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Property Tax and Assessment News from Around the World

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Supreme Court strikes down New Delhi Municipal Council's Bylaws

The Supreme Court of India has struck down New Delhi Municipal Council (NDMC) (Determination of Annual Rent) Bye-laws, 2009. The municipal body's 2009 bylaws was empowered to charge property tax even on vacant land. The Petitioners Association of Concerned Citizens of New Delhi & Anr has challenged the constitutional validity of NDMC (Determination of Annual Rent) Bye-laws, 2009.

These Bye-laws changed the earlier regime of determining the rateable value for the purposes of levying property tax. These Bye-laws seek to alter the earlier system of determining the rateable value on the basis of the annual rent at which the land or buildings may reasonably be expected to be let from year to year. On that basis annual rent used to be fixed and a particular percentage was prescribed for the purposes of payment of property tax.

The impugned Bye-laws introduced the system of Unit Area Method (UAM). As per this method Unique Area Value (UAV) per sq. ft/meter of a property is fixed with reference to the characteristics of the property such as location, occupancy, age, structure of the said property. This UAV is then multiplied by the area of the vacant land or covered space to arrive at its annual value. When the annual value is determined on the basis of such a formula, property tax thereupon is to be paid by the assessees.

The two judge bench comprising of Justice A.K Sikri and Justice Ashok Bhushan has observed that, "we agree with the High Court that the Impugned Bye-laws that provide UAM which is based on value of the property that on rental which the property is likely to fetch and are, there, foreign to the methodology provided in Section 63 of the NDMC Act. Such Bye-laws are, thus, ultra vires the provisions of NDMC Act. They are in excess of the scope and ambit of powers vested in the NDMC Act under Section 388(1)(A)(9) of the NDMC Act".

The Court also observed that, "No doubt, in many ways, UAM is a better method in comparison with the earlier method based on annual rent. For this reason, this method has now been followed for the purpose of levying property tax not only in the areas in Delhi itself covered under the Municipal Corporation of Delhi but in many other States as well. However, such a method which may be a better method can be incorporated in accordance with the law. In the present case, it could be done after amending the provisions of the NDMC Act". "Since, we are agreeing with the High Court which has quashed the Impugned Bye-laws as ultra vires, it becomes meaningless and irrelevant to go into other issues or other arguments advanced before us.

However, we may only add that once the appellants take steps for amending the Act and want to reintroduce the Bye-laws of 2009, many aspects highlighted by the assessees in respect of Bye-laws would be kept in mind. We are not suggesting that the contentions raised by the respondents/assessees relating to validity of different Bye-laws are well-founded, nor are we suggesting that they are ill conceived" the Court also said.

GHMC shelving its plan to revise property tax rates

Hyderabad sources reported that with the GHMC shelving its plan to revise property tax rates and focus on taxing unassessed and miscellaneous properties within the tax net. Meanwhile the assessment through satellite pictures did not prove effective and the corporation has been exploring the option of hiring a private agency to assess every property in the city and submit a report.

Furthermore officials said that the revenue staff and the ground level staff were hand in glove with several property owners and had been wrongly assessing the properties. Reportedly this in turn had led to losses of more than Rs 1,000 crore in income for the civic body. Reports added senior GHMC official said that the corporation would use satellite pictures only to capture the number of properties.

Moreover he said that the corporation had decided to hire a private agency, which had expertise in assessing the properties, which would inspect every property and assess them accurately. Further he said the corporation would bring all unassessed properties, including miscellaneous ones, into the tax net to reach the target. Hence the official said that the corporation had the potential to collect Rs.4,000 crore through property tax for every financial year if every property in the city was assessed accurately.

New agency to assess city properties for tax

Hyderabad: With the GHMC shelving its plan to revise property tax rates and focus on taxing unassessed and miscellaneous properties within the tax net.

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This in turn had led to losses of more than Rs 1,000 crore in income for the civic body.

In 2017-18, though `1,320 crore was collected, fewer people paid taxes with their number stood at 12,18,335. Of the total collections, about `394 crore was from residential properties, Rs 867 crore from non-residential properties and `58.40 crore on mixed-category properties. The GHMC has fixed a target of collecting Rs 1,694 crore through property tax. With 60 days remaining for the end of the financial year, the corporation has managed to meet only 50 per cent of its target at Rs 887 crore.

Highly placed sources said the civic body had the potential to enhance the residential property tax collected to at least Rs 800 crore from the demand of Rs 500 crore. Similarly, property tax demand for commercial buildings could be enhanced to `1,600 crore from the existing `1,100 crore demand.

Currently, bill collectors at the ground level have been wrongly assessing the structures. Sources said that if the irregularities were curbed, the corporation could collect at least Rs 2,500 crore for the current financial year.

