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BBMP considers hiking property tax to 25-30%

The Karnataka Municipal Corporations Act stipulates that the BBMP can levy anywhere between 15% and 30% property tax for residential and non-residential properties.

Under pressure to raise funds, the Bruhat Bengaluru Mahanagara Palike (BBMP) has mooted the idea of hiking the tax on residential properties by 25% and non-residential ones by 30% in a bid to raise an additional Rs 500 crore.

The BBMP has submitted a proposal to the standing committee on Tax and Finance of the corporation, raising the possibility of the hike. The proposal will need to be cleared by the committee before it will be placed before the council for approval. If approved, the hike will come into effect from April 1 2019.

Confirming the development, BBMP Commissioner Manjunath Prasad told Times of India, "Revision of property tax is being done as per the Karnataka Municipal Corporation Act which mandates revision once in three years. I have forwarded a note to the Council in this regard."

The Karnataka Municipal Corporations Act stipulates that the BBMP can levy anywhere between 15% and 30% property tax for residential and non-residential properties.

After the last revision in 2016, property tax went up to 20% for residential and 25% for non-residential properties in the city. The BBMP's tax collection went up to Rs 1,725 crore in the process.

BBMP officials believe that a hike in property tax is necessary for the corporation to raise funds. However, citizens can point to a list of complaints against the BBMP to highlight that taxpayers money is not being used appropriately.

Over the last two months, the Karnataka High Court has pulled up the BBMP on a number of occasions highlighting its inaction in solving issues like garbage burning, pothole repair, storm water drain encroachment, lake clean up and so on.

22,000 discrepancies in property tax database

Revealed during the civic body's ambitious project to map properties in the city

There's no hiding from the civic body's determination to collect property tax, which is its main source of revenue. Buildings on vacant plots, incorrectly marked areas in parks and lakes, and new layouts not on record were just some of the discrepancies detected by GIS Enabled Property Tax Information System (GEPTIS) — the civic body's ambitious project to map properties in Bengaluru — which is nearing completion.

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.

The Bruhat Bengaluru Mahanagara Palike (BBMP), in collaboration with the Indian Space Research Organisation (ISRO), has been able to create a comprehensive database covering 19.45 lakh properties.

The project has thrown up over 22,000 discrepancies, for which field verification has now been taken up by civic officials.

This exercise is likely to be completed by the end of November, said highly placed sources in the BBMP. "Once the field verification is completed, the BBMP will have in place a robust building or property inventory, and property tax information," said a senior civic official.

The BBMP took up the project with the intention of bringing all properties in the city under the tax net.

The discrepancies show that owners have not been forthcoming with information.

"There are instances of owners declaring their properties as vacant plots even though buildings have come up," said BBMP sources. In other instances, multi-storey buildings have been declared as a single-floor structure for which owners pay a lesser amount of tax. Some citizens have declared a building as residential despite using it for commercial purpose.

"By using multi-resolution remote sensing data from two different satellites – CARTOSAT2 and LISS-IV – and plotting it over the property tax database that contains new property identity numbers and tax paid details, we identified some anomalies. The field verification will help clear these discrepancies and update the BBMP's property tax database," a civic official added.

Updates every six months

BBMP Commissioner N. Manjunath Prasad told The Hindu that ISRO would provide the civic body new satellite data every six months. "BBMP is the first corporation in the country to have utilised ISRO's geo-spatial technology this way. With new satellite data every six months, the BBMP can constantly update the property tax database, apart from employing the data to keep a check on encroachment of stormwater drains, lakes and other public spaces," he added.

NMC toys with idea of giving property tax collection in private hands

Faced with severe cash crunch, Nagpur Municipal Corporation (NMC) is now toying with a new idea to boost its revenue. The civic body is planning to privatise collection of property tax from owners. The hint of this proposal was given by the Chairman of Standing Committee Virendra Kukreja while interacting with media persons the other day.

It may be recalled that the ruling party – BJP – in its 12-year rule in the NMC has already privatised water supply and garbage collection. But despite spending around Rs 6-7 crore per month on these endeavours, the systems have not been streamlined as yet. Similarly, retired officials such as Ramnath Sonavane, Rizwan Siddiqui, Shashikant Hastak and over half a dozen other officials have been assigned responsibility for implementing various projects as experts. These 'favourite' men are drawing hefty salaries. Sonavane is even 'pocketing' salary more than double the salary of Municipal Commissioner, sources said.

