



ASSESSMENT AND EVALUATION OF GRAM PANCHAYATH TAXATION – A CASE STUDY ON KARAGUDARI PANCHAYAT, HANGAL

¹Prabhu Nimbakkanavar

Research Scholar

CMR University Bengaluru, Karnataka, India

²Dr. Nayan J

Assistant Professor of Commerce,
Department of Commerce,

¹Government First Grade College Hangal, Haveri, Karnataka, India

Abstract

Local affair tax, also referred to as local taxes or municipal taxes, plays a vital role in funding local governance, services, and infrastructure development within a specific jurisdiction. The primary objective of local affair tax is to generate revenue that supports the operation and maintenance of various local services and projects. Local affair tax encompasses different types of taxes, such as property taxes, local sales taxes, local service taxes, occupancy taxes, and entertainment taxes, the local affair tax include gram panchayat taxes. The revenue generated from local affair tax is utilized to fund a wide range of local initiatives, including road maintenance, sanitation services, water supply, public transportation, parks and recreation facilities, public safety measures, and other essential services that contribute to the overall well-being of the community. The present study focused on concept of local affair tax to know the tax mechanism in Kargudari Gram Panchayat and to assess the utilization of tax revenues for rural development. For this purpose, 5 years data has been collected from Kargudari Gram Panchayat (Hangal taluk) and interactions are also made with staff members of panchayath. The study identified areas for improvement, such as enhancing tax education and awareness, strengthening financial management, and investing in skill development and infrastructure projects. The utilization of tax revenues in certain areas, such as education tax, raised concerns and suggested the need for better planning and execution of specific projects.

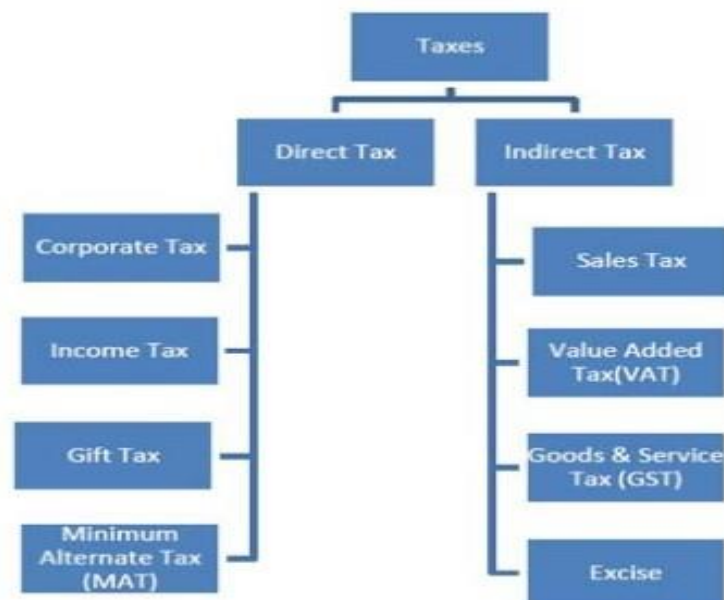
Key words: Income Tax, Gram Panchayth Tax, Local Tax affairs

1. INTRODUCTION

India, often referred to as the "country of villages," is characterized by its vast rural landscape, which is home to a significant portion of the population. There are around 6,49,481 villages in India according to census 2011. Gram Panchayats, the local self-governing bodies at the village level, play a crucial role in the administration and development of these rural areas. One important aspect of Gram Panchayat functioning is taxation, which serves as a significant source of revenue for local governance and facilitates the provision of essential services and infrastructure in rural communities. It is essential to grasp the context of gram panchayats and their role within the broader framework of local government in India. These local bodies are vested with specific power and responsibilities, including authority to levy and collect taxes to fund developmental initiatives and maintain local infrastructure. The specific focus of this study is to analyze and evaluate the assessment and implementation of taxation measures by gram panchayats.

