



**Ministry of Local Government, Rural Development & Cooperatives**

**Local Government Division**

**Local Government Engineering Department (LGED)**

## **3.3 Guidelines for Re-identification of source of tax**

**Project Coordination Office (PCO)  
City Governance Project (CGP)**

**February 2018**



**Assisted by  
Japan International Cooperation Agency (JICA)  
and  
Urban Management Unit, LGED**

## Table of Contents

<b>1. Introduction .....</b>	<b>1</b>
<b>2. Justification .....</b>	<b>1</b>
<b>3. Relevant Issues of ICGIAP .....</b>	<b>1</b>
<b>4. Objective 2</b>	
<b>5. Relevant Organizations, Stakeholders and their roles and Responsibility .....</b>	<b>3</b>
5.1 Roles of Local Government Division (LGD).....	3
5.2 Roles of City Corporation.....	3
5.3 Role of Civil Society Coordination Committee (CSCC) & City Development Coordination Committee (CDCC) .....	4
<b>6. Necessary Tasks and Procedures .....</b>	<b>4</b>
6.1 Examine re-identification of new tax sources which CC can impose in their administrative area (e.g. clinic, lawyer, tobacco industry) following the taxation rule of LGD at Finance and Establishment Standing Committee. (Task 1) .....	4
6.2 Procedure of re-identification of revenue .....	6
6.2.1 Get started with building multiple revenue sources .....	6
6.2.2 Build revenue-generating Ideas.....	6
6.3 Revenue Sources .....	7
6.3.1 Develop a basic understanding of revenue sources: .....	7
6.3.2 Start finding revenue sources.....	7
6.3.3 Identify organizational goals for revenue development.....	7
6.3.4 Section A: Sample Goals.....	8
6.3.5 Conduct a SWOT analysis. ....	8
6.3.6 SWOT Worksheet.....	9
6.4 Identify CC's Income Strategy.....	10
6.5 Enhance an existing revenue source .....	10
6.6 Start a new revenue source .....	10
6.7 Form a partnership to share an organization's revenue sources .....	10
6.8 Form a partnership with an organization to acquire in-kind resources.....	11
6.9 Weigh the strengths and weaknesses of each income strategy .....	11
<b>7. Selection of Appropriate Revenue Source .....</b>	<b>11</b>
7.1 Consider CC's source options .....	11

7.2	Consider hiring a consultant .....	12
7.3	Prepare proposal of new tax sources by Finance and Establishment Standing Committee and submit to City Corporation meeting for necessary action (Task 2) .....	12
7.3.1	Develop and Execute a Revenue Source Plan .....	12
7.3.2	Develop meaningful and measurable plan objectives.....	12
7.3.3	Understand the impact of revenue source plan.....	12
7.3.4	Document revenue source plan .....	13
7.3.5	Evaluate Results and Strive for Improvement.....	13
7.3.6	Analyze CCs performance.....	13
7.3.7	Diagnose issues and propose corrective actions.....	13
7.3.8	Main Steps in setting New Tariffs.....	13
7.3.9	Some New Potential Sources of Revenue .....	14
<b>8.</b>	<b>Implementation Schedule.....</b>	<b>16</b>
<b>9.</b>	<b>Cost of Implementation (if necessary) .....</b>	<b>16</b>
<b>Annex I</b>	<b>CC Act Fourth Schedule .....</b>	<b>17</b>
<b>Annex II</b>	<b>Sixth, Seventh and Eighth Schedule .....</b>	<b>18</b>

## **1. Introduction**

Rapid urbanization accelerated by industry led economic growth has been taking place in Bangladesh. Potential of economic growth in urban areas is worthy of notice. There are 335 Local Government Institutions which cover 8% of total geographical area of Bangladesh and 30% of total population, while accounting for 60% of total national growth. On the other hand, the negative impact of dramatic change in urban areas is observed. The negative impacts are because the functions of municipalities and city corporations prescribed in Local Government (Pourashava) Act 2009 and Local Government (City Corporation) Act 2009, which are very relevant to the demand of city dwellers and urban development, are not implemented in an appropriate manner. In order to improve the public services provided by urban local governments, several urban development projects are being or were implemented by Local Government Divisions (LGD) and local government and engineering departments (LGED) with financial assistance of different development partners and government's own funds. Based on the experiences gained through implemented projects, effective activities for improvement of urban governance have been formulated as a program that has been well accepted. The urban governance improvement programs have been implemented to ensure good governance of those urban local government institutions namely Paurashava for equal, social harmony and planned development. Initiating urban governance improvement, LGD and LGED with financial support of JICA commenced a project named City Government Project (CGP) in 5 City Corporations.