As of now, more than 100 employees of local body are collecting property tax from the owners. The civic body is targeting to collect Rs 870 crore in the current financial year with the help of private contractors. The Property Tax Department has been asked to prepare a proposal for appointment of contractors to collect property tax. The NMC will give them incentive for collection of tax above Rs 350 crore. The Department has distributed 3 lakh demands out of the 4.07 lakh demands. The Department will distribute around 4.50 lakh demand notes by December 7 and generate accumulated 6.50 lakh demand notes by December 31.

The Property Tax Department has collected Rs 107 crore, which is Rs 21 crore more than last year's collection of Rs 86 crore. As against this dismal and disappointing performance, the Standing Committee set a very high target of Rs 870 crore from property tax including recovery of arrears worth Rs 470 crore and Rs 400 crore from present year's demand."

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The financial position of NMC is likely improve further as State Government has decided to enhance Goods and Service Tax (GST) grants from Rs 52.57 crore to Rs 86.50 crore. Moreover, the civic body could breathe easy after receiving the remaining special grant of Rs 175 crore from the State Government.

However, the moot point is unless the NMC explores new sources of income and stands on its own feet, the dismal situation would continue to haunt in coming days.

Your guide to paying property tax in Chennai

When it comes to making an investment, there is always a stocks vs real estate debate but the most common practice is to invest in the latter. It is a stable and secure option to fall back on when the need for monetary help arises. So, if you are buying a residential or commercial property, you must bear in mind the number of taxes that you will have to start paying to the central government.

Property tax is one such tax that you will be paying every year. If you own a property in Chennai, you will be liable to pay property tax to the Greater Chennai Corporation (GCC). Read on to know more.

How is property tax calculated?

The GCC adopts the method of Reasonable Letting Value (RLV) to calculate property tax in Chennai. This tax is calculated based on some fixed factors and then it is divided accordingly to come up with a half-yearly sum. The property tax varies across different locations in the city. Additionally, the quality of the building and nature of its use also plays a huge role in the tax value. Here are the factors that affect your property tax.

- The basic rate of the locality – This is the pre-decided rate of the street the building is on.
- The total plinth area of the building – This is inclusive of the walls, corridors, the total square feet area, and common areas like stairs, lobby, portico, a terrace that is used by all the occupants.
- The type of usage – Whether the property is used for residential or commercial purposes.
- The age of the building
- The type of occupancy – Whether you own the property or are a tenant.

You can also calculate your property tax online on GCC's Property tax calculator.

Where to pay the property tax

You can either pay this tax online or manually to the respective zonal officer in your area. GCC accepts online payment by methods of NEFT or RTGS. It can be paid online directly on the GCC online portal. Other methods to pay the property tax in Chennai are by visiting the revenue officer's office or by dropping a cheque in any of India's leading banks. Some of the banks where you can pay the property tax are HDFC Bank, Axis Bank, ICICI Bank and Canara Bank.

How to pay the property tax

Just like booking movie tickets, buying products or paying your phone bills, even paying your property tax online is safe and hassle-free now. Apart from making the payment on the portal, you can also calculate the property tax based on the guidelines given by GCC. If there are discrepancies with the tax amount that you have been asked to pay, you can get in touch with the revenue officer and register a complaint by reaching him/her at 044-25383614/25384510, with the extension 381.

When to pay property tax?

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You are expected to pay property tax to the GCC on a half-yearly basis. This recurring tax must be paid by the final dates that fall on March 31st and September 30th every year. If you have missed paying your tax by the above-mentioned dates, then a late payment fee of 1 per cent of the unpaid amount will be added every month post the final due date.

Why pay property tax?

Every tax we pay has a reason behind it. The municipality uses the funds that are collected as property tax to provide necessary civic facilities and improve the city's infrastructure. Furthermore, Chennai's tax calculation system is one of the most user-friendly ones compared to the other metros.

Now, with the implementation of the real estate regulatory act and the GST tax reform, there is a positive impact on real estate. This is all the more a reason not to delay investing in real estate in Chennai. When it comes to residential properties, Lancor has a plethora of projects that will give you the experience of living in your dream home.

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