A senior GHMC official said that the corporation would use satellite pictures only to capture the number of properties. He said that the corporation had decided to hire a private agency, which had expertise in assessing the properties, which would inspect every property and assess them accurately. He said the corporation would bring all unassessed properties, including miscellaneous ones, into the tax net to reach the target.

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BMC struggles to collect capital-base property tax

The BMC has raised its income from capital base property tax, but recovering pending dues as capital value dispute amount has become an uphill task. The civic body is trying hard to recover over Rs 13,000 crore pending dues of property tax in which Rs 3,000 crore is disputed under capital base property tax.

The disputed bills are the ones, in which concerned parties have challenged them in courts. The BMC cannot take action till the court verdict. The BMC was forced to return Rs 800 crore in the past two years, after the Bombay High Court verdict.

The BMC had a property tax system in which tax was calculated on the bases of rateable value (rental value). In 2012, the new capital value (actual property value) property tax system came into effect from 2010.

The total pending dues of property tax is Rs 13,000 crore, of which Rs 10,000 crore is disputed bills and Rs 3000 crore is related to capital value property tax. "The capital value property tax dispute amount is large, the reason why the disputed tax amount looks more," said BMC commissioner Ajoy Mehta.

"The amount can shuffle in dispute or non-dispute category as the BMC is continuously working on court cases and trying to recover money. We are on track," said Devidas Kshirsagar, assistant municipal commissioner, assessment and collection department.

The BMC had to return Rs 800 crore in capital value base tax after the court gave a verdict against the civic body's calculation formula. The property tax is the primary source of civic body's income (25% of the total income). After the closure of octroi, property tax has become the BMC's primary source of income.

TAXING TIMES FOR THE BRIHANMUMBAI MUNICIPAL CORPORATION

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SDMC clears hike in property tax for commercial properties

The changes, which will be implemented from April 1, are estimated increase revenue collection for SDMC by Rs 80 crore annually, senior SDMC officials said.

The implementation of the third municipal valuation committee’s report by the SDMC will result in a substantial increase in property tax for commercial units.

The South Delhi Municipal Corporation (SDMC) has partially approved the third municipal valuation committee’s (MVC) report . While increase in property tax rate for residential properties was rejected, the implementation of the report will lead to a substantial increase in property tax for industrial and other non-residential areas.

The changes, which will be implemented from April 1, are estimated increase revenue collection for SDMC by Rs 80 crore annually, senior SDMC officials said.

The property tax is certain percentage of the annual value of property. The annual value of a property is determined on the basis of six factors — age, unit area, structure, occupancy, area and use factor.

"The biggest changes have been proposed in occupancy, unit area and use factor in MVC-III, while age and structure factors have remained unchanged. For example, for non-residential rented properties, the occupancy factor has been made 'two' instead of existing 'one'. That means, the amount paid by the occupant will be double now," said a senior SDMC official.

Likewise, in case of industrial property lying vacant, the use factor has been made 'four' from exiting 'two'.

"Hundreds of industrial units have been lying vacant in Mayapuri and other industrial areas for years. To discourage owners for leaving their units vacant, we have decided to increase the use factor," said Balram Oberoi, standing committee member and councillor from Rajouri Garden.

For banquet halls, the use factor will be increased from existing 'four' to 'six', and for guest houses it has been increased to 'two' from 'one'.

"Keeping in view the handsome rent earned by the property owners from telecom towers, we have increased the use factor of such buildings from 'two' to 'four'. Likewise, for entertainment and recreational clubs such as swimming pools, cinema halls and malls, the use factor has been increased from 'three' to 'four'," said the SDMC official.

Irrespective of the category in which an industrial unit falls, it has all been decided to treat all of them under category 'D' and impose property tax accordingly. "The categories of property are determined on the basis of circle rates fixed by Delhi government. A circle rate is the minimum property rate defined by the government for specific areas. At present, most of the industrial units fall under 'E' category and with the implementation of MVC- III report, the increased slab rates will be imposed," said a SDMC official, who did not wish to be identified.

No increase in residential property tax

South Corporation standing committee chairperson Shika Rai, meanwhile, rejected all proposals brought by the commissioner to hike taxes on the annual value of property to generate revenue.

Rai also introduced an amnesty scheme to waive off 100% interest and penalty for residents who have not paid taxes since 2004.

In December, while presenting the financial budget for year 2019-20, SDMC commissioner Puneet Goel proposed to hike tax on properties falling under A and B category at the rate of 14%, from the current 12%. Similarly, in the C, D and E categories, tax bracket will be 12%, up 1 percentage point. For the F, G and H categories, tax will be 8%, instead of the 7%. The rates are based on the annual value of the property.