



## INDIA – February 2017

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### **New property tax to be executed from April 2017**

KOZHIKODE: The residential and commercial buildings in the city will get new corporation numbers with the execution of proposed property tax revision in its limits.

The existing assessment numbers of the buildings will be changed as part of the new tax revision, which is expected to be executed from April 2017 onwards. For the implementation, the government needs to approve the final draft submitted by the civic body that was passed in the council meeting held last month.

The civic body is changing the assessment numbers of the buildings after a long gap of more than two decades. The last revision of the numbers to revise the property tax was done in 1993.

The new tax rate will be introduced with retrospective effect from April 1, 2013. The revised tax will not be applicable to residential buildings having an area up to 2,000 sq ft.

With the introduction of the new rate, the existing tax rate, which is collected based on annual rental value prepared by the revenue officials, will be switched to self-assessment by property owners.

Under the new rate, the existing annual rental value will be replaced with total plinth areas of the building. The entire corporation area has been divided into three zones such as primary zone, secondary zone and tertiary zone for the effective tax revision.

And the building owners will get deductions and increase in basic tax on the basis of which zone the building falls.

### **International Property Tax Institute**

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Revenue officer K Premanandan said the building owners need to submit the self-assessment on the plinth areas of the buildings in the prescribed format. "The squad will conduct site inspections to verify the details on self-assessment furnished by the property owners to calculate the tax," he said.

"The corporation has already started fixing building tax for new buildings on the basis of new tax," he said.

Meanwhile, deputy mayor Meera Darshak, who is also the finance standing committee chairman, said the corporation is planning to implement the new tax from April 1 onwards once the government approves the final draft.

"We have already submitted the proposal to the state government and waiting for its approval. We will work out a detailed plan for the effective execution of the revised property tax to avoid creating problem and confusion among residents," said the deputy mayor.

### Now, online self-assessment system for property tax payers

In order to resolve citizens' difficulties and provide transparency in the assessment of property tax procedure, Greater Hyderabad Municipal Corporation (GHMC) has decided to provide online self-assessment system to the people of the city.

The tax payer can submit the application, 'e-registrations of property tax-self assessment form' for tax assessment through GHMC's website - [www.ghmc.gov.in](http://www.ghmc.gov.in).

"It has come to the notice of the GHMC commissioner that the property owners, who constructed new structures in GHMC limits and are willing to pay property taxes promptly are facing problems in assessing their residential and non-residential property due to various reasons. Hence, the decision to provide online self-assessment system has been taken," officials said.

Citizens are not able to approach the tax officials in office, as most of the time they outdoor for tax collection and other activities.

Some tax officials do not respond properly and demand consideration illegally from the citizens for assessing the property tax.

For filing the self-assessment application, citizens have to follow step-by-step method where mobile number is mandatory and a OTP will be generated to the registered mobile number. Once OTP is typed, the application form will be displayed, the ownership and property details are to be entered.

The building permissions and the deviations should be entered correctly. The approximate calculation of property tax with details of unit rates, zone and sub zone will be displayed. The application will then be sent to the deputy commissioner login.

The deputy commissioner will send the concerned official to approach the owner, collect relevant documents and assess the property tax as per norms.

According to GHMC officials, there are over 50,000 to 60,000 structures found to unassessed in the GHMC limits. Every year 20,000 to 30,000 new houses, flats or other structures are established, they added.

### Civic body proposes property tax hike

AURANGABAD: The municipal administration has proposed property tax hike between the range of 20 to 25% for 2016-17 financial year.

The proposal for the property tax hike submitted by the administration indicates a hike across various categories including residential, commercial and institutional. The proposal will be placed before the standing committee in a meeting scheduled on Friday.

In the proposal, the municipal authorities mentioned that tax rates could not be revised in the last fiscal. A senior officer who preferred not to be quoted said tax hike would help the municipal body raise funds and eventually enable it to create new facilities for residents. "The city has been selected under the Union government's smart city scheme in which we have planned world class infrastructure and facilities for Aurangabad. But to create these facilities, we need additional funds," he said.