## **2. Justification**

To meet the growing needs of City Corporation citizens and ensure sufficient quality and quantity of all public services together with necessary infrastructure development, City Corporations need a strong and permanent financial basis. Revenue collection is the main financial source of a City Corporation. It is, therefore, essential to enhance the revenue collection of the City Corporation through re-identification of new sources of tax to make its revenue base strong.

Every City Corporation, based on the government's prior approval, as per the fourth schedule in the Local Government (City Corporation) Act 2009, collects revenues by imposing taxes, sub-taxes, rates, tolls, fees, etc. These revenues are largely divided into two categories: holding tax revenue and non-holding tax revenue. Non-holding tax revenue includes taxes, sub-taxes and rates related to revenue and lease/rent, tolls, fees etc. It is essential that CC should enlarge income from their own sources, not only from holding tax but also other sources of tax. While major sources already have tax levies, CCs should seek out new tax sources. Therefore, the City Governance Project (CGP) includes an activity related to re-identification of sources of tax through tasks under Inclusive City Governance Improvement Action Program (ICGIAP).

## **3. Relevant Issues of ICGIAP**

It is essential that CCs enlarge income from their own sources, not only holding tax but also other sources of tax. While major sources already have tax levies, CCs should seek out new tax sources through the following tasks.

**(1) Tasks**

Task 1: Examine re-identification of new tax sources which CCs can impose in their administrative area (e.g. clinic, lawyer, tobacco industry) following the taxation rule of LGD at Finance and Establishment Standing Committee.

Task 2: Prepare proposal of new tax sources identified by Finance and Establishment Standing Committee and submit to City Corporation meeting for necessary action.

**(2) Action by:**

CC Mayor, CEO and standing committees

**(3) Indicators:**

Finance and Establishment standing committee meeting held at least 4 times annually

**(4) Time schedule:**

Annually

**4. Objective**

The resources of the city corporation are composed of internally raised revenue, government and foreign grants and loans and advances. Internal revenue includes several taxes, charges for the provision of Municipal services, fees, fines, tolls, rents from own property, and monthly rentals of market stalls. The tax revenue sources are those on the annual rental value of buildings and land, popularly called holding tax, on the transfer of immovable property, on professions, trades and callings, on entertainment, non-motorized vehicles, animals, advertisements, and on births, marriages, adoptions and feasts. Tax on annual rental value of building and land can be imposed on the inhabitants. Government grants include normal or salary compensation grant, octroi compensation grant and development grant. A nominal fixed amount of money is given to the City Corporation by the Local Government Division (LGD). Development grant is provided against different projects submitted by the City Corporation to the government. Some projects are also financed with donor assistance. Adopting an overall programme that strives for maximizing revenues has many benefits for a City Corporation as indicated below:

- Increases visibility and accountability for the staff that are responsible for revenue generation and collection.
- Develops opportunities to make the overall revenue structure more equitable and efficient and less dependent on just a few revenue sources.
- Identifies user charges and fees that may not be covering the cost of service to the extent required by the city's financial policies.
- Identifies weaknesses in the city's financial management procedures or organization.
- Reveals areas of future concern to assist in budgeting and forecasting.

## **5. Relevant Organizations, Stakeholders and their roles and Responsibility**

### **5.1 Roles of Local Government Division (LGD)**

The Local Government Division (LGD) is mandated to follow the below mentioned rules stipulated in the Local Government (City Corporation) Act -2009 for imposing and identifying new sources of tax:

84. Model Tax Schedules- The Government may frame model tax schedules, and where such schedules have been framed, the Corporation shall be guided by them in levying a tax, rate, cess, toll or fee.

85. Directions with regard to Levy of Taxes- (1) The Government may direct the Corporation-

(a) to levy any tax, rate, cess, toll or fee which the Corporation is competent to levy;

(b) to increase or reduce any such tax, rate, cess, toll or fee, or the assessment thereof, to such extent as may be specified under clause (a).

### **5.2 Roles of City Corporation**

As per Chapter Two of Local Government (City Corporation) Act -2009, the following rules can be applied for imposing and identifying new sources of tax:

82. Corporation Taxation- The Corporation, with the previous sanction of the Government, may levy, in the prescribed manner, all or any of the taxes, rates, cesses, tolls, and fees mentioned in the Second Schedule.

83. Notification and Enforcement of Taxes- (1) All taxes, rates, cesses, tolls and fees levied by the Corporation shall be published in the official Gazette and, unless otherwise directed by the Government, shall be subject to previous publication.

