



## INDIA – October 2017

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### Property tax rises by 2-5 times in new system

Here is some shocks for Nagpurians in store. If the revaluation of property tax, which started last year, is anything to go by, people of the Orange City have to cough up property tax two to five times more than the present one, and in some cases it can go up to even 10 times.

Now, it will be a big challenge for Nagpur Municipal Corporation (NMC) and its officials to tackle the public outcry when the demand notes of the hiked property tax will reach to all six lakh taxpayers.

Launching the new property tax system, the NMC office-bearers had claimed that tax amount will not increase by 25%. TOI had time and again reported about the chances of steep hike in property tax in the new system. One of the major reasons behind the hike is that the new system is based on ready reckoner value of properties.

The Nagpur Municipal Corporation (NMC) started the new tax system five years ago but the revaluation drive of properties started last year. The drive has so far covered around 4.3 lakh properties out of total six lakh.

According a data, a copy of which is with TOI, the NMC property tax department has completed a lengthy process and prepared demand notes of around 2.23 lakh properties. The process to distribute demand notes has been started about a couple of days back.

As per data of around 2.23 lakh properties, the property tax amount has increased by two to five times from the existing amount. The NMC is expected to complete the revaluation drive by November and distribute demand notes to all six lakh taxpayers by December end.

NMC official from property tax department told TOI that the tax amount had been finalized after making assessment register public, and also ensuring suggestions and objections from taxpayers. "Assessment register has been prepared for the first time in the civic body's history. The process has been adopted to maintain transparency. Each and every details of the properties have been captured in camera and also taken on the records," he said.

The official further said the tax of the properties located in old localities have increased to a great extent. "Major reason behind hike in the tax is assessment of excess area. Changes like increase in built-up area, user change, tenant occupancy etc have been witnessed in large number of properties," he said.

TOI has taken an example of Jailward-5, covering Takiya basti to Congress Nagar to Chunabhatti. There are total 6,271 properties in this ward of which analysis on 5,532 properties have been done. Property tax has increased to Rs3.17 crore from Rs1.46 crore in this ward. Tax of Rs1.23 crore has increased following finding of excess area of 75,171 sq.mt area. Tenant

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occupancy has been found in 668 properties, while 356 properties were not under property tax ambit. So tax of Rs19.90 lakh recovered from these new units.

### HC allows old tax rates for central Mumbai buildings

MUMBAI: In a significant interim relief for almost 40 developers and landowners in the heart of Central Mumbai, including areas of Parsi Colony, Hindu Colony and Matunga, the Bombay high court has directed them to pay municipal property taxes at pre-amended rates.

The recent order was in response to a petition filed by Central Mumbai Developers Welfare Association, which has close to 40 affected members.

The association challenged the constitutional validity of the amended property tax based on capital value of land as opposed to the earlier rateable value, and also the validity of the higher land under construction (LUC) tax.

This is the latest in a series of constitutional challenges raised by property owners and developers to a 2009 amendment of the BMC Act and rules framed in 2010 and 2015 for fixation of capital value of lands and buildings.

The rules are void and unconstitutional, said the developers. The capital value of land as the basis for property taxes led to a steep rise, with some owners served a bill running into tens of crores of rupees.

The association informed the court that its members had received notices from the civic administration to pay up other additional charges, including for LUC, which ranged from Rs 20-40 lakh. The BMC issued notices to land owners for full payment of LUC taxes, said their lawyer, even though the Supreme Court has said there can only be two categories of taxes—either on land or on building.

Senior counsel Milind Sathe, who appeared for the association, said the questions raised were similar to the ones raised earlier this year in another petition filed by Kiyana Ventures LLP and also by Yashoda Cooperative Housing Society.

He sought parity, pointing out that in May and August, the HC had granted relief to other developers and land owners. The HC bench observed that the challenges were similar.

The court directed "the petitioners to pay municipal property taxes at the pre-amended rates and also the additional taxes at the rate of 50% of the differential tax between the tax payable under the old regime and now payable on the basis of capital value of the property.

### Short-staffed, cannot check all properties in a year: BMC officials

Earlier this month, senior civic officials decided to conduct a lottery instead, they added. Meanwhile, employees said the reshuffle was uncalled for as the property tax wing was already short-staffed and overburdened.

Officials of the Assessment and Collection Department of the Brihanmumbai Municipal Corporation (BMC) have said that they cannot conduct the survey of and assess all the properties in the areas assigned to them within a year, as they were severely short-staffed. "Currently we have 530 assessment inspectors in the BMC and approximately three lakh properties, which means that each inspector has around 567 properties to assess in a year, said an official.