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The municipal administration has categorized total number of properties in the city into seven different heads - residential, non residential (like offices, hostels) commercial, educational institutions, government properties, mobile towers and industrial.

Hikes of Rs 0.25 to Rs 2.75 per square metre for residential category property owners has been proposed considering the type of building construction. There are four different sub-heads have been created under the main head in which owners with reinforced cement concrete (RCC) rooftops may have to bear highest tax hike.

The authorities have proposed Rs 0.5 to Rs 5.5 per square metre for the non-residential category, Rs 2.5 to Rs 7 per square meter for commercial properties and a similar hike for other types of properties.

In commercial category, the municipal administration has proposed to hike rates in the range of Rs2.50 per square metre to Rs 7 per square metre while in the industrial category, 20% to 25% hike has been proposed. Industrial sheds within the municipal limits, go-downs, and other similar places may see hike if the proposal is approved in the standing committee meeting on Friday.

This proposed hike has been criticised by residents and coporators alike, and the ruling alliance in the Aurangabad Municipal Corporation (AMC) had out rightly rejected a similar tax hike proposal in the previous fiscal.

### **MCC's revenue collection exercise not up to the mark**

The Mysuru City Corporation's (MCC) revenue collection exercise has come under criticism as its target has been pegged way below its actual potential. The MCC has been advised to shore up its tax collecting mechanism.

An analysis of the corporation's revenue model, conducted by the consumer group Mysore Grahakara Parishat (MGP), indicated that the potential for mopping up revenue through property tax was in excess of ₹200 crore while the target for the same was fixed at ₹140 crore in the budget for 2016-17. Bhamy V. Shenoy and R. Chandraprakash, of the MGP, have argued that this impacts the quality of civic amenities being provided by the corporation and the low revenue collection has a bearing on all.

#### **Increase in budget**

The population of the city has increased from 8 lakh in 1997 to about 12 lakh in 2017. MCC's budget has increased from ₹30 crores in 1997 to ₹81 crores in 2007 to about ₹800 crores in 2017. However, the quality of services provided by the MCC was deteriorating despite this increase in the size of the budget, the bulk of which came by way of a liberal grant by the government, they argued.

But for liberal grants by the government, the services would have been even worse. Hence, the MGP has suggested property tax, water tax, rents from MCC properties, and parking fees to be the areas of special focus by the MCC to mop up additional resources.

Citing an example, the MGP pointed out that over ₹100 crore dues on water bills alone was outstanding for the last several years and the actual billed amount was not even 50% of the total potential.

#### **Property tax**

In the case of property tax, the MGP said ₹80 crores collected so far for 2016-17 was far short of the potential amount of ₹200 crores or more. "Because of non-issuance of completion reports (CRs), many completed properties do not pay taxes for years, while enjoying to live in the same. On paper, properties rented out are supposed to be liable for a higher property tax," they said.

Calling for the preparation of a property register in the city, the MGP said there was potential to enhance rental revenues from the properties of MCC by at least ₹20 crore while another ₹10 crore could be generated by levying a parking fee in the central business district.

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The MGP also called for the involvement of professionals such as chartered accountants, business entrepreneurs, managers and NGOs to ponder over the finances of the MCC and provide their input in the formulation of the budget.

### Revenue drop forces KMC to continue with old tax system

Hit by a sharp drop in revenue collection, the Kolkata Municipal Corporation (KMC) has decided to continue with the current annual rental valuation (ARV) system even after introducing the unit area assessment (UAA) method.

Mayor Sovan Chatterjee has made it clear that the KMC assessment department will send property tax bills under the ARV system. "After self-assessment, if a taxpayer finds that his/her tax has gone up, we will adjust the same in the suspense account. If we find that a tax payer has paid less than what he/she should, we will send arrear bills," he said.