(2) Where a date of proposal for the levy of a tax, rate, cess, toll or fee or for a modification of tax, rate, cess, toll or fee is specified by the sanctioning authority the proposed levy or modification shall come into force on such date.

86. Liability on account of Taxes- (1) The Corporation may, by notice, call upon any person to furnish such information, produce such record or accounts, or to present such person or goods liable to any tax, rate, cess, toll or fee, as may be necessary for the purpose of determining the liability of such person or goods to a tax, rate, cess, toll or fee, or the assessment thereof.

(2) Any officials of the Corporation authorized in this behalf may, after due notice, enter upon any building or premises for the purposes of assessing the liability of such building or premises to any tax, or inspecting any goods therein liable to any tax.

87. Collection and Recovery of taxes- (1) All taxes, rates, cesses, tolls and fees levied under this Act shall be collected in the prescribed manner.

(2) All arrears of taxes, rates, cesses, tolls and fees, and other moneys claimable by the Corporation under this Act shall be recoverable as a public demand.

### **5.3 Role of Civil Society Coordination Committee (CSCC) & City Development Coordination Committee (CDCC)**

IGGIAP ensures participation from the community in Civil Society Coordination Committee & City Development Coordination Committee under CC. Therefore, both committees may have an important and active role in helping CC for identification of new sources of tax and increasing taxes, rates, tolls or fees. Participation in identification of different new sources of taxes, tolls and fees by businesses and community groups means a democratic process in which citizens or community members' are directly involved in the decision making process of CC. CC will actively consider all suggestions from CSCC& CDCC in enhancing the revenue base from the current state of income.

## **6. Necessary Tasks and Procedures**

To become financially solvent and make its revenue base strong, CC needs to identify the new sources of tax following the below mentioned tasks and provide improved services to the city dwellers:

### **6.1 Examine re-identification of new tax sources which CC can impose in their administrative area (e.g. clinic, lawyer, tobacco industry) following the taxation rule of LGD at Finance and Establishment Standing Committee. (Task 1)**

#### **Existing Sources of Revenue**

Any City Corporation, as per Article 82 of the Local Government (City Corporation) Act 2009, subject to prior approval of the government, can impose all or any taxes, sub-taxes, rates, tolls, fees etc. mentioned in the third schedule of the same Act. The areas of such tax, sub-tax, rate, toll, fee, etc. (Annex-I) that City Corporation can impose are mentioned in the fourth schedule. Amongst them, the building and land tax, based on annual valuation of building and land, together with street light rate, conservancy rate and water installation or water supply rate are called 'holding tax', which is shown in a single bill for collection. All types of buildings and lands located in a City Corporation are covered by the 'holding tax'.

In addition, according to the section 120 (2), 121 (2) & 122 (2) of sixth, seventh and eighth schedule respectively under the Local Government (City Corporation) Act 2009, CC can issue rules and by-laws regarding various issues and sources from which CC can generate revenues (Annex-II,III,IV)

#### **Holding Tax (Including Water, Conservancy and Lighting Rate)**

The holding tax which is a form of property tax can be traced back to the time of the Romans. The term 'holding tax' encompasses an array of property based taxes and rates levied against the value of buildings and the land upon which they are situated. It comprises the house tax, water rate, lighting rate, and conservancy rate. This was historically the most important and stable source of

municipal revenue. Recently, other sources have become more important. But still holding tax has the largest potential for growth, if properly handled.

### **Property Transfer Fee**

This tax is levied when any sale or other transfer of immovable property (land, building, etc.) takes place within the City Corporation. The tax is levied at 2% of the value of the property, which is actually collected by the agencies under the Ministry of Land and after deduction of collection charges passed on to the Corporation concerned. This is actually not a local tax. It is levied and collected along with a variety of stamp duties. While there is apparently little problem in realizing the Corporations' share of the tax, the rate at which it is levied is very low.

### **Trade License Fees**

Trade license fees are one of the non property taxes and are levied on various trades (shopkeepers, various businesses).

### **Rickshaw License and Road Cutting Fees**

Rickshaws remain the main source of transport for many people. This source, therefore, may be a quite buoyant one. But the general impression is that there are more rickshaws on the street than are licensed. Various other fees are charged by the City Corporation. Road cutting fees are one of them. An important fee in many City Corporations is that charged to utilities which cut roads for such purposes as laying pipelines. Such revenues are, however, offset by the costs of repairing the roads and, therefore, cannot be viewed as a major net revenue source.

