



## The Punjab Municipal Fund Act, 2006

Act 27 of 2006

**Keyword(s):**  
**Fund, Municipality, Tax**

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**THE PUNJAB MUNICIPAL FUND ACT, 2006.**  
**(Punjab Act No. 27 of 2006)**

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**'THE PUNJAB MUNICIPAL FUND ACT, 2006.**

**(PUNJAB ACT NO. 27 OF 2006)**

[Received the assent of the Governor of Punjab on the 10th October, 2006, and was first published for general information in the *Punjab Government Gazette (Extraordinary)*, Legislative Supplement, dated the 16th October, 2006.]

AN

**ACT**

*to assign to the Municipalities an amount of tax, levied and collected under the Punjab Value Added Tax Act, 2005, and to provide for the constitution of the Punjab Municipal Fund with a view to compensate the Municipalities for the loss of revenue, suffered due to the abolition of octroi in the State of Punjab and for the matters connected therewith or incidental thereto.*

BE it enacted by the Legislature of the State of Punjab in the Fifty-seventh Year of the Republic of India as follows :—

1. (1) This Act may be called the Punjab Municipal Fund Act, 2006.

Short title and commencement.

(2) It shall be deemed to have come into force on and with effect from the first day of September, 2006.

2. In this Act, unless the context otherwise requires,—

Definitions.

(a) "Director" means the Director, Local Government, Punjab ;

(b) "Fund" means the Punjab Municipal Fund, constituted under section 3 of this Act ;

(c) "Municipality" means an institution of self-government constituted under article 243Q of the Constitution of India ;

(d) "prescribed" means prescribed by rules made under this Act ;

(e) "State Government" means the Government of the State of Punjab in the Department of Local Government ; and

(f) "tax" means a tax levied and collected under the Punjab Value Added Tax Act, 2005 (Punjab Act No. 8 of 2005).

3. (1) There shall be constituted a Fund, to be called the Punjab Municipal Fund, which shall vest in the State Government.

Constitution of the Fund.

<sup>1</sup>For Statement of Objects and Reasons, see *Punjab Government Gazette (Extraordinary)*, dated the 8th September, 2006, page 1739.

(2) Ten per cent of the amount of tax collected, shall be credited direct to the Fund :

Provided that the amount, so credited to the Fund, shall not be less than Rs. 550 crores (Rupees five hundred fifty crores only) per annum or proportion thereof :

Provided further that in the event of the amount credited to the Fund under sub-section (2) falling short of Rs. 550 crores (Rupees five hundred fifty crores only) or a proportion thereof, the State Government shall make it up by giving the amount so falling short as grant-in-aid.

Object and  
administration  
of the Fund.

4. (1) The Fund shall be utilised to compensate the Municipalities for the loss of revenue, suffered by them due to the abolition of octroi, levied and collected under the Punjab Municipal Act, 1911 and the Punjab Municipal Corporation Act, 1976.

(2) The Fund shall be administered by the Director under the superintendence and control of the State Government.

Collection and  
deposit of tax.

5. (1) Ten per cent of the amount of tax referred to in sub-section (2) of section 3, shall be collected by the Department of Excise and Taxation in the manner, prescribed by that department for collection of the tax.

(2) The proceeds of the tax collected under sub-section (1), shall be caused to be deposited by the Department of Excise and Taxation direct to the Fund in such manner and within such period, as may be prescribed.

Distribution of  
amount of tax.

6. The amount of tax credited to the Fund, shall be distributed amongst the Municipalities in proportion to their ratios of annual collection of octroi from the goods, on which octroi was being levied before coming into force of the Punjab Municipal Fund Act, 2006, to the total collection of octroi made from such goods during the financial year of 2005-06 in the State of Punjab.

Maintenance  
of accounts.

7. The Director shall maintain accounts of the amount credited to the Fund and the expenditure made out of the Fund, and shall quarterly reconcile such amount and expenditure with the District Treasury Officer, Punjab, Chandigarh and submit quarterly report in this regard to the State Government.

Audit.

8. The amount of Fund shall be audited by the Comptroller and Auditor-General of India in accordance with the provisions of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971 (Central Act 56 of 1971).

9. The annual report in respect of the receipts into the Fund and distribution made out of the Fund to the Municipalities, shall be prepared by the State Government and be submitted to the State Legislature.

Submission of  
annual report.

10. The Government in the Department of Finance, immediately after the commencement of the Punjab Municipal Fund Act, 2006, shall give an amount of rupees one hundred crores as a one time grant to the Department of Local Government, which shall be deposited in the Fund to meet the expenditure, to be incurred by the Municipalities during the interregnum period i.e. the period commencing from the date of abolition of octroi to the date of actual receipts in the Fund.

Grant.

11. (1) The State Government may, by notification in the Official Gazette, make rules for carrying out the purposes of this Act.

Power to make  
rules.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely :—

- (i) the manner for transferring and depositing the proceeds of tax under sub-section (2) of section 5 of the Act ; and
- (ii) the period within which, tax is to be deposited under sub-section (2) of section 5 of the Act.

(3) Every rule made under this Act, shall be laid, as soon as may be, after it is made, before the House of the State Legislature while it is in session for a total period of ten days, which may be comprised in one session or in two or more successive sessions and if, before the expiry of the session in which it is so laid or the successive sessions as aforesaid, the House agrees in making any modification in the rule or the House agrees that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be, so however that any such modification or annulment shall be without prejudice to the validity of anything previously done or omitted to be done under that rule.

12. No suit, prosecution or other legal proceedings shall lie against the State Government or any officer or employee of the State Government or any other person or authority, authorised by the State Government for anything, which is done or intended to be done in good faith under this Act or the rules made thereunder.

Protection of  
actions taken in  
good faith.

Power to remove  
difficulties.

13. (1) If any difficulty arises in giving effect to any of the provisions of this Act, the State Government may, by an order published in the Official Gazette, make such provision, not inconsistent with the provisions of this Act, as may appear to it to be necessary for removing the difficulty.

(2) Every order made under this section, shall be laid, as soon as may be, after it is made before the Punjab State Legislature.

Repeal and  
saving.

14. (1) The Punjab Municipal Fund Ordinance, 2006 (Punjab Ordinance No. 6 of 2006), is hereby repealed.

(2) Notwithstanding such repeal, anything done or any action taken under the Ordinance referred to in sub-section (1), shall be deemed to have been done or taken under the corresponding provisions of this Act.