The decision to go with the dual tax system was taken after the civic bosses realized that there had been a significant drop in revenue collection in past two months. Sources in the KMC revenue department conceded that revenue collection had dipped after declaration of UAA system in October last year.

"We are running short of our target revenue collection. It has particularly taken a backseat after the UAA scheme was announced last year. To cope with the situation, we have decided to continue with the old system even after introduction of the UAA," said a KMC assessment department official.

According to an estimate, the KMC is running 4-5% short of its target revenue. KMC assessment department had set a Rs 900-crore revenue target that it had expected to collect from 6.5 lakh assesses by March 31. "Going by the current trend, the target now seems impractical. We are lagging behind and the gap is widening every day," said a KMC revenue department official.

Displeased with the revenue shortfall, municipal commissioner Khalil Ahmed held a meeting last week and asked for an explanation from the civic bosses. Not satisfied with the replies, Ahmed asked the senior officials to issue show-cause notices to 27 assessment department inspectors.

"Issuing a notice to so many inspectors is unprecedented. This has created panic among the assessment department inspectors," said a KMC revenue department official. To make up for the loss, the department has started issuing distress warrant against a section of habitual tax defaulters. "Failing to pay up, we will attach their properties," said a department official.

However, revenue department officials stopped short of admitting that it will be very tough to continue with the old ARV system even after introducing the UAA method. Under Section 183A of the KMC act (1980), as soon as a new system for property tax collection is introduced, the old one gets scrapped automatically. "But we need to continue with the old system till some time even after implementation of the UAA as the switchover is likely to dent the civic coffer," said a revenue department official.

### Self-assessed civic tax debut gets Kolkata Municipal Corporation seal

The mayor-in-council on Tuesday empowered the civic body to go ahead with the implementation of unit area assessment (UAA) method for determination of property tax. The resolution was passed at a meeting held the KMC headquarters.

The meeting also cleared the KMC assessment department's decision to adopt a 'capping system' on the calculation of properties under the UAA method. Under no circumstances, the property tax of an existing assessee will rise more than 20%. Similarly, the civic body has made sure that its revenue doesn't take a hit by choosing not to lower the tax rate more than 20%. "We are waiting for the state's approval. Once we get it, we will make a publication of the UAA scheme, which will pave the way for its introduction from April 1," said a KMC official.

"Regular tax bills would be sent to assessee till they calculate their own tax and start paying it. "After calculation of property tax under the UAA, if we find an assessee has paid extra, we will adjust the amount. If an assessee pays less, we will raise an arrear demand," mayor Sovan Chatterjee said.

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The state assembly in December last year passed the Kolkata Municipal Corporation (Amendment) Act, 2016, paving the way for the new tax regime. Keeping in view that the new assessment procedure may result in tax alteration, the amended act has incorporated section 171A that empowers KMC to introduce regulations to fix percentages on the valuation of different groups of properties.

### **Property seized, owners fined for evading land tax**

Indore Municipal Corporation's vigilance team on Saturday found that two property owners were evading tax by showing that their commercial premises were being used less.

The team led by IMC deputy commissioner, Pratap Singh Solanki first raided one of the premises at Scheme 94 at SM Enterprises.

For the current financial year, the firm's owners had submitted commercial tax by showing that only 1,04,382 square feet of the premises were being used when 1,34,408 square feet was actually being used.

During the raid, the team exposed the firm's owners for not paying taxes on 30,026 square feet of land.

The team issued a notice to them to pay Rs 20,20,441 as commercial tax, which included Rs 14,47,340 — a five time penalty for tax evasion.

The team also raided Jyoti Talkies at 69 Mastar Ganpat Yadav Marg in Jail Road area.

The owners here had been paying commercial tax by showing only 1,000 square feet of property while the investigation revealed a difference of 19,877 square feet including 5,464 square feet open land and reinforced cement concrete construction of 10,876 square feet.

While IMC officials were busy calculating penalties, the premises' staff members had been trying to interrupt the inspection drive for a long time. They let the team continue their work only after IMC officials warned them that a case would be registered if they continued to do so.