### **Rent From Property/Market**

Rental income particularly from shops and markets owned by the City Corporations, constitute a very important source of revenue. Revenue from rent increased due to enhancement of rates and inclusion of new shops in the register. The revenue accrues from rental key-proceeds (Salami) of market stalls, rent of buildings, and sale of land. In case of upgrading of an existing market, the incumbent shopkeepers were allowed market stalls at preferential rates. Additional stalls were let out at market rates to new owners. There are various reasons for the ups and downs in the amount of rent collection. Case 1: When in some markets, a sort of litigation is going on, then the City Corporation does not collect any rent from that market. After finishing the litigation case, the Corporation receives a large amount of money when it collects several years' rents in arrears; Case 2: the Corporation collects huge rent in case of building new market and at the same time demand also rises. Case 3: the demand for rent collection also falls when the market are breaking down.

### **City Corporation's goals and tasks in re-identification of revenue sources and increasing tax revenue**

The City Corporation has the authority to intervene in various existing areas of non-tax revenue income, and increase their coverage as well as re-evaluate various relevant matters. Therefore, the City Corporation's goals to increase non-tax income can be identified as follows.

- 1) In every area of non-tax revenues, ensure renewal with an increase of the previous year's amount at the rate of, at least, inflation (subject to limitations prescribed in the Model Tax Schedules).
- 2) At the rate of at least inflation, increase the collection in current year compared to the last year.
- 3) The rate of change in price index occurred over the period of a fixed-term contract should be the rate at which to increase the new contract value during re-signing of the agreement.
- 4) Increase the areas of tax revenue collection and impose tax with the approval of the government.

To achieve the above goals, the following tasks should be undertaken to increase non-tax revenue:

- Using the model tax schedule as a sample, update the list of areas of non-tax revenue collection and increase it by including more potential areas.
- Collect the inflation rates published by the Bangladesh Bank.
- In case of determining the annual demand of non-tax revenue, where applicable, re-assess the current year's amount on top of the amount fixed in previous year, at least, at the rate of current year's inflation.
- At the time of renewal of a fixed-term contract, re-fix the contract value at the same rate of change in price index during the period.
- Prepare a plan for non-tax revenue collection and fix monthly target of each collector.
- Ensure total collection of money from lease and other eligible sources instantly/within timeframe, as per the existing government instructions (Note: LGD issues relevant instructions /guidelines each year to all LGIs regarding the lease of haat-bazar).
- Based on a review of last year's total target and actual income, increase and fix the current year's target by inflation rate and ensure the collection of actual income by more than the inflation rate.
- CEO/Secretary will review the non-tax revenue collections every month to achieve the target, monitor progress of the implementation of the plan, and include in the agenda of the City Council meeting to review and take decisions on those that are not achieving the annual target.
- Review matters of non-tax revenue in the CSCC meeting to obtain suggestions to increase the areas and volume of non-tax revenue collection

## **6.2 Procedure of re-identification of revenue**

### **6.2.1 Get started with building multiple revenue sources**

This guideline provides an overview of different revenue sources, insight into how various tools can help support revenue development, a step-by-step guide to developing a new revenue source, and analysis tools to help CC assess the organization's strengths and limitations. After reviewing this procedure, CC may know how to evaluate, start, and sustain one or more new income or revenue sources.

### **6.2.2 Build revenue-generating Ideas**

The definitions below will gain meaning as we learn more about the revenue development process:

Financial resources — The various assets of the City Corporation, from actual cash, property, and inventory, to staff and volunteers, goodwill, reputation, constituent base, and partners of the organization.

Income strategy — The direction CC takes in the coming months to generate more income, whether contributed, earned, or in some other form. Organizations can choose to raise cash from existing revenue sources; raise cash from new sources; form an alliance or partnership with an organization that brings cash; or form an alliance or partnership with an organization that brings in-kind resources.

Revenue source — A discrete income source with its own characteristics and requirements. It can be earned income or unearned income. Each of the discrete income streams is called a revenue source.

## **6.3 Revenue Sources**

### **6.3.1 Develop a basic understanding of revenue sources:**

Prior to developing a plan to increase the organization's revenue, the City Corporation needs to develop an understanding of each of the types of revenue sources and how they work in real-world scenarios.

### **6.3.2 Start finding revenue sources**

Web sites, rallies, and meetings can be powerful tools to identify new sources of revenue; they empower supporters to help the CC raise money, allow staff to make use of their personal networks, and allow for easy reporting and information-gathering on revenue bases. CC should consider:

- How will CC communicate the decision with its stakeholders? Should CC staff have an in-person meeting, or is e-mail communication sufficient?
- How will CC train staff to identify new sources of revenue? How much time will CC need to invest and who is the best person to lead a training effort?
- What will CC's plan be for ongoing operation of identification of revenue sources? How much time will be required and what regular content updates will be needed to be make the process continuous?

