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VILLAGE PANCHAYAT VS. MUNICIPAL AUTHORITY: PROPERTY REGULATION CONFLICTS

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Abstract

The rapid pace of peri-urban expansion in India has accelerated territorial and functional overlaps between rural and urban local self-governments. This research paper examines the jurisdictional conflicts arising between Village Panchayats and Municipal Authorities regarding property regulation, land use zoning, and the levying of property taxes. By analyzing the structural framework established under the 73rd and 74th Constitutional Amendment Acts, 1992, this study illuminates the legal ambiguities created when rural enclaves undergo transitional urbanization. The core conflict lies in the statutory friction between state-specific Panchayat Raj Acts and Municipal Corporation Acts, which often lack harmonious transitional mechanisms. Using a doctrinal research methodology, this paper investigates how the absence of clear delineations over properties in transitional zones leads to double taxation, conflicting building permit issuances, and irregular enforcement of building bylaws. Through a critical evaluation of landmark judicial precedents, including recent Supreme Court and High Court rulings, the study dissects the statutory loopholes that compromise local governance. Finally, the paper offers actionable legislative suggestions to improve structural implementation, emphasizing the deployment of automated regional spatial planning and the institutional revitalization of District Planning Committees to foster cooperative decentralized governance.

Keywords: Jurisdictional Overlap, Peri-Urban Governance, Property Regulation, Land Use Zoning, 73rd Constitutional Amendment, 74th Constitutional Amendment, Double Taxation, District Planning Committee.

1. Introduction

1.1. History of Law

The architectural evolution of local self-government in India reflects a deliberate trajectory from historical customary practices to rigid constitutional mandates. Prior to colonial intervention, village communities functioned as self-contained republics where land and

property regulation were managed through traditional panchayats. The colonial administration altered this decentralized dynamic by introducing structured municipal corporations in presidency towns—beginning with the Madras Municipal Corporation in 1688—primarily to formalize property taxation and civic infrastructure management. Post-independence, though Article 40 of the Constitution of India directed the State to organize village panchayats as units of self-government, local bodies remained subordinate to state legislative whims, lacking uniform structural backing or fiscal autonomy. The transformative shift occurred with the passage of the 73rd and 74th Constitutional Amendment Acts in 1992.¹

Background of Issue

While the constitutional design assumes a neat geographical and administrative separation between rural and urban spaces, modern demographic realities have disrupted this dichotomy. The phenomenon of sub-urbanization and the growth of peri-urban interfaces have created vast transitional zones that do not fit neatly into either category. These regions exhibit rural agricultural traits alongside rapid real estate development, commercialization, and urban-style densities.

Property regulation within these transitional areas has become a legal battleground. When a rural settlement undergoes demographic shifts, state governments often expand municipal boundaries or declare a Nagar Panchayat (transitional municipality). However, the de-notification of the existing Gram Panchayat frequently lags behind or suffers from statutory ambiguity. Consequently, both the Village Panchayat and the adjacent Municipal Authority claim jurisdiction over the same properties. This administrative impasse results in competing demands for property tax assessments, conflicting building layout approvals, and a lack of clarity regarding building byproduct regulations. Property owners find themselves caught between contradictory administrative regimes, exposing structural flaws in local governance.

2. Legal Framework Governing the Aspect

Laws, Constitution & Legislation

The primary source of constitutional authority for local bodies is found in Parts IX and IX-A of the Constitution of India. Article 243G, read alongside the Eleventh Schedule, empowers

¹ Constitution of India, 1950, Parts IX & IX-A, inserted via the Constitution (Seventy-third Amendment) Act, 1992 and the Constitution (Seventy-fourth Amendment) Act, 1992.

State Legislatures to endow Panchayats with the authority to manage land improvement, implementation of land reforms, land consolidation, and soil conservation (Entry 2). Conversely, Article 243W, read alongside the Twelfth Schedule, vests Municipalities with the authority over urban planning, including town planning (Entry 1), and regulation of land-use and construction of buildings (Entry 2).

The executive enforcement of these constitutional provisions relies on state legislation, such as the Karnataka Gram Swaraj and Panchayat Raj Act, 1993, or the Maharashtra Village Panchayats Act, 1958, operating alongside corresponding Municipal Corporation and Municipalities Acts. Statutory conflict arises when state laws permit both entities to exercise concurrent authority over property regulations during transitional phases. For instance, under most state Panchayat Acts, a Gram Panchayat retains the power to levy taxes on buildings and lands within its geographical limits.² However, parallel provisions in state Municipal Acts empower expanding urban bodies to absorb these areas and apply municipal tax structures immediately upon notification, without explicitly repealing the Panchayat's prior statutory authority over ongoing developments.