2. INDIAN TAX SYSTEM

The structure in India is a three tier federal structure the central government , state government, and local municipal bodies make up this structure. Tax is compulsory contribution to government revenue and an essential part of promoting the economic growth of nation . Article 256 of the constitution states that “No tax shall be levied or collected except by the authority of Law’’. hence each and every tax that is collected needs to back by ab accompanying Law.



2.1 INDIRECT TAX:

Indirect taxes are a type of tax imposed on the consumption, spending, or use of goods and services, rather than on individuals or businesses directly. These taxes are usually levied by the government on the producers or suppliers of goods and services, who then pass on the burden of the tax to the consumers by including it in the price of the product or service.

Examples of indirect taxes include sales tax, value-added tax (VAT), goods and services tax (GST), excise tax, customs duties, tariffs, and various other consumption taxes. These taxes can be levied at different stages of production and distribution, such as at the manufacturing, wholesale, or retail level.

Overall, indirect taxes play a significant role in the economy by providing revenue for the government and influencing consumer behaviour.

2.2. DIRECT TAX:

Direct taxes are a type of tax that is directly imposed on individuals or entities by the government. Unlike indirect taxes, direct taxes are not passed on to another party but are paid directly by the taxpayers themselves. Direct taxes are typically based on the income, wealth, or property of individuals or businesses. These taxes are levied on individuals or entities based on their ability to pay, as determined by their income or assets. The amount of tax owed is usually calculated using a progressive tax system, where the tax rate increases as the income or wealth of the taxpayer increases.

Examples of direct taxes include income tax, corporate tax, property tax, capital gains tax, and inheritance tax. These taxes are paid by individuals or businesses directly to the government, either through regular payments (such as income tax withheld from paychecks) or through annual tax returns.

Direct taxes serve as a significant source of revenue for the government, and the funds collected are used to finance public services, infrastructure development, social welfare programs, defense, and other government expenditures.

Direct taxes are often subject to regulations, deductions, exemptions, and credits, which can vary from one jurisdiction to another. Governments may also implement tax incentives or policies to promote certain behaviors, such as tax breaks for investments, research and development.

3. Local Affaires Tax

The Term "TAX" is derived from the latin word "taxo" meaning "I Estimate" or "I Assess" it encapsulate the essence of a fundamental mechanism by which government generate revenue to fund public expenditure and services in simple worlds tax is the rate imposed by government on people or property directly or indirectly. It is the main source of revenue for the government. The tax was introduced for the first time by sir James wilson. India's first union budget was introduced by pre-independence finance minister James wilson on 7th April 1860. the Indian income tax act 1860 was enforced to meet the losses sustained by government on account of the military of 1857. in consultation with the ministry of law finally the income tax act 1961 was passed. The income tax act 1961 has been brought into force on 1st April 1962. it was applies to the whole of India.

Local affair tax encompasses different types of taxes, such as property taxes, local sales taxes, local service taxes, occupancy taxes, and entertainment taxes, the local affair tax include gram panchayat taxes. The specific tax rates and structures are determined by the local authorities and may vary based on the type of tax, property value, sales amount, or the nature of the service provided. The collection and administration of local

affair tax are the responsibility of the local government or municipal bodies. They assess the tax liability, issue tax bills or invoices, collect the taxes owed, and enforce compliance with tax regulations. The revenue generated from local affair tax is utilized to fund a wide range of local initiatives, including road maintenance, sanitation services, water supply, public transportation, parks and recreation facilities, public safety measures, and other essential services that contribute to the overall well-being of the community. Local affair tax serves as a critical source of funding for local governments, empowering them to meet the specific needs and aspirations of their jurisdictions.

4. Review of literature

Ajay Rajpurohit (2023) has conducted a study “Infrastructure Development through Panchayati Raj Institutions in Rural Areas. primary goal is to examine the function of Panchayat raj institutions in rural development or infrastructure projects in rural areas and to discuss the problems of Panchayat raj institutions in implementing infrastructure development programs. He found that The Panchayat Raj Institutions' execution of rural development programs has resulted in a dramatic improvement in the infrastructure of rural India.