Claiming that they have been short-staffed for years, an inspector said their work profile had become ambiguous and, with the number of properties growing in the city, the assessment department needed more hands.

"In the 1960s, the department had around 567 posts, these posts have still not been increased, even after 57 years. Till last year, of these 567, 402 were filled. This year, we have 530 assessment inspectors for more than three lakh properties a year," he added. The assessment and collection department includes a property tax wing and an octroi wing.

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The octroi department was scrapped after the implementation of the Goods and Services Tax (GST) on July 1, following which there were talks of absorbing this staff into the property tax wing after a written exam, said civic officials. Earlier this month, senior civic officials decided to conduct a lottery instead, they added. Meanwhile, employees said the reshuffle was uncalled for as the property tax wing was already short-staffed and overburdened.

A senior assessment inspector said, “The way the department is functioning is contrary to the suggestions of a norms committee set up in 2014, which mandated that one employee be given work up to 305 properties only. If the BMC includes all employees from the octroi wing into the property tax wing, we will still be short staffed. This way, inspectors cannot assess all the properties in the areas assigned to them, thus locking up that much revenue for a year at least. This also gives rise to malpractices, it’s for the higher officials to think of.”

Another official said, “At present, there are three lakh properties in Mumbai, assessed by 530 property tax employees, as each one handles over 500 properties. Norms committee had calculated the working days of a government employee, and the hours and time required to assess one property. It had concluded that every employee should be given 305 properties each. But suggestions of the committee weren’t implemented. And now, employees have been reassigned, leading to chaos in the department.”

Sanjog Kabare, BMC’s assessment and collection officer, who heads the department, could not be reached.

Mumbai Mayor Vishwanath Mahadeshwar said, “The recommendations of the previous norms committee were stayed by the administration, citing that the committee was formed without consulting the BMC commissioner. I have discussed the issue with the BMC administration, which has argued that with the new and advance technology in place, one inspector can assess more than 1,000 properties in a year. The administration will soon form another committee to frame the new norms. I have urged the civic administration to conduct a survey and come to conclusion at the earliest.”

However, inspectors claimed that whatever the new technology was, inspectors have to visit and survey the property manually, hence, workload would not reduce. This would, in turn, lead to a loss of revenue, they added.

### What is Property Tax and how is it calculated?

In a country like India, owning property is similar to owning a goldmine, making it one of the most important decisions of your life, and eventually becoming an asset that helps build wealth over time. However, owning property comes with associated ‘property tax’, one of the several taxes a purchaser has to pay.

So, what is property tax?

Taxes are the primary source of income for a government, with the taxes earned dictating the resources available to citizens. Every property is an asset which is taxable, and while stamp-duty and registration are one-time charges, the property tax is a recurring charge that the owner has to pay every year. This tax could be paid either to the local state government or Municipal Corporation, depending on government policies.

Now, how do you calculate property tax?

Primarily, property tax serves as a revenue source for the government to fund different services such as clean-ups, sanitation, pest control etc., and if the person refuses to pay the intended amount, then a legal notice can be issued. Amount of property tax implication is decided by the municipal body together, with some other factors that decide total property tax liability for a property owner. These other factors include:

- Location of the property.
- Size of the property.
- Whether the property is under construction or ready to move.
- Gender of the property owner – there may be discounts for female owners.
- Age of the property owner – there may be discounts for senior citizens.
- Civic facilities provided by the municipal body in the locality.

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On the basis of the recent property valuation done by the authorities, property tax liability is decided. The receipt in respect of property tax payment also comes in handy when there is some dispute, as it can then help in deciding the genuine property owner. In addition, worship set-ups, foreign embassies as well as government establishments do not require property tax payment.

Last but not the least, why is it important to pay property tax?

Property tax is calculated, according to the recent property valuation conducted by the municipal body. Only the owner of the property is liable to pay property tax. Hence, if you are a tenant, you need not be concerned about it.

In case of a property dispute, the property tax receipt plays a crucial role, to prove ownership of property. Consequently, when you buy a property, the title of the property should be updated in the municipal records.

While getting the property registered in your name at the local municipal records, you may be asked to provide documents to prove the ownership of the property. A property tax receipt is also a key document, for availing of loans, such as a loan against property.

Hence you must make the property tax payments on time and keep your records updated.

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