### **6.3.3 Identify organizational goals for revenue development**

The City Corporation likely to have a variety of goals it hopes to meet in the coming weeks, months, and years. Consider development areas, such as, annual revenue, special project revenue,

number of donors, number of volunteers raising revenue, and revenue identification expenses. Where does CC currently stand in regard to these developmental areas? Where does CC hope to be in the future?

CC needs to work on Goals and Financial Resources and brainstorm its goals with the relevant staff. Be sure to include stakeholders, including CC’s board and staff leadership, as these individuals have the power to make decisions as to which of these goals will be supported and pursued, becoming part of the organization's strategic vision.

**6.3.4 Section A: Sample Goals**

<b>Financial resource</b>	<b>Where we are today</b>	<b>Where we need/want to be</b>
Annual revenue		
Special project revenue		
Number of sources of revenue		
Number of staffs raising revenue		
Revenue earnings expense		
Other		

**6.3.5 Conduct a SWOT analysis.**

A SWOT analysis (strengths, weaknesses, opportunities, and threats) enables organizations to assess their current financial resource strengths and weaknesses and evaluate the opportunities and threats around them. The result of an accurate SWOT analysis is a refined set of statements about the organization that will help to target CC’s focus in generating more revenue.

When crafting SWOT statements, CC needs to answer the following questions:

- Where can a revenue source build on a strength?
- What weaknesses must we minimize or eliminate to enhance a revenue source?

- Which opportunities support a strength or help eliminate a weakness?
- Which of the threats could potentially undermine an income strategy?

### 6.3.6 SWOT Worksheet

SWOT area	Statements about the organization
Strengths	<p>CC should consider the following questions:</p> <ul style="list-style-type: none"> <li>• What financial resources does CC have (cash, people, expertise, etc.)?</li> <li>• Of the existing revenue sources, which one(s) generate most of CC's income?</li> <li>• What are CCs revenue-generating advantages? Are any of these unique to CC?</li> <li>• What does CC do well in raising revenue?</li> <li>• What do CC's constituents see as CC's resource strengths?</li> </ul>
Weaknesses	<p>CC should consider the following questions:</p> <ul style="list-style-type: none"> <li>• Is CC underutilizing board, community relations, development budget, reputation, or staff? If so, what would it look like if CC were using them fully?</li> <li>• Which of the existing revenue-generating activities could CC improve?</li> <li>• Which does CC do poorly?</li> <li>• What revenue-generating tactics should CC stop altogether? Are other similar organizations in CCs geographic area doing any better than CC?</li> <li>• Is CC online? Does CC accept Revenue online? How up to date is CC's website?</li> </ul>
Opportunities	<p>CC should consider the following questions:</p> <ul style="list-style-type: none"> <li>• Has CC been invited to participate with another organization? How was this evaluated in terms of risk and potential reward?</li> <li>• What new activity might take a combination of faith and action to undertake?</li> <li>• What are the open doors facing the organization?</li> <li>• What are the interesting trends in CC?</li> </ul>

SWOT area	Statements about the organization
Threats	<p>CC should consider the following questions:</p> <ul style="list-style-type: none"> <li>• What financial resource obstacles does CC face?</li> <li>• Are any new regulations, increased costs, or declining returns affecting CCs revenue-generating ability and return on investment?</li> <li>• Is there adverse public reaction to a revenue-generating technique CC is using?</li> <li>• Are the size, visibility, success, or revenue track record likely to hurt CC in the future?</li> <li>• Does CC have bad debt or cash-flow problems?</li> <li>• Could any of CCs weaknesses seriously threaten the organization?</li> </ul>

**6.4 Identify CC’s Income Strategy**

**6.5 Enhance an existing revenue source**

Enhancing an existing revenue source involves applying resources of money, counsel, and time to improve upon one or more revenue sources that already exist within CC’s revenue-generating portfolio. If CC regularly solicits revenue sources, CC might add staff or a consultant to bolster research or inquiries.

**6.6 Start a new revenue source**

Starting a new revenue source involves applying people, money, and expertise to initiating and sustaining a new source of income. An organization might start a major gifts or planned giving program, create an institutionally related foundation, start an endowment, or create a sister corporation to launch a business. All of these would be in addition to existing revenue efforts and would, therefore, require additional resources to implement.