Jayasree. G (2021) has conducted a study “Issue In Own Revenue Mobilization of Gram Panchayats In Kerala”. The aim of study is to analyses the growth and composition of revenue of gram panchayat in kerala and also aims to analyses the growth and composition of revenue of nagaroor gram panchayat. The researcher used primary and secondary source of information. The finding from the study reveal that through power and functions have been deolved to the panchayat. This clearly shows that panchayats have not taken steps to mobilize resources on their own to reduce external dependence.

Latif Ahmad. D (2020) has conducted a study on “panchayati raj institution: As a instrument of social and economic progress” the study the effective implement of the panchayati raj institution in the process of rural development and difficulties faces by them. The researcher used analytical method for study and also used secondary data. The researcher has found that the implementation of rural development programs through the panchayat raj institution has bought a radical change in the socio-economic condition of rural people in village.

A.A. Gde Satia U (2019) conduct research "The Realization of Land Tax Revenue and Buildings Using Online Check Village Payment Supporting System (Case Study in Banyuwangi) This study aims to design a supporting system to increase the interaction between BAPENDA and Village. The researcher used survey, exploratory, qualitative and triangulation method. The result of this research is an information system which is suitable with BAPENDA and Village OCVPSS Realization of PBB Revenue. It is expected that through the system, the reporting of the realization of PBB revenue in all villages in the Banyuwangi Regency becomes more accurate and creates a more effective and efficient performance.

Vaishnavi. A (2018) Has conducted a study on “Role of Local Self Government in the Protection of Environment” To conclude, in democratic local self-government is one of the most innovative governance, In the Panchayati Raj set up, there are several mechanisms and agencies through which information regarding public good and welfare can be communicated to the villagers, local bodies, encouragement by

the state governments given to local bodies, the honesty and sincerity of the non-officials who administer the local bodies, and corruption-free controlling authorities.

Saga. N (2017) has Investigate “E-Services of Gram Panchayath System”.the study aims to provide the information about the services or schemes and by using this they can apply application for each service of gram panchayath,it update handle by the staff and officer of grama panchayat People can visit grama panchayat and get information.

Nasarulla. M K (2017) a journal on “Role of Grama Panchayat: A Special Reference in Uttar Kannada District” a study conclude that Gram Sabha has promoting transparency and accountability at local level and if given an opportunity and also it can help in achieving the goals of sustainable rural development through decentralized governance. Potential of the people for rural development and maintain the transparency.

5. Objectives of the study

- a. To analyze the existing Gram Panchayat taxation system.
- b. To evaluate the effectiveness of Gram Panchayat taxation in revenue generation.
- c. To assess the utilization of tax revenues for rural development.

6. Statement of the problem

Participation of local affair tax for the development of the countries growth is necessary. Local affair tax is the type of tax imposed by local government such as municipalities and gram panchayats to generate revenue for funding local service and infrastructure. The gram panchayat play a dominant role in overall development of rural areas. But most of the gram panchayat in India have inadequate tax administration or management so the present study is to undertaken to explore and to analyze complexities associated with the assessment and evaluation of taxes gram panchayat this includes the investigating the accuracy of tax assessment process, identifying potential loopholes or inconsistencies, and examining the efficiency and fairness of the evaluation methods employed. Additionally it is essential understand how the taxation system impact that financial sustainability of gram panchayats and whether it aligns with the principles of equitable distribution of socio economic development. Addressing these issues will help shed light on the extent to which the current system of gram panchayat taxation is able to generate adequate revenue, ensure transparency and panchayat tax makes a significant contribution by funding local service and infrastructure such as schools, transportation and public safety and etc. it is tailored to meet the specific need of the community, allowing local government such as gram panchayat to have a greater control and autonomy over on the topic entitled to a study “Assessment and evaluation of gram panchayat taxation” is focused on concept of local affair tax to know the tax mechanism in kargudari gram panchayat and to assess the utilization of tax revenues for rural development. this study aims to provide valuable insights for policymaker and administrators to improve the effectiveness and efficiency of gram panchayat taxation, ultimately fostering sustainable rural development.