3. International Instruments & Framework Governing Proprietary Status

The preservation of proprietary rights and the structured regulation of property by local authorities are aligned with international legal standards. Article 17 of the Universal Declaration of Human Rights (UDHR) establishes that 'everyone has the right to own property alone as well as in association with others' and protects against arbitrary deprivation.³ In the context of local administration, the European Charter of Local Self-Government (1985) provides a relevant global benchmark for resolving jurisdictional conflicts. Article 4 of the Charter emphasizes the principle of subsidiarity, stating that public responsibilities should be exercised by those authorities closest to the citizens.⁴ It further dictates that where powers are delegated to local authorities, they must be full and exclusive, preventing overlaps unless permitted by statute.

Applying these international principles to peri-urban conflicts reveals that jurisdictional

² See for example, Section 199 of the Karnataka Gram Swaraj and Panchayat Raj Act, 1993; see also Section 124 of the Maharashtra Village Panchayats Act, 1958.

³ Universal Declaration of Human Rights (adopted 10 December 1948) UNGA Res 217 A(III) (UDHR) art 17.

⁴ Council of Europe, European Charter of Local Self-Government, 15 October 1985, ET No. 122, art 4.

overlaps undermine the legal certainty of property ownership. When dual authorities claim the right to regulate or tax property, they create administrative instability that functions as an indirect encumbrance on property rights. International sustainable development standards, particularly United Nations Sustainable Development Goal (SDG) 11, emphasize the need for integrated, inclusive, and sustainable human settlement planning.⁵ This standard demands cohesive domestic legislative frameworks that prevent administrative conflicts and safeguard the proprietary interests of citizens in urbanizing areas.

4. Judicial Precedents (Case Laws)

The judiciary has frequently been required to resolve conflicts arising from overlapping regulatory claims made by Panchayats and Municipalities. A recurring issue is the precise moment a Gram Panchayat's authority terminates following a municipal boundary expansion.

In *State of U.P. v. Pradhan Sangh Kshettra Samiti*, the Supreme Court evaluated the constitutional validity of the delimitation of panchayat areas.⁶ The Court held that the creation of local bodies is a statutory function controlled by state legislation, but emphasized that the transition from a rural to an urban area must be governed by clear, unambiguous administrative notifications under Article 243Q(2) to prevent a regulatory vacuum or dual jurisdiction.

The issue of property rights and the vesting of common lands during transition was clarified in *State of Haryana v. Jai Singh*.⁷ The Supreme Court ruled that lands reserved for common village purposes do not automatically vest in an expanding local authority or the State without explicit statutory authorization and appropriate transition procedures. The Court noted that taking over unutilized land or changing its regulatory status without strict adherence to due process violates constitutional protections.

The specific issue of statutory continuity during a status shift was examined by the Kerala High Court in *Vadavathi Rajeevan v. K. Vanaja*.⁸ The Full Bench considered whether special regulatory acts applicable to a Panchayat continue to apply automatically once that entity is

⁵ UN General Assembly, Transforming our world: the 2030 Agenda for Sustainable Development, 21 October 2015, A/RES/70/1, Goal 11.

⁶ *State of U.P. v. Pradhan Sangh Kshettra Samiti*, 1995 Supp (2) SCC 305.

⁷ *State of Haryana v. Jai Singh*, 2025 INSC 1122 : 2025 SCO.LR 9(3)[19].

⁸ *Vadavathi Rajeevan and Anr. v. K. Vanaja and Anr.*, Civil Revision Petition No. 42 of 2023 (Full Bench, Kerala High Court, Decided January 15, 2026).

upgraded to a Municipality. The Court determined that when a local authority undergoes a change in status, its underlying regulatory powers change according to the new governing municipal statute, reinforcing that dual regulatory authority cannot coexist over the same property.

Furthermore, in *Municipal Corporation Gurugram v. Suresh Kumar*, the Punjab and Haryana High Court addressed the transition of rural property into expanding municipal limits.⁹ The court observed that upon the extension of municipal boundaries, the provisions of the Municipal Corporation Act supplant the Gram Panchayat's authority. Any ongoing enforcement actions, drainage layout adjustments, or property regulation shifts must be executed strictly through the procedures established under the municipal law, invalidating residual or retroactive regulatory claims by the erstwhile Gram Panchayat.

5. Controversy, Analysis & Loopholes

Analysis of Jurisdictional Friction

The core of the controversy stems from the statutory overlap between state-level rural and urban legislation. When a peripheral rural area experiences rapid real estate growth, it attracts the regulatory interest of both the local Gram Panchayat (seeking to preserve its tax base) and the adjacent Municipal Corporation (seeking to manage urban expansion). This results in a conflict between two distinct regulatory philosophies:

- The Gram Panchayat operates under a framework focused on rural land development and basic agrarian property management.
- The Municipal Authority enforces comprehensive master plans, strict zoning regulations, and highly structured building bylaws.