**6.7 Form a partnership to share an organization's revenue sources**

By entering into an alliance or partnership, CC can benefit from another organization's monetary source in a way that is beneficial to both entities. The success of a partnership or alliance for sharing revenue sources lies in a well-thought-out plan that is documented within a formal agreement.

## **6.8 Form a partnership with an organization to acquire in-kind resources**

By entering into an alliance or partnership, the organization can benefit from in-kind services by developing an agreement where the value of time and services, materials, space, or other in-kind contributions meet a cost sharing arrangement. As with developing partnerships to share revenue sources, the strength of a partnership or alliance to share in-kind resources depends on the strength of a documented, formal agreement.

## **6.9 Weigh the strengths and weaknesses of each income strategy**

When deciding whether to enhance an existing revenue source, start a new revenue source, or form a partnership to share revenue sources or in-kind resources, CC will need to consider a number of criteria, including:

- Investments required
- Risks
- Organizational culture
- Staff resources
- Timelines

After weighing the different strategies and criteria, CC can prepare to identify an income strategy by prioritizing the criteria that is most important to CC.

# **7. Selection of Appropriate Revenue Source**

## **7.1 Consider CC's source options**

The task of selecting a new revenue source will require CC to revisit the existing different revenue sources and consider:

- Funding uses. What sort of programmatic or organizational efforts does the revenue source support? What does the organization hope to support through additional funding?
- Staff commitment. What level of staff involvement does the revenue source require? What kind of staffing resources can CC commit to generating revenue?
- Necessary systems/processes. What underlying systems or processes must be strongly in place prior to developing this revenue source? Are there systems that CC would like to build to increase revenue?
- Lead time. How much planning is required to develop the revenue source?

- Return on investment (ROI). How successful is the revenue source at helping organizations raise more funds?
- Methods of enhancement. If already utilized, how can CC improve this revenue source to raise even more funds?

## **7.2 Consider hiring a consultant**

If CC anticipates adding or enhancing a revenue source with which CC has little experience, CC may need to hire a paid professional consultant. Consultants bring specialized skills, experience, knowledge, or access to information. They can work on their own or be part of nonprofit or for-profit consulting operations. Universities, businesses, and government agencies often have groups of consultants within their organizations. Ideally, a consultant brings an independent perspective to an organization.

## **7.3 Prepare proposal of new tax sources by Finance and Establishment Standing Committee and submit to City Corporation meeting for necessary action (Task 2)**

### **7.3.1 Develop and Execute a Revenue Source Plan**

### **7.3.2 Develop meaningful and measurable plan objectives.**

CC's statement of objectives should be a simple statement of what CC wants to accomplish and by when. It will detail not only the amount CC expect to raise but any additional goals CC identifies in step one of the revenue development process. Plan objectives are best stated with a measurable output by a specific date. Example objectives could include:

- Acquire 100 new names of revenue sources by January
- Identify & Reactivate 250 lapsed license holders by year-end

### **7.3.3 Understand the impact of revenue source plan**

CC's revenue source plan has the potential to impact countless areas of the organization, from accounting, to registration and reporting. CC needs to analyze how the different revenue systems could potentially impact the organization's systems and procedures.

#### **7.3.4 Document revenue source plan**

This document includes fields to capture five areas of CCs revenue plan, including plan objectives, selection of revenue source, summary of costs, and schedule.

#### **7.3.5 Evaluate Results and Strive for Improvement**

##### **7.3.6 Analyze CCs performance**

After CC has taken the time to document a revenue source plan, CC will provide time to observe implementation efforts and analyze progress. Compare the performance against the measurable objectives CC identified in its revenue source plan. CC should evaluate as below:

- Are we meeting the mark?
- Where are we falling short?
- What evidence exists to show that we are over- or underperforming?

Unfortunately, not all revenue development efforts will take root and yield a valuable return on investment. By carefully noting evidence of the organization's performance, CC can target areas for improvement or revise its revenue source plan accordingly.

##### **7.3.7 Diagnose issues and propose corrective actions**

If CC finds evidence that the organization is not performing as expected or is not on target to meet the objectives CC identified in its revenue source plan, CC will need to do some further research to get at the root of the issue.

In diagnosing the issue, aim to identify whether the revenue source is falling short due to internal factors, such as CC's own staff and the design of the initiative, or whether external factors, such as a generally weak economy in CC's local area, are at play.