7. Results and Discussion

A. Land/House/Property Tax: The “Land/House/Property Tax” of Kargudari G.P refers to the taxes levied on land, houses, and other properties within the jurisdiction of the gram panchayat. This tax is a form of local taxation imposed by the gram panchayat. the table shows the annual land/house/property tax assessment for Kargudari G.P for the specified years.

Table No 4.1

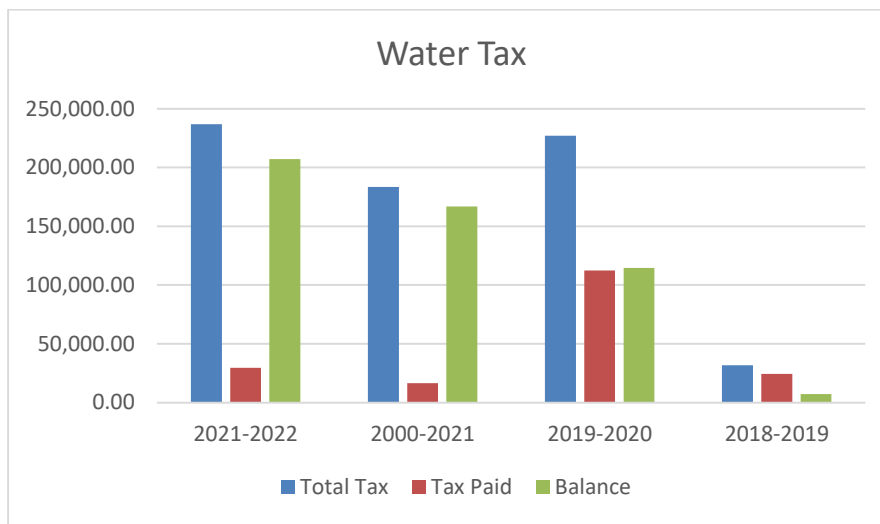
Land/House/Property Tax

Year	Opening Balance(A)	Tax Amount (B)	Total Tax A+B	Tax Paid	Balance
2021-2022	1,385,487.00	332,710.00	1,718,197.00	70,668.00	1,368,516.00
2000-2021	1,281,764.00	331,741.00	183,535.00	228,018.00	1,385,487.00
2019-2020	1,020,691.00	331,741.00	1,352,432.00	70,668.00	1,281,764.00
2018-2019	913,777.00	331,741.00	1,245,518.00	224,827.00	1,020,691.00

Source: Consolidated data of Karagudari Grama Panchayath

Year 21-22: The opening balance of land/ house/ property tax was ₹1,385,487.00, and the tax amount for the current year was ₹332,710.00. The total tax (including the opening balance) was ₹1,718,197.00. After deducting the tax paid (₹70,668.00), the remaining balance was ₹1,368,516.00. The Examination of the Gram Panchayat's property tax records for the last four years reveals consistent revenue growth. Rising opening balances and increasing total tax amounts demonstrate effective tax collection. This analysis emphasizes the significance of strategic financial planning in local governance.

