

GOVERNMENT OF PUNJAB
DEPARTMENT OF LEGAL AND LEGISLATIVE AFFAIRS
THE PUNJAB MUNICIPAL FUND ACT, 2006

(PUNJAB ACT 27 OF 2006)
(As amended upto the 30th June, 2025)



2025

THE PUNJAB MUNICIPAL FUND ACT, 2006

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¹THE 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.]

1	2	3	4
Year	No.	Short title	Whether repealed or otherwise affected by the legislation
2006	27	The Punjab Municipal Fund Act, 2006	Amended by Punjab Act No. 17 of 2008 Amended by Punjab Act No. 10 of 2012 Amended by Punjab Act No. 41 of 2013

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: -

Short title and commencement.

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

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

Definitions.

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

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

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

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

- (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).

Constitution of the Fund.

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

(2) ¹[Eleven 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 failing 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.

Compensation to Cantonment Boards.

²[4-A. Notwithstanding anything contained in Section 4, the Fund shall also be utilized to compensate the Cantonment Board, Jalandhar and Cantonment Board, Ferozepur for the loss of revenue, suffered by them due to the abolition of octroi, levied and collected by them, if the cantonment authorities enter into an

¹ Substituted for words "Ten per cent" by Punjab Act No.10 of 2012, Section 2

² Inserted by Punjab Act No. 17 of 2008, Section 2

agreement with the State Government, not to levy and collect octroi in these cantonments.

Explanation. - For the purpose of this Section, the Cantonment Board shall have the same meaning as has been assigned to it in the Cantonments Act, 2006 (Central Act 41 of 2006).]

Collection and
deposit of tax.

5. (1) ¹[Eleven 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:

²[Provided that the State Government may, by an order, decide the distribution of the amount of tax credited to the Fund amongst the Municipalities, which are constituted or which may be constituted on or after the commencement of the principal Act:]

³[Provided further that two over eleven per cent ($\frac{2}{11} \times 100$) of the amount of tax credited to the Fund and coming to the share of a Municipality, whose water supply and sewerage operations and maintenance works are assigned to the Punjab Water Supply and Sewerage Board under the provisions of the Punjab Water Supply and Sewerage Board Act, 1976 (Punjab Act 28 of 1976), shall be kept reserved by the Director:

Provided further that the Director shall provide such sum of money, out of the aforesaid amount kept reserved by him, to the Punjab Water Supply and Sewerage Board for undertaking the water supply and sewerage operations and maintenance works in a

¹Substituted for words "Ten per cent" by Punjab Act No.10 of 2012, Section 3

² Added by Punjab Act No.10 of 2012, Section 4

³ Inserted by Punjab Act No. 41 of 2013, Section 2

Municipalities including the establishment and miscellaneous expenditure, which he may, from time to time, consider necessary:

Provided further that if any money remains surplus out of the amount kept by the Director, then the State Government shall decide the purpose for its utilisation and direct him to act accordingly:

Provided further that in case there is any deficiency in the amount kept reserved by the Director, notwithstanding the percentage fixed up in the second proviso, the State Government may increase the percentage of the amount of tax credited to the Fund for this purpose.]

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).

Submission of annual report.

9. The annual report in respect of the receipts into the Fund and distribution made out of the Fund to the ¹[Municipalities and the Cantonment Board, Jalandhar and the Cantonment Board, Ferozepur], shall be prepared by the State Government and be submitted to the State Legislature.

Grant.

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 and 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.

Power to make rules.

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

¹ Substituted for word "Municipalities" by Punjab Act no.17 of 2008, Section 3

(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 of 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.

Protection of actions taken in good faith.

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.

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.