

THE PUNJAB LOCAL GOVERNMENT (AUCTIONING OF COLLECTION RIGHTS) RULES, 2003

[3rd May, 2003]

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TEXT

[3rd May, 2003]

[SOV(LG)5-23/2003]

CHAPTER – I

1. Short title and commencement. (1) These rules may be called the Punjab Local Government (Auctioning of Collection Rights) Rules, 2003.

(2) These shall come into force at once.

2. Definitions. (1) In these rules, unless the subject or context otherwise requires -

- (i) “**contractor**” means a person, firm or a company eligible to make contract with local government;
- (ii) “**income**” means income from taxes, fees, tolls and other levies of local government but shall not include grants, contributions and deposits;
- (iii) “**negotiation**” means a processes deal with the person, eligible to make a contract, to fetch maximum income out of contract; and
- (iv) “**Ordinance**” means the Punjab Local Government Ordinance, 2001 (XIII of 2001)

(2) Words and expressions used herein but not defined in these rules shall have the same meanings as are assigned to them in the Ordinance.

3¹. Auction of collection rights.- (1) Subject to sub-rule (2), a local government may collect an income through a contractor by awarding contract for collection rights for a period not exceeding one financial² year.

(2) A local government shall not award contract for collection of an income including water rate, building fee, commercialization charges, sanitation fee, licence fee and lighting rate or arrears of the income, demand for which can be raised against a specific person and its arrears can be carried forward.”

4. Prohibition:- No contract of collection rights of an income of local government shall be awarded to contractor except in the manner hereinafter prescribed.

CHAPTER – II

5. Auction procedure:- (1) For the contract of awarding of collection rights of an income the following auction procedure shall be adopted.

- (i) a public notice for conduct of an auction of an auction, in not less than two national daily newspapers, shall be published by the local government through the office of the Director General, Public Relations, Punjab at least seven days before the date of auction;
- (ii) a copy of the notice shall be placed on the notice board of the office of the local government concerned and at other conspicuous places. Announcement of auction may also be made by beat of drum and other local means;
- (iii) the notice shall contain the date and time of auction specifying the major terms and conditions for participating in the auction;
- (iv) for each time the publication of auction notice shall be compulsory; and
- (v) the public notice shall contain the minimum reserve price for auction and period of contract with rates and details.

6. Statement of participants:- (1) On given date and time of auction a statement of participants, who are eligible to participate in the auction and have

¹ Substituted vide amendment dated 21st March, 2007.

² Substituted vide notification dated 04th December, 2010.

deposited the earnest money, shall be prepared and signed by the Nazim of local government concerned or a person authorized by him and at least two participants of the auction.

(2) The name, address and identity card number of each participant shall be written, and attested copy of the participant's identity card shall be collected and kept, in the record.

“6-A³. Auction Committee:- (1) The auction committee in a City District Government or a District Government shall consist of the following:

- | | | |
|-------|---|---------------------|
| (i) | Executive District Officer (F&P) | Convener / Chairman |
| (ii) | ⁴ Assistant Director Local Government | Member |
| (iii) | an officer nominated by the
Divisional Commissioner ⁵ | Member |

(2). The Auction committee in a Tehsil / Town Municipal Administration shall consist of the following:

- | | | |
|-------|---|---------------------|
| i) | Tehsil / Town Municipal Officer | Convener / Chairman |
| (ii) | Tehsil / Town Officer Finance | Member |
| (iii) | a representative of the District Government,
not being below the rank of District Officer,
nominated by the DCO | Member |

7. Statement of bid or offer:- The auction shall be started after announcing and delivering the copy of terms and conditions of the contract. A statement of bids/ offers shall be prepared in the presence of the participants of auction and it shall be signed by the Nazim or the person authorized by him and signatures or three highest bidders shall also be obtained in a column against the amount or their bids.

CHAPTER-III

8. Manner of awarding contracts:- The contract of collection rights of an income of a local government shall be awarded to a highest bidder through an open bid by adopting the procedure of auction as laid down in Chapter-II.

9. Reserve price:- The reserve price for an income shall be the average of last preceding three years income of the respective local government.

Provided that in case of an income introduced by a local government for the first time, the assessed and expected income as provided in the budget from that source shall be the reserve price for that income.

10. Attempts to award the contract.- At least three attempts shall be made to award the contract of collection rights of an income through open bid by the administration of local government concerned before the commencement of financial year *if the first and second attempt of auction have failed to fetch bid equal to the reserve price or more⁶.*

11. Acceptance of bid.- (1) The bid received in open auction, if less than the reserve price, shall be rejected by the Nazim concerned or the person authorized by him in all cases and the contract shall be re-auctioned in the prescribed manner.

(2) The highest bid, equal to reserve price or above, received in open auction shall be accepted by the respective Nazim and placed before the Council concerned within ten days of receipt of bid for confirmation; provided that bid so

³ Inserted vide notification dated 3rd June, 2008.

⁴ Substituted vide notification dated 22nd June, 2011.

