



INDIA – July 2019

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NHAI plans land appreciation taxes to finance projects

NHAI is working on a mechanism to share gains in land value on account of upgradation of highways.

The National Highways Authority of India (NHAI) is working on a mechanism to share gains in land value on account of upgradation of highways as it looks to part-finance urban projects amid increasing costs of land acquisition, said people with knowledge of the matter.

The move will help the authority raise extra budgetary resources for urban highway projects and ring roads, they said.

“Basically, the central government builds the roads and funds them. We are trying to capture the value enhancement, especially in urban projects, so that we are able to part-finance the projects and meet the viability gap funding,” said a government official, who did not wish to be identified.

Through value capital financing (VCF), the Centre will partner state governments and development authorities to share betterment levy, land value