Area of Conflict	Gram Panchayat Framework	Municipal Authority Approach
Tax Assessment	Annual Rental Value / Capitation	Capital Value / Unit Area System
Building Approvals	Gram Sabha Layout Permissions	Master Plan / Zoning Bylaws
Enforcement Capacity	Limited Manual Surveillance	Specialized Planning Squads

⁹ *Municipal Corporation Gurugram v. Suresh Kumar & Ors*, RSAs No. 1643 of 2017 (Punjab & Haryana High Court, Decided February 12, 2020).

Key Loopholes

1. **Delayed De-notification Incongruity:** The primary statutory loophole is the administrative delay between the notification of an expanding municipal area and the formal de-notification of the corresponding Gram Panchayat under state revenue laws. During this interim period, both bodies claim legitimate statutory backing to exercise regulatory authority.
2. **Double Taxation Inequities:** Because property tax collection mechanisms overlap, property owners in transitional zones frequently receive tax assessments from both the Gram Panchayat and the Municipal Corporation. Both authorities rely on distinct provisions within their respective state acts to assert taxing power, leading to double taxation.¹⁰
3. **Conflicting Building Layout Clearances:** Gram Panchayats often grant construction approvals and layout permissions based on flexible village planning standards to secure local development fees. However, when the Municipal Authority asserts control over the area, it frequently declares these structures unauthorized for failing to meet strict urban zoning classifications and setback requirements. This exposes property owners to demolition threats despite possessing a valid permit from the rural authority.
4. **Ineffective District Planning Committees (DPCs):** Although Article 243ZD mandates the creation of District Planning Committees to consolidate plans prepared by Panchayats and Municipalities, these bodies remain largely dysfunctional or advisory in most states. The absence of an active coordinating body allows rural and urban authorities to draft property regulation policies in isolation, exacerbating territorial disputes.

6. Suggestions to Improve Implementation

To resolve these regulatory conflicts and harmonize local governance in transitional zones, structural reforms are required across legislative, administrative, and technological dimensions.

1. Legislative Reforms: Automatic Statutory Harmonization

State Legislatures should amend their respective Panchayat Raj Acts and Municipal Acts to incorporate an automatic sunset clause. This provision should mandate that the moment a

¹⁰ Supra note 2, at Section 199.

notification is issued under Article 243Q expanding municipal boundaries or establishing a Nagar Panchayat, the property regulatory jurisdiction of the erstwhile Gram Panchayat over that specific territory is extinguished. The amendment must explicitly outline the transfer of ongoing property tax assessments, pending building layout applications, and enforcement liabilities to the incoming municipal authority, eliminating any intermediate period of concurrent jurisdiction.

2. Institutional Reform: Revitalizing District Planning Committees (DPCs)

The DPCs established under Article 243ZD must be transformed into proactive regulatory arbitrators rather than passive planning bodies. State laws must enforce mandatory quarterly reviews where DPCs evaluate and reconcile spatial development layouts along peri-urban fringes. Furthermore, the committee should be vested with the statutory authority to issue binding demarcations regarding property tax collection rights and building code enforcements in areas facing jurisdictional disputes.

3. Technological Integration: Unified Spatial Digital Ledger

States should deploy a unified, GIS-mapped digital land-and-property database that integrates rural and urban land records. Properties located in peri-urban areas should be assigned a distinct digital identification number linked to a geofenced administrative boundary map. This portal can automatically route building approval applications and property tax payments to the correct authority based on current boundary notifications. If a transitional zone requires shared services, the system can distribute property tax revenue between the Gram Panchayat and the Municipality based on a predetermined, automated ratio, preventing double taxation.

7. Conclusion

The persistent conflict between Village Panchayats and Municipal Authorities regarding property regulation highlights a structural vulnerability in India's decentralized governance framework. While the 73rd and 74th Constitutional Amendments successfully created a framework for local self-governance, the rigid separation between rural and urban entities has proven ill-suited for the realities of rapid peri-urban expansion. The resulting jurisdictional overlaps create administrative inefficiencies, lead to double taxation, and undermine the legal certainty of property rights for citizens living in transitional zones.

Resolving these disputes requires moving past isolated administrative models toward integrated regional governance. By correcting statutory ambiguities through clear transition clauses, empowering District Planning Committees to actively resolve jurisdictional disputes, and leveraging modern geospatial data systems, state governments can eliminate regulatory friction. Ensuring a seamless, legally secure transition of property administration from rural to urban authorities is essential to safeguard proprietary rights and foster sustainable, balanced regional development across India's urbanizing landscape.