⁵ Substituted vide notification dated 25th February, 2010.

⁶ Inserted vide amendment dated 20th October, 2003.

received was reasonable and there was no scope of its further enhancement in view of the concerned local government administration.

(3) The Council concerned shall have full powers to accept or reject the bid duly recommended by the local government administration for the reasons to be recorded in writing.

(4) Omitted⁷.

(5) Subject to sub-rule (6), if the Council accepts, an offer or bid of a contract and enters into an agreement with the contractor, it shall not repudiate the agreement.⁸

(6) If the Government is satisfied that the auction has not been conducted in accordance with the rules or in a transparent manner, it may repudiate the agreement and the responsible officer may be proceeded against under the law.⁹

12. Omitted¹⁰.

13. Intimation of acceptance of bid:-(1) As soon as the confirmation from the Council about the acceptance of bid or offer is received, the local government administration shall communicate the acceptance of bid or offer to the contractor immediately by a letter through special messenger at his address provided by him at the time of participation in auction and direct him to enter into written agreement and fulfill his obligations in accordance with the terms and conditions of contract.

(2) The cost of written agreement shall be borne by the contractor.

(3) In case the contractor does not turn up to deposit dues recoverable from him in the light of terms and conditions of auction or does not enter into written agreement within the specified period mentioned in the communication, it shall be presumed that the contractor is no more interested in the contract. As such the contract shall automatically stand cancelled and the deposits made by the contractor shall stand forfeited. The income shall also be put to re-auction in such a case.

CHAPTER – IV

14. Terms and conditions of contract.- Among other conditions as a local government may decide, the conditions laid down in this Chapter shall invariably be part of the terms and conditions of the contract.

15. Eligibility of contractor.- Any person who –

- (i) is defaulter in respect of any dues to a local government; or
- (ii) has been blacklisted by a local government or any other department ; or
- (iii) has been declared insolvent: or
- (iv) is not competent to enter into agreement under the law, shall not be eligible to be a contractor.

“15-A¹¹. Enlistment of contractors.– (1) Every contractor who participates in the auction proceedings of collection rights of different taxes and fee shall first be enlisted according to the categories mentioned in sub-rule (3).

(2) The contractor who is not enlisted shall not be eligible to participate in the auction proceeding of collection rights of different taxes and fee.

(3) Following shall be the classification of contractors for the purposes of these rules:-

	<u>Class</u>	<u>Limit of Contract Amount</u>
(i)	Category A Contractor	No limit.
(ii)	Category B Contractor	Up to Rs. 2.00 Million

⁷ Omitted vide amendment dated 20th October, 2003.

⁸ Substituted vide notification dated 3rd June, 2008.

⁹ Inserted vide notification dated 3rd June, 2008.

¹⁰ Omitted vide amendment dated 20th October, 2003.

¹¹ Inserted vide amendment dated 20th October, 2003.

- (iii) Category C Contractor Up to Rs. 1.00 Million
- (iv) Category D Contractor Up to Rs. 0.5 Million

(4) Contractors shall be enlisted by any¹² District Government in accordance with instructions issued by the Local Government and Rural Development Department from time to time.”

16. Earnest money.- “(1) A contractor shall deposit an amount equivalent to five percent of the reserved price as an earnest money in the funds of the local government before taking part in an auction.”¹³

“(2) (i) The earnest money deposited by a successful bidder may, to the maximum limit of sixty percent, be adjusted against the amount payable by him as; (a) a first monthly installment; and (b) the amount payable under sub-rule (1) of rule 17 below.

(ii) The balance earnest money shall be retained by the local government as a security for successful completion of contract and payment of dues under the agreement.”¹⁴

(3) The earnest money of un-successful bidders shall be returned immediately after completion of auction.

(4) The earnest money retained as security shall be refunded to the contractor after successful completion of contract and production of a certificate from the head of Revenue Department of respective local government that nothing is due from the contractor and contract has been completed successfully.

17. Dues and deposits.- (1) After receipt of communication of acceptance of bid or offer from the local government the contractor shall immediately deposit (deleted)¹⁵ one tenth of the amount of offer or bid in the funds of respective local government and enter into written agreement with the respective local government within three days.

(2) The remaining amount of offer or bid shall be paid by the contractor to the local government in such equal monthly installments that the whole amount be recovered at least one month earlier of the completion of contract.

(3) The installments shall be paid by the contractor in advance by the fifth day of each month.

18. Other deposits.- (1) The contractor shall deposit other charges such as rent of buildings under his possession, cost of books, stationery, furniture and fixtures or any other asset or property provided by the local government for use of collection of income, in the funds of local government in advance by the fifth day of each month.

(2) The contractor shall be responsible for deposit of salaries, pension contribution, premium of group insurance, leave salary, all allowances and other fringe benefits permissible to the employees of a local government handed over to him for administration and collection of respective income.

(3) Income tax, sales tax, professional tax or any other levies enforced by law/instructions from time to time shall also be recovered from the contractor.

(4) Any other deposit agreed upon between the local government and the contractor shall be recovered accordingly.