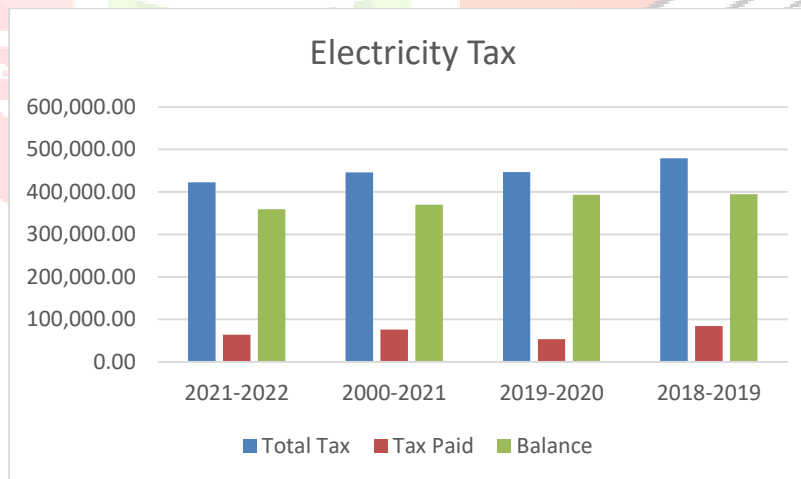
B. Water tax: The "Water Tax" of Kargudari Gram Panchayat refers to the taxes levied on the supply and usage of water within the jurisdiction of the gram panchayat. This tax is imposed by the gram panchayat (local self-government body in rural areas) to generate revenue for the maintenance, management, and improvement of water supply infrastructure and services provided to the residents. the table below shows that the annual water tax assessment for a specific location over the mentioned years.



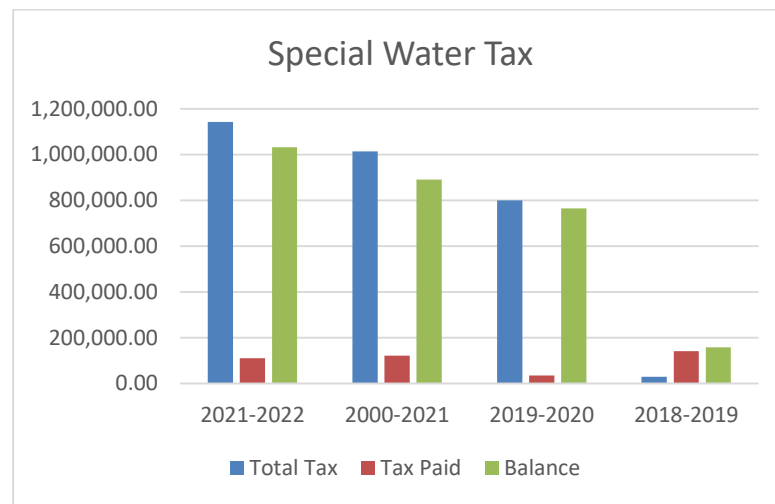
Source: Consolidated data of Karagudari Grama Panchayath

Year 21-22: The opening balance of water tax was ₹166,950.00, and the tax amount for the current year was ₹69,900.00. The total tax (including the opening balance) was ₹236,850.00. After deducting the tax paid (₹29,745.00), the remaining balance was ₹207,105.00.

Year 20-21: The opening balance was ₹114,621.00, and the tax amount for the current year was ₹68,914.00. The total tax (including the opening balance) was ₹183,535.00. After deducting the tax paid (₹16,585.00), the remaining balance was ₹166,950.00. The Evaluation of the Gram Panchayat's water tax records across four years shows varying tax collections and balances. Despite these fluctuations, resulting in consistent positive balances after deducting taxes paid. The shift towards larger balances in recent years underscores the potential benefits of adjusted tax policies and improved compliance.

