

ITEM NO. 01 (G-2)**Sub : Tariff Structure of electricity –Tax on consumption, sale or supply of Electricity – To be shown separately.**

Supply and distribution of electricity to the public is an obligatory function of the Council. Chapter XII the Act relate to Electricity Supply. As per Section 201, the Council has to receive bulk supply of electricity from the authority which may be prescribed by the Central Government and as per section 200 of the Act, the charges for supply of electricity are to be fixed by the Council from time to time.

2. Accordingly, the Council fixed the tariff rates from time to time. The tariff structure was last fixed by the Council as Reso. No.3(i) on 17.7.2001.

3. The tariff structure of electricity in NDMC was fixed after taking into consideration the tariff structure determined for Municipal Corporation of Delhi area. The Municipal Corporation of Delhi levied a tax on consumption, sale or supply of electricity. The NDMC had not levied this tax and as such while fixing the tariff rates at the same rates as in the MCD area, the component of the tax on consumption, sale or supply of electricity was inbuilt in tariff structure of NDMC.

4. Under the Electricity Act, 2003, the tariff rates are being fixed by Delhi Electricity Regulatory Commission. While examining the tariff rates for 2006-07 for the NDMC area, the Commission was of the view that the components of the tariff rates of electricity and the tax on consumption, sale or supply of electricity should be separately shown. This would enable NDMC to utilize the tax component, in the same way as any other tax levied by NDMC. If it forms part of electricity tariff, the surplus, if any has to be kept in reserve to be used only for the purposes of providing or distributing electricity. It cannot be used for any other purpose.

5. The Council while preparing the budget estimate for 2007-08 had taken into consideration, proceeds from consumption and sale of electricity as its gross revenue and the said gross revenues had in inbuilt component of tax on consumption, sale or supply of electricity.

6. In view of the above facts, the receipts, as per the tariff rates fixed by the DERC for 2006-07 and the tax on consumption, sale or supply of electricity have to be separately provided for and shown in the Budget Estimates and allocated separately. This would mean separate a/c for accounting for tax on consumption, sale or supply of electricity. There would,

however, be no additional payment by consumer. He will pay the same amount, but under two heads of a/c, the electric tariff and electricity tax

7. As per Section 60 (2)(c) of the Act, a tax on consumption, sale or supply of electricity can be levied by the Council. The said levy is regulated by Section 96 of the NDMC Act. It provides that the Council shall pass the resolution for levy of the said tax, defining the maximum rate of the tax to be levied, the class or classes of persons or the description or descriptions of the articles and properties to be taxed, the system of assessment to be adopted and exemptions if any to be granted. The said resolution is to be submitted to the Central Government for sanction and when sanctioned, it shall come into force from the date specified in the order of sanction. After the resolution has come into force, the Council has to pass a second resolution determining the actual rates at which the tax shall be levied and the tax shall come into force from the first date of the quarter of the year next following date on which such second resolution is passed.

8. As aforesaid, the component of electricity tax was in-built in the NDMCs tariff structure for consumption and sale of electricity. It has now been suggested that the tariff rates fixed by DERC should be separately notified and tax on consumption, sale or supply of electricity should be separately shown. In 2007-08, gross revenues from sale of electricity is projected at about 550 crores. This includes, electricity component of above Rs.25.0 crores.

9. Accordingly the Council has to pass a resolution for the levy of the tax on the consumption, sale and supply of electricity with a request to the Central Government to sanction the same urgently. After the sanction is received from the Central Government, the Council shall pass the second resolution before the 30th June, 2007 so that the tax becomes effective from 01.07.2007. Any further delay would mean reduction in NDMC revenues by more than Rs.2.0 crore per month.

10. It is clarified that this tax was a part of the tariff rate for NDMC and the proposed action is only to separately work out the receipts from consumption and sale of electricity as per the rates approved by the DERC and tax on consumption, sale and supply of electricity so that the electricity tax can be utilized by the Council for providing the services without an obligation to keep it in the reserve account, as is necessary for any surplus generated due to tariff rates fixed, as by the Commission.

11. The rate of tax on consumption, sale, and supply of electricity shall be 5% of the tariff rates fixed by the DERC and shall continue to be collected as at present through

presentation of the electricity bills. The consumer shall continue to pay the same amount, as is being paid at present.

12. As aforesaid, as per Section 60(2)(c) of the NDMC Act, a tax is to be levied on consumption, sale and supply of electricity. If the NDMC is selling surplus electricity, tax at 5% of the sale shall also be levied on the sale of surplus electricity.

13. The Council may accordingly pass a resolution to levy a tax of 5% of the tariff rate fixed by the DERC for consumption, sale and supply of electricity and on the sale of surplus electricity.

15. It may be pointed out that the tariff rates were notified by the DERC on 5.1.2007, however, due to the delay in processing the case for levy of electricity tax, notification has not been placed before the Council for approval.

COUNCIL'S DECISION

The Council resolved to levy a tax of 5% of the tariff rate fixed by the DERC for consumption, sale and supply of electricity and on sale of surplus electricity and to send the Resolution to the Central Government for its sanction.

It was further resolved by the Council that the Central Govt. be requested to expedite the matter as the proposal has to take effect from 01-07-2007.

(VIKRAM DEV DUTT)
SECRETARY

(PARIMAL RAI)
CHAIRPERSON

NEW DELHI MUNICIPAL COUNCIL
PALIKA KENDRA : NEW DELHI

**MINUTES OF THE AGENDA No.1 (G-1) REGARDING TARIFF STRUCTURE OF
ELECTRICITY-TAX ON CONSUMPTION, SALE OR SUPPLY OF ELECTRICITY.**

SL.NO.	ITEM	PROCEEDINGS
1. (G-1)	Tariff structure of electricity-Tax on consumption, sale or supply of electricity	<p>The Council resolved to levy a tax of 5% of the tariff rate fixed by the DERC for consumption, sale and supply of electricity and on sale of surplus electricity and to send the Resolution to the Central Government for its sanction.</p> <p>It was further resolved by the Council that the Central Govt. be requested to expedite the matter as the proposal has to take effect from 01-07-2007.</p>

(KESHAV CHANDRA)
SECRETARY

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(KESHAV CHANDRA)
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