IPTI Xtracts

Property Tax and Assessment News from Around the World

INDIA – September 2017

SDMC sends tax notices to Delhi govt, city hospitals, cops

The South Delhi Municipal Corporation (SDMC) has issued notices to 200 properties falling under the jurisdiction of Delhi Police and Delhi government for failing to pay property tax. Out of these, 105 notices have been issued to Delhi Police, six to government hospitals and 89 to other government offices for not clearing property tax arrears.

Joint assessor and collector Radha Krishnan said that a demand of Rs 25 crore has been raised against 105 properties of Delhi Police and the demand for the remaining properties will be raised in the coming week.
"We conducted a survey to identify the properties falling under government authorities and about 200 have been identified so far. The assessment is still in process for Delhi government and once that is done, we will raise a fresh demand to the government," he said.

The south corporation had collected around Rs 750 crore during the last fiscal and is targeting to cross Rs 900 crore in the current fiscal. The total collection of property tax for the current fiscal is around Rs 437 crore, which is 3% more than last fiscal.
"Earlier, there were around 3.60 lakh tax payers under the tax bracket. But in last one year, we have identified over one lakh new taxpayers," Krishnan said.

He said that SDMC has started a door-to-door survey in a bid to increase its tax net. "We have constituted separate teams for all our four zones and initiated door-to-door survey to bring more properties under the tax bracket," he added.

Cities to grow taller, faster

In order to deal with the scarcity of urban land and give a major push to developmental works in metro cities, Union Housing and Urban Affairs (HUA) Minister Hardeep Singh Puri has directed his officials to review the Floor Space Index (FSI) and Floor Area Ratio (FAR) norms in mega cities to ensure better utilisation of scarce urban land resources due to rapid urbanisation.

Following the directions of the NITI Ayog, the Ministry has directed officials to relax FSI and FAR norms in urban areas. If relaxation is given, it will aid vertical expansion of cities faster, and boost the real estate sector and higher floor space index could help ease land prices. The move will also help in Value Capture Finance (VCF) through innovative urban development funding and revenue generation by the States and cities by tapping a share of increase in value of land and other properties like buildings resulting from public investments and policy initiatives.

In certain States, the term FSI is used, while FAR is the norm in other States. Both the terms are calculated by dividing the built-up area by the area of the plot with some technical variations.

Puri directed the officials to take up a time-bound review of these norms in all the 53 cities with a population of one million and above. He also suggested a similar review for State capitals with less than one-million population each in due course. "The review to be taken up in consultation with States and cities is to cover an assessment of the existing norms and to what extent it could be enhanced."

The FSI followed in Maharashtra, Gujarat and Tamil Nadu allows built-up area in proportion to the land holding. For example, if a plot has an area of 2,400 sqft, and if the FSI is 1.5, then the maximum area that can be constructed would be 2,400x1.5= 3,600 sqft. This would be the total built-up area across all floors subject to development restrictions.

In the FAR concept, followed in Andhra Pradesh, Karnataka, Kerala, Assam, Bihar, Chhattisgarh, Delhi, Haryana, Madhya Pradesh, Odisha, Punjab, Rajasthan, Telangana and West Bengal, there is also a maximum plot coverage ratio. Therefore, for an FAR of 1.5 and a plot coverage ratio of say 75 per cent, not more than 1,800 sqft can be constructed on each floor for the same 3,600 sq ft of built-up area.

The maximum permissible FSI limit for residential construction in Tamil Nadu is 1.5, in Maharashtra it is 1.33 (lowest in India), and in Gujarat it is 2.00. In Gujarat, the FSI is very low in certain seismic zones.

Puri has maintained that in 1984, Shanghai had only 3.65 sq m space per person. Through liberal use of FSI, despite increase in population since 1984, the city had increased the available space to 34 sq m per person. In contrast, in 2009, Mumbai on average had just 4.50 sq m of space per person. The Minister noted that increasing the availability of land in urban areas is critical to meet the demand for affordable housing under the Pradhan Mantri Awas Yojana (Urban). In its report, NITI Ayog had noted that a comparison of Mumbai and Shanghai illustrated the deleterious effects of restrictive FSI.

In Tamil Nadu and Maharashtra, one can claim separate premium FSI by paying extra fees, subject to compliance of many conditions such as road width and plot area. The maximum permissible FAR limits vary across the country. It depends on the maximum permissible height of the building and various other parameters such as the road width, plot area and population density.

The NITI Aayog has also recommended releasing substantial chunks of urban land belonging to central and state governments that have remained unused or have been encroached upon. "These vacant lands can be monetised to provide affordable housing," a senior ministry official said.

PMC starts door-to-door property tax collection to boost its revenue

Service that will be initiated on trial-basis includes handling charge of Rs 75

The Pune Municipal Corporation (PMC) has now introduced a new service in order to increase property tax collection. Next week onwards, the civic body will go door-to-door to collect the amount from citizens who are willing to spend some money in order to avail the special service.

The corporation's property tax department will start this service on trial-basis.

Suhas Mapari, head of PMC's property tax department, informed, "Across the city, there are about 27 citizen facilitation centres (CFC) that provide various services. We will provide a toll free number on which the citizens can call and register their names, numbers and residential addresses. This data will be shared with the CFCs concerned and the officials will go at their doorstep to collect the property tax. In order to avail this service, a citizen has to pay Rs 75 to the department."

The corporation will receive the property tax amount through cheques, cash and credit or debit cards. With a view to check online security, the civic body will generate one-time password (OTP) for property holders, who want to subscribe to the facility. This OTP will be shared with CFCs before confirming the service for customers.

Mapari continued, "Earlier, we had deputed a private agency for grocery shops which is responsible in playing the mediator for transactions with PMC. Out of 500, nearly 100 shops had shown willingness to take advantage of the service."

There are around nine lakh taxpayers in the city, which include residential and commercial properties. Recently, the state government has set up key result areas (KRA) to map PMC's progress regarding tax collection. The body hopes to recover property tax in order to improve its current financial state.