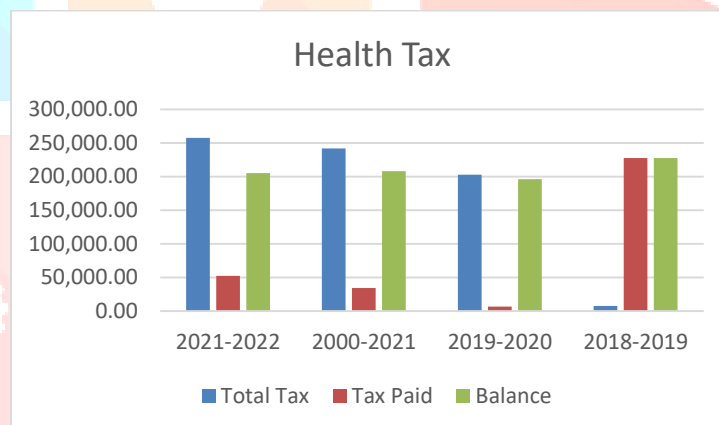


Year 20-21: The opening balance was ₹114,621.00, and the tax amount for the current year was ₹68,914.00. The total tax (including the opening balance) was ₹183,535.00. After deducting the tax paid (₹16,585.00), the remaining balance was ₹166,950.00. Electricity Tax Records for Kargudari Gram Panchayat across four years reveals fluctuating tax collections and balances, resulting in consistent positive balances after tax deductions.



Year 21-22: The opening balance of special water tax was ₹890,509.00, and the tax amount for the current year was ₹252,000. The total tax (including the opening balance) was ₹1,142,509. After deducting the tax paid (₹110,656), the remaining balance was ₹1,031,858.

Special Water tax records over four years reveals varying tax collections and balances. Despite fluctuations, Notably recent years indicate increasing remaining balances, suggesting potential improvements in tax strategies and compliance. This underscores the need for adaptive financial planning to ensure sustained revenue for community projects.



The Analysis of Health Tax Records at Kargudari Gram Panchayat across four years demonstrates varying tax collections and balances. Use health tax funds to improve healthcare facilities and services in the local area.

8. Conclusion

In conclusion, this study aimed to assess and evaluate the taxation system of Kargudri Gram Panchayat and its impact on local development. Through the survey and analysis of tax data, several significant findings emerged. It was evident that there were disparities in tax payment and awareness levels among taxpayers. The study identified areas for improvement, such as enhancing tax education and awareness, strengthening financial management, and investing in skill development and infrastructure projects. The utilization of tax revenues in certain areas, such as education tax, raised concerns and suggested the need for better planning and execution of specific projects. Suggestions were proposed to address these findings, including conducting tax awareness campaigns, implementing technology-driven tax collection systems, and promoting skill development programs

to empower the local community. Overall, this project shed light on the importance of a well-structured and transparent taxation system in driving local development. By adopting the suggested measures, Kargudri Gram Panchayat can optimize its tax system and governance, ensuring sustainable growth, and better quality of life for its residents. It is hoped that this research will serve as a valuable reference for policymakers and stakeholders in making informed decisions for the progress of Kargudri Gram Panchayat and similar rural communities.

9. Reference

1. Ajay Rajpurohit (2023) Infrastructure Development through Panchayati Raj Institutions in Rural Areas. *International Journal for Multidisciplinary Research (IJFMR)* E-ISSN: 2582-2160. Volume 5, Issue 3.
2. Jayashree. G (2021) Issue in Own Revenue Mobilization of Gram Panchayat In Kerala. *International Journal of Advanced Research in Commerce, Management & Social Science (IJARCMSS)* - January-March, 2021. ISSN:2581-7930.pp 195-202.
3. Latif Ahmad. D (2020) Panchayati raj institution: As an Instrument of Social and Economic Progress. *Pramana Research Journal*. ISSN: 2249-2976. Volume 10, Issue 6,2020.
4. A.A. Gde Satia Utama (2019) The Realization of Land Tax Revenue and Buildings Using Online Check Village Payment Supporting System (Case Study in Banyuwangi). *International Journal of Innovation, Creativity and Change*. Volume 9, Issue 5.
5. Vaishnavi. A (2018) Role of Local Self Government in The Protection of Environment. *International journal Of Pure and Applied Mathematics*. Volume120. No.5
6. Saga. N (2017) E-Services of Gram Panchayath System. *International Journal of Scientific Research in Computer Science, Engineering and Information Technology* © 2017 IJSRCSEIT | Volume 2 | Issue 3 | ISSN: 2456-3307
7. Nasarulla M K (2017) Role of Grama Panchayat. *International Journal of Humanities Social Sciences and Education (IJHSSE)* Volume 4, Issue 2, February 2017, ISSN 2349-0373.