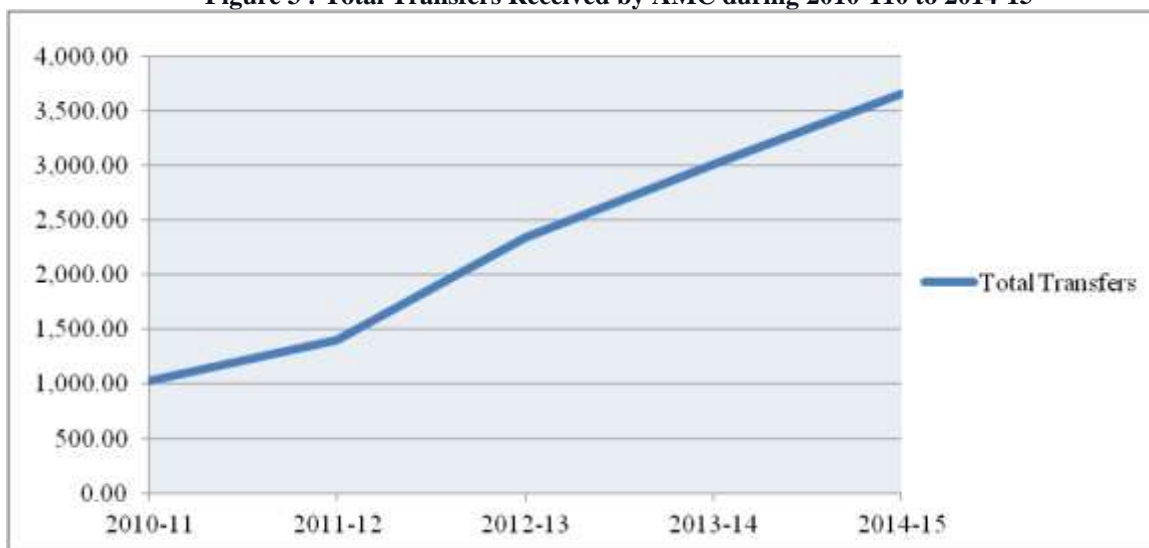


The state government transferred the responsibility of parking lots and collection of parking fees to the Aizawl Municipal Corporation in May 2012. As stated above, the AMC started collection of property tax in 2015, which become the main contributor of AMC's own revenue.

Table 3 is self-explanatory, we can see that performance

grant, recommended by the 13th FC has increased more than two-folds in 2014-15, General Basic Grant also shown an increasing rate until 2014-15. These contributed to the growth of total transfers throughout the period 2010-2015

Figure 3 : Total Transfers Received by AMC during 2010-11 to 2014-15



Source : Computed from Table

Till 2014-15 the AMC has not levied any tax revenue. On the 13th May, 2015 the Aizawl Municipal Council adopted the Mizoram Municipalities (Property Tax Management) Rules, 2014, then came into force on 1st April, 2015 within the jurisdiction of the Aizawl municipality, the Property Tax was introduced accordingly since 2015. Based on the normative model, The first Mizoram Finance Commission reckoned that the tax revenue may be generated approximately Rs 10 crore per annum at least in the end of the first state Finance Commission's award period (That is 2020) through the

collection of property tax.

The first Mizoram Finance Commission used the following Table 4 as forecasting tools for the estimation of revenue in the subsequent years. It is the year-wise projection of the own revenue of the Aizawl Municipal Corporation, which is based on the above assumptions. By the end of the award period, the total own tax revenue is expected to be Rs 11 crore.

Table 4
Projected Own Revenue Receipts of AMC during 2015 to 2020
(Rs in Lakhs)

Particulars	2015-2016	2016-17	2017-18	2018-19	2019-20
Property tax	500.00	600.00	700.00	800.00	900.00
Non-tax Revenue	155.84	167.03	179.09	192.07	206.06
Total Own Tax Revenue	655.84	767.03	879.09	992.07	1,106.06

Source: Report of the 2nd Finance Commission, Mizoram

VI. RECOMMENDATIONS OF THE FIRST MIZORAM FINANCE COMMISSION

Following its mandate as prescribed in the Constitution and the Act of 2010, the First Mizoram Finance Commission made several crucial recommendations in its maiden report. Considering the weak financial condition and unstable fiscal situation of the state, the 1st MFC was apprehensive to recommend any devolution of State's share of Central taxes to the local bodies for the award period of the Commission. Besides, the estimated share of Central taxes for the period 2015-20 was not available while preparing this recommendation as the Fourteenth Finance Commission has not yet finalised its report. The horizontal devolution of the share in State taxes denotes the *inter se* distribution of the vertical devolution among the local bodies of the State.

The first Mizoram Finance Commission have recommended 15 per cent vertical transfer of State taxes (with additional 5 per cent of the excise duty from the date of actual levy) to all the local bodies in aggregate and 15 per cent of these tax revenues are to be transferred to the local bodies in each year. The main points of the recommendations of the First Mizoram Finance Commission related to Aizawl Municipal Corporation are highlighted below:

(a) Vertical devolution of 15 per cent of the State's Own Tax Revenue with local bodies in aggregate viz. Village Councils, Aizawl Municipal Council and Autonomous District Councils. In addition, vertical sharing of at least 5 per cent of the excise duty to the local bodies from the date of the levy of the tax.

(b) Horizontal distribution of the 15 per cent tax devolution amongst the local bodies in three stages. In the first stage, the inter se share from the 15 per cent vertical devolution is recommended amongst the Autonomous District Councils in aggregate, Village Councils in aggregate and Aizawl Municipal Council in percentage terms as 58.33 per cent, 24.17 per cent and 17.50 per cent respectively on the basis of the following numerical calculations in table 4.13 and 4.14. The inter se distribution of this 15 per cent devolution of State taxes among the local bodies was proposed to accomplish in three stages

c) Asian Development Bank assisted NERCCDIP would enable the State Government to impose property tax by the Aizawl Municipal Council from the year 2015-16. Out of the surveyed properties, AMC is to reach a level of annual collection of property tax at ₹ 9.00 crore rupees at least in 2019-20 gradually from a modest collection of ₹ 5.00 crore in 2015-16. The step up is assumed to be linear.

(d) State Government to gradually put in place standards for delivery of all essential services provided by local bodies. For a start, State Government must notify or cause AMC to notify by the end of a fiscal year (31 March) the service standards for four service sectors-water supply, sewerage, storm water drainage, and solid waste management proposed to be achieved by them by the end of the succeeding fiscal year.

(e) Functional devolution of remaining subjects listed in the Twelfth Schedule of the Constitution to the AMC in a time bound manner to enable them to perform analogous functions of other urban local bodies of the country and to handle the problems of growing urbanization with a holistic point of view.

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