



INDIA – February 2018

GENERAL PROPERTY TAX WILL NOT RISE FOR 5 YEARS	1
PROBLEMS GALORE IN PROPERTY TAX LEVYING	2
BUDGET 2018 ALLOWS PROPERTY VALUATION UP TO 5% BELOW CIRCLE RATE: REALTY BUYERS, SELLERS TO BENEFIT	3

General property tax will not rise for 5 years

Chairman of tax consultative committee Avinash Thakre said the Nagpur Municipal Corporation (NMC) will not increase general tax (annual letting value) component of property tax for next five years. Thus, there would be no change in property tax for next five years, if there is no revision in the 14 other components added on to the general tax by the state government and civic body.

The standing committee headed by Sandip Jadhav on Friday approved the NMC property tax department's proposal not to increase 14 components levied on general tax for 2018-19. Thus, there would be no rise in property tax in next fiscal. If a similar decision is taken over next four years, there would be no increase in property tax till 2021-22.

The standing committee also decided to complete revaluation of remaining 42% properties through two private agencies. "Cybertech Softwares was supposed to complete revaluation of 5.36 lakh properties by December 30, 2017, but could finish only 58% properties. We want to complete revaluation of all properties by March 31, so Anant Technology will also be roped in for the work along with Cybertech," Jadhav said.

Asked whether Cybertech would face a penalty of Rs10,000 per day as decided by the general body last month, for its failure to complete the work in prescribed time period, Jadhav said they needed to take legal opinion on it. "NMC can levy penalty of Rs500 per day as per the work order," he said.

Jadhav also refused to comment whether NMC can impose new condition of penalty on Cybertech with retrospective effect, as work order came to an end on December 30 last year.

Thakre said the department has been directed to launch a system where property tax amount will be deducted from accounts of taxpayers automatically every month. "Recovery of tax is very poor due to negligence of department. Taxpayers will pay tax regularly if they know their due amount and get the facilities. We are about to launch an app for paying tax. On the lines of MSEDCL, tax amount will be deducted from bank accounts every month in case consent is given by taxpayer. Directives have also been given to send messages through SMS and WhatsApp to inform taxpayers about their dues, due date etc," he said.

Water works department's proposal to undertake works worth Rs5.35 crore for tackling water crisis during upcoming summer was also approved. Jadhav said he slammed department officials for delay in beginning process. "This proposal should have come in December, so that works can commence before summer. Now, works will not be finished during summer. Also, a proposal seeking Rs6.73 crore from the government for more works will take a long time," he said.

International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

Problems galore in property tax levying

Madurai Bench of the Madras High Court has given the 'go ahead' for sealing commercial establishments if they default on payment beyond the notice period.

The High Court Bench in its recent judgement questioned why quinquennial revision of tax was not done

In its recent verdict, the Madurai Bench of the Madras High Court directed the Madurai Corporation to act tough on tax defaulters.

Given that the civic body is reeling under a cash crunch, it was asked to issue notices to defaulters.

Residents were given a time of four weeks and commercial establishments two weeks to pay the dues.

A division bench of Justices N. Kirubakaran and R. Tharani gave the 'go ahead' for sealing commercial establishments if they defaulted on payment beyond the notice period.

The court also questioned why the quinquennial revision of property tax was not done.

Rs. 168.29-cr. arrears

Corporation Commissioner S. Aneesh Sekhar, in his oral submission before the High Court, said that the total arrears of property tax stood at Rs. 168.29 crore.

Speaking to The Hindu, Dr. Aneesh Sekhar said that fresh notices were issued to defaulters and the corporation was getting requests seeking extension of time. The requests for time were being considered on merit, he said.

Exemption

The High Court had in 2017 pulled up private schools and hospitals, which claimed exemption from payment of property tax.

Justice R. Mahadevan, hearing the case of a private school seeking exemption on the claim of doing philanthropic work, observed that private schools were not entirely philanthropic in nature as they were receiving fees.

The were directed to prove to the corporation their claim of being philanthropic institutions.

Two prominent private hospitals were also directed to pay one-third arrears to the corporation by Justice R. Mahadevan.

The court observed that exemption was not automatic.

The counsel representing the corporation, R. Murali, said that the State had recently introduced a Bill in the Assembly which said that exemption from property tax was given only to government-aided schools and those institutions run by the government, corporations and urban local bodies.

He said that under Section 121 of the Madurai City Municipal Corporation Act, 1971, all buildings under the Madurai Corporation were assessed to be taxed.

Exemption under Section 122 of the Act could be claimed if the institutions were run on philanthropic lines with approval of the Corporation Council.

'Unacceptable'

However, M. Selvaraj, a resident, has a different view on levying of property tax. He said that an increase in tax to overcome cash crunch was unacceptable.

He claimed that several infrastructure projects in the city had failed and public money was not properly utilised for these projects.

International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

K.P. Samuel, a retired government schoolteacher and regular tax payer, also has a similar opinion.

He questioned why basic infrastructure was inadequate.

He had brought to the attention of the Collector the bad condition of roads through a petition but no improvement had happened.

Main anomalies

S. Rethinavelu, senior president, Tamil Nadu Chamber of Commerce and Industry, pointed out three main anomalies in property tax levying: calculation, measurement and area.

He alleged that property tax was not levied scientifically.

He said that even if a small portion of a residential property was leased for commercial purpose, it was considered as a new building for calculation of property tax.

The corporation was supposed to get from the assessee details of property and the assessment should be published.

But this procedure was not followed. He added that there were different parameters for calculation of property tax.

The areas were divided into A, B, C and D, with A being marked as premium.

But he had been getting representation on excess levy of tax for B and C areas, for which tax was calculated as A, causing hardship to people.

He called for a scientific calculation of property tax so that when a revision was made, people remained unaffected.

The corporation officials are getting requests seeking extension of time. These requests are considered on merit

S. Aneesh Sekhar

Corporation Commissioner

A scientific calculation of property tax is needed so that when a revision is made, people remain unaffected

S. Rethinavelu

Senior president, Tamil Nadu Chamber of Commerce and Industry

Budget 2018 allows property valuation up to 5% below circle rate: Realty buyers, sellers to benefit

Budget 2018 has proposed a tax relief for buyers and sellers of property by allowing it to be valued at up to 5% below circle rates for calculation of stamp duty and capital gains tax. The finance minister presenting the Budget 2018 announced that no adjustment shall be made in respect of transactions in immovable property, where the Circle Rate value does not exceed 5 percent of the consideration.

Ashish Jindal, Co-Head, Real Estate, Sanctum Wealth Management says, "In major cities, the circle rates were increased and had become more than the market rates. This resulted in a gap between the two rates, which was counted as income in hands of both buyer and seller. Hon'ble Finance Minister has given a big relief by allowing up to a 5% gap between the two and this has the potential to remove the irritant and revive secondary market transactions."

The circle rate is the minimum value at which sale or transfer of plots, built-up houses, apartments or commercial property can take place. It is the price at which the buyer pays stamp duty to the government while getting a property registered.

International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

At present, while taxing income from capital gains (section 50C), business profits (section 43CA) and other sources (section 56) arising out of transactions in immovable property, the sale consideration or stamp duty value, whichever is higher is adopted. The difference is taxed as income both in the hands of the purchaser and the seller.

It has been pointed out that this variation can occur in respect of similar properties in the same area because of a variety of factors, including shape of the plot or location. In order to minimize hardship in case of genuine transactions in the real estate sector, it is proposed to provide that no adjustments shall be made in a case where the variation between stamp duty value and the sale consideration is not more than five percent of the sale consideration.

These amendments will take effect from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.