##### **7.3.8 Main Steps in setting New Tariffs**

1. Calculate the existing service cost
2. Develop alternative scenarios
3. Calculate the cost of each
4. Calculate tariffs by scenario
5. Compare tariffs to willingness to pay
6. Recalculate tariffs
7. Discuss results with stakeholders
8. Select the preferred scenario
9. Build public support

10. Present to the tariff-setting body and secure a tariff change.

### **7.3.9 Some New Potential Sources of Revenue**

-Revenue generation can be from a process on the sale of petroleum products, cigarettes and other similar products. The collection is done by the central authorities and passed on to the city corporation or collected by the latter directly. Sumptuary taxes on cigarettes and other tobacco products may also bring in a substantial sum of money for the city corporation.

-Tax on those places of worship (religious institution) which are in part used for commercial purposes can be imposed.

#### **Taxes – Road Pricing**

Road pricing is an economic concept that supports direct charges or user fees applied to the use of roads. Road pricing has two discrete objectives: revenue generation, usually for the financing and maintenance of road infrastructure, and road pricing for purposes of transportation demand management. City Corporation may benefit from one road-pricing tool, in the form of parking fees and other road-pricing tools, such as, tolls, congestion charges and license fees.

#### **Taxes – Carbon Tax**

The tax is applied to virtually all fossil fuels, including gasoline, diesel, natural gas, coal and propane. While the carbon tax is comprehensive, it is weakened by the many exemptions granted to the largest industrial emitters, such as, those for aluminum smelting, lead and zinc production, and the transportation sector.

#### **Sales of Services**

After property taxes, sales of services can be the next largest category of revenue for local governments from their own sources. There are significant opportunities for local government to expand their sales of services and take advantage of their existing expertise and infrastructure. The principal areas where local governments could increase their revenues are sales of energy, garbage collection, water and sewer services.

#### **User Charges and Fees**

Services or user charges are an important source of City Corporation revenues in developing countries. Charging the immediate users of infrastructure and services has become a common principle, and user charges are growing in importance. User charges are developed to generate revenues to cover operating and investment costs. The design should provide for more efficient provision of municipal services including infrastructure to enable the rate setting and adjustment at levels that reflect operation and maintenance costs, real capital cost, finance charges and inflation. These may be imposed on public or private water supply, sewerage, telephone company, and electricity utilities. When fees and user charges are reasonably established, sub-national level governments can achieve financial self-sufficiency.

#### **Toll Charges**

Toll charges may be raised from vehicles which come to the local markets for collecting agricultural crops and other natural resources, like timber and mineral resources. The class of

vehicle and tonnage capacity will determine the toll amount. For instance, a progressively higher toll would be charged for cars, cars with trailers, trucks with two axles, or trucks with more than two axles. The money raised by the tolls would be used by City Corporation authorities for transport improvement. In collaboration with the central government, each CC can set toll rates to be charged on vehicles using City roads.

### **Garbage Collection Fees**

There is a dire need for transportation facilities to collect garbage from cities and municipalities. The collected garbage may be useful in the preparation of compost, domestic energy supply, and for re-use, if possible. Local authorities can make this area a good source of revenues. In many City Corporations, garbage collection is done by the city authority, but due to a shortage of means of transport, this service does not reach all areas of the city. In some parts of the city, garbage collection is done by private individuals and associations that charge fees to provide this service. Through privatization and consultancy, efficiency can be improved and local authorities can create sources of revenue out of solid waste management. Solid waste management may include various activities, such as:

**a) Composting:** Some garbage collection from households and industries can serve as compost and be sold to farmers of vegetables and other crops. There is a high demand for compost in many parts of Bangladesh because of the soil infertility.

**b) Energy recovery facility:** The garbage collected could be used for supplying energy as a replacement to traditional sources of energy like firewood and charcoal.

**c) Landfill development and closure:** In this process, land reclaimed can be turned into productive areas. Several locations of CCs are covered with marshy and swampy areas.

### **Sewerage Charges**

By developing a City sewer system, local governments can generate revenue by charging a fixed amount for users of the sewerage on a monthly or yearly basis.

### **Open Space Entry Fees**

Local authorities may develop open spaces into parks, gardens, and recreation centers, which may generate revenues from users who visit them and pay entry fees. Parks and golf courses can be developed by CC which can charge a fee for facilities such as parking permit, camping, picnicking, and golfing.

### **Hazardous Waste Fee**

A hazardous waste fee can be charged on industries that generate or store hazardous substances. In a country like Bangladesh, there is a need to establish an organ that charges fees for all dealers of toxic substances. The fee program may include the following:

**Environmental Fee** – This is a fee on industrial groups that use, generate, or store hazardous materials or conduct activities related to those materials.

**Facility Fee** – The facility fee applies to the owners or operators of sites that dispose or store hazardous waste.

**Waste Generator Fee** – This is a fee determined by the total tonnage of waste generated.

**Disposal Fee** – The disposal fee applies to any waste disposed of by depositing the waste on or into land in any City Corporation.