19. Maintenance of accounts and official record:- (1) A contractor shall keep the record relating to accounts of the income as well as other documents in proper order as provided in the respective rules, byelaws and procedures.

(2) All such record shall be the property of respective local government. The contractor may have an attested copy thereof from the respective local government.

¹² Substituted vide amendment dated 10th September, 2005.

¹³ Substituted vide notification dated 3rd June, 2008.

¹⁴ Substituted vide notification dated 5th September, 2007.

¹⁵ Deleted vide amendment dated 20th October, 2003.

(3) The Nazim or any other person authorized by him and officers/officials of Revenue Department of respective local government may inspect such record.

20. Properties and assets.- (1) The contractor shall keep the properties and assets of local government, given to him at the beginning of contract, in the same condition as those were received by him and he shall be responsible for any material loss caused to such properties and-assets due to his negligence during the contract.

(2) The contractor shall deliver all assets and properties received by him back to the local government after completion of contract and get certificate from the local government of such delivery.

21. Implementation' of collection procedure and byelaws.- (1) The complete set of procedures of collection of tax, fee toll or and other levy of local government alongwith respective rules, notifications and byelaws of a local government shall be the part of terms and conditions of the contract and contractor shall be bound by the said procedures, rules and byelaws of respective local government in collection of taxes.

(2) The contractor shall have no right to interpret any law or byelaws: provided that in case a need arises for interpretation he shall refer the matter to the local government concerned for interpretation.

22. Overcharging.- (1) The contractor shall not be involved in overcharging either by himself or through any person.

(2) In case of violation of sub-rule (1), action shall be taken against the contractor or his agent or any other person, involved in overcharging, under Chapter XVI of the Ordinance and his contract shall be cancelled and all deposits made by him shall be forfeited forthwith.

23. Rights and responsibilities of the contractor.- (1) The contractor shall be responsible to abide by the terms and conditions of the contract.

(2) The contractor shall be responsible to collect income in accordance with the provisions of law, rules, byelaws and notifications, etc.

(3) The contractor shall be entitled to receive all amount collected as income related to the contract after making proper entry into the relevant books of accounts as a token that he has received such amount.

(4) The contractor shall be entitled to supervise, monitor and control the collection staff entrusted to him for purpose of collection of relevant income.

(5) The contractor shall not be authorized to appoint his personal staff for collection of income. All collections shall be carried out by him through the staff of local government concerned assigned to him for this purpose.

24. Disputes.- (1) In case of any dispute arising between the contractor and local government regarding contract or any other matter arising out of contract, the contractor and the local government shall have a right to resolve the dispute through arbitration under the Arbitration Act, 1940.

(2) The arbitrator shall decide the dispute within one month.

(3) The decision of the arbitrator shall be final and binding on the parties concerned.

(4) The disputes between public and the contractor shall be settled by the head or Revenue Department of local government concerned within a week.

(5) The arbitrators shall be appointed by Government through notification in the official Gazette.

25. Sureties and guarantees.- (1) The successful bidder shall furnish to the satisfaction of the local government concerned, a surety for the due performance of the contract.

(2) The surety shall be a person who has a valid National Tax Number (N.T.N)

(3) The surety shall furnish a bank statement for the proceeding six months also showing a bank balance equivalent to the amount of the surety.

(4) In case of default of contractor to discharge his obligations under the contract for any reason, then, without prejudice to the claims of local government against the contractor, the local government shall be entitled to recover from the surety, not only the amount including charges, dues and fees which may have become due under the contract, but also the costs of a proceeding initiated in this regard.”¹⁶

26. Cancellation of contract.- (1) The contract shall stand automatically cancelled if a contractor-

- (i) fails to abide by any term and condition of the contract; or
- (ii) fails to pay any due on proper date and time; or
- (iii) involves in overcharging and circumventing rules, byelaws and notifications related to collection of respective income; or
- (iv) violates any other condition which the local government administration may deem fit to impose in the public interest;¹⁷ “Provided that the contract shall not be cancelled without providing an opportunity of being heard to the contractor by the concerned Local Government”¹⁸

(2) After cancellation of contract the local government may choose to re-auction the income for the remaining period of contract or may make departmental collection and in any case if the income so received is found less than the contractual amount the difference shall be recovered from the contractor as arrears of land revenue.

27. Rebates.- The contractor shall not be entitled to rebate on any ground what so ever.

27-A¹⁹ Extension of Contract:- No extension in a contract shall be granted beyond one year on any ground what so ever.

28. Saving and repeal. - On promulgation of these rules the Punjab Local Council Lease Rules, 1990 shall stand repealed; provided that the contacts awarded under the Punjab Local Council Lease Rules, 1990 shall continue till the completion of contract under those rules.

¹⁶ Substituted vide notification dated 5th September, 2007.

¹⁷ Inserted vide amendment dated 20th October, 2003.

¹⁸ Proviso is added vide amendment dated 20th October, 2003.

¹⁹ Inserted vide amendment dated 20th October, 2003.