Solanki asked a zone official to calculate the actual tax amount and to send a notice to the property owners by Monday.

Meanwhile, zone-level revenue teams of IMC seized property across the city of owners who had been defaulting on their tax payments for a long time.

Failing to clear Rs 3,66,744 in property tax, IMC zone-2 team seized Kasera Samaj Dharmshala in Malharganj.

The team also seized a house in the same area owned by Muktaprashad Mathuraprashad for not clearing Rs 2,31,579 in taxes and a Kadavghaat house owned by Mohammad Raees for not clearing Rs 79,430 in taxes

### **Do waste segregation, local composting & get relief on property tax, says PCMC**

Panvel City Municipal Corporation (PCMC) is planning to provide relief on property tax to housing societies and commercial establishments as part of an incentive scheme related to waste management.

The newly formed civic body will offer 2% to 3% property tax discount if the interested parties ensure that wet waste, that comprises around 50% of the total daily garbage production, is scientifically segregated, disposed or used for bio gas generation apart from producing organic manure.

Sources said the societies that may not have enough space or amount for local composting can also avail of the scheme and get 1% discount, provided they segregate the dry and wet waste. Composting in such cases can be done in civic gardens or other civic properties that has adequate space.

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"The cost of transportation will come down by about one crore and so the yearly benefit can be transferred to tax payers," observed commissioner, Sudhakar Shinde, who wants to make the vast 110 sq km area under the jurisdiction of PCMC, a bin-free city.

The scheme will be implemented around March after an awareness and training drive is held to continue and sustain the long-term campaign for Swachh Bharat Abhiyan.

The machinery required for local composting can be made available in 24 hours, said Shinde, and the manure sold to fertiliser companies or used for gardening. A case in point is Kalpataru society in Old Panvel that has 750 flats and uses the machine for local composting.

### Jaipur's property tax potential untapped

Jaipur Municipal Corporation data shows that its outstanding property tax between 2007 and 2016 stands at ₹700 crore.

The Jaipur civic body collects only 5% to 20% of its potential property taxes and has the scope of increasing its revenue collection manifold by making use of technology, a satellite-based imagery of the city has revealed.

The data analysis is part of a chapter on urbanisation published in the recent Economic Survey of the union finance ministry.

"Bengaluru and Jaipur can collect five to 20 times their current property tax collection. Revenue self-sufficiency can significantly enhance the urban local bodies' (ULBs) capacity to invest in much-needed infrastructure," states the Economic Survey.

Property tax is the primary source of revenue for urban local bodies.

The Survey has cited poor assessment rate, weak collection efficiency, flawed methods for property valuation, loss on account of exemptions, and slack enforcement as the main factors behind poor realisation of the property tax, also known as urban development tax.

Jaipur Municipal Corporation (JMC) data shows that its outstanding urban development tax between 2007 and 2016 stands at ₹700 crore.

"I am not aware about this study, but we are making consistent efforts to boost tax collection. We will soon be holding camps for collecting property taxes and have also been in touch with CREDAI (Confederation of Real Estate Developers' Association of India) in this regard," JMC deputy commissioner Kailash Narain Meena told HT.

"Action will be taken against defaulters including seizing property in some cases."

JMC's urban development tax revenue for 2015-16 was ₹65 crore. Sources said tax exemption given to residential buildings of less than 300 square yards could be one reason for lower collection.

### STUDY FINDINGS

\*The study has attempted to estimate the property tax potential of Jaipur by using satellite imagery from LANDSAT program from NASA and United States Geological Survey (USGS).

\*Jaipur has a total area of 484 sq km with 39% built-up area. In the absence of official FSI data for Jaipur, elevation and non-elevation scenarios were considered in the study.

\*The satellite-based raw data has been processed to identify built-up area, including everything from an independent housing unit to apartments.

\*During eight years, from 2007 to 2015, the number of properties billed for tax has increased by a mere 2% (1,19,680 properties in 2007 to 1,21,498 in 2015).

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