**Betterment Fees**- This is a tax that can be assessed by the City Corporation for properties that have been “bettered“ by the construction of a public water or sewer line. Therefore, a property may have some assessment paid but still have a water or sewer betterment fee. Most of the betterment fees are for vacant lots in the older sections of the cities. This fee may be a good source of revenue for CCs.

The City Corporation remains heavily dependent on the national government for its revenues. There is scope for improvement of revenue generation capabilities of the City Corporation by identifying new sources of taxes. Systematic improvements in every aspect of the local bodies are needed for this. The public representatives will have to be more dynamic and conscious about the needs of the people and must find out the means to finance the required services and infrastructures. The solution of almost all the problems lie in terms of increased initiative with elected City Corporation representatives and the permanent staff within the respective jurisdictions and not outside those. In such a circumstance, the government should give importance to the issues and take necessary steps for solution.

## 8. Implementation Schedule

Activity	Task/TOR	1st Year				2nd Year				3rd Year				4th Year			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Re-identification of source of tax	Task 1: Examine re-identification of new tax sources which CCs can impose in their administrative area (e.g. clinic, lawyer, tobacco industry) following the taxation rule of LGD at Finance and Establishment Standing Committee.																
	Task 2: Prepare proposal of new tax sources by Finance and Establishment Standing Committee and submit to City Corporation meeting for necessary action.																

## 9. Cost of Implementation (if necessary)

The CC Mayor and the CEO will take into consideration relevant items of cost for the activity and work out proposals for cost of implementation for consideration of the CC council.

## **Annex I CC Act Fourth Schedule**

### **Fourth Schedule**

**(See Section 82)**

#### **Taxes, Cessess, Rates, Tolls and fees Levied by the Corporation**

- (1) Tax on the annual price of buildings and lands.
- (2) Tax on immovable property transfer.
- (3) Tax on application that done for erection or re-erection of a building.
- (4) Tax on such importable goods for consumption, use or sale in the city.
- (5) Tax on export within the city.
- (6) Tax related on toll.
- (7) Tax on profession.
- (8) Tax on birth, marriage, adopt and feast.
- (9) Tax on advertisement.
- (10)Tax on animals.
- (11)Tax on cinema, drama and drama show and other refreshment and entertainments.
- (12)Tax on vehicles except car and boat.
- (13)Rate on lights and fire.
- (14)Rate on waste disposal.
- (15)Rate to execute public service related functions.
- (16)Rate for water pipe and water supply system.
- (17)Cess on tax that levied by the Government.
- (18)School fees.
- (19)Fees on tax that gained by public service related functions conducted by the corporation.
- (20)Fees on fairs, agricultural and industrial exhibition, sports competition and other social gathering.
- (21)Fees on markets.
- (22)Fees on license, sanction and permission that provided by the corporation.
- (23)Fees on any special function that done by the corporation.
- (24)Fees on animal slaughter.
- (25)Any other fees that approved under any rules of this law.
- (26)Any other tax that levied as law by the Government.

## **Annex II Sixth, Seventh and Eighth Schedule**

### **Sixth Schedule**

**[See section 120 (2)]**

#### **Issues on which rules to be implemented**

(17) Defining, collection and control of tax, rate, toll, fee and other claims and responsibility of tax payer.

(18) Deception of octroi, inspection of goods that are octroi collectable and claim of movement to collect octroi.

(19) Procedure of notice circulation for tax and bill of other taxes, crock and taxes before sale and procedure of other collection and dismiss of uncollectable claims.

### **Seventh Schedule**

**[See Section 121 (2)]**

#### **Issues on which rules to be implemented**

(10) Such arrangements on the occasion of any Government or non-Government fairs, shows or public festivals, provide license to the shops or places for that kind of fairs, shows or public festivals, visit of such fair and festivals

(22) Control of use and entrance in common park, common garden and open places, safeguard, control and maintenance of park, garden and open place, fees to be provided for the entrance and refreshment in the park.

### **Eighth Schedule**

**[See Section 122 (2)]**

#### **Issues on which by-laws to be implemented**

(1) Approval of license and grant of permission, procedure of registration and inspection, license, approval, permission form and fees.

(11) Control of erection or re-erection of a building, inspection of a building, demolish of approved establishment work, offences related to erection or re-erection, fees for erection or re-erection works.

(12) Control of use and entrance in common park, common garden and open places, safeguard, control and maintenance of park, garden and open place, fees to be provided for the entrance and refreshment in the park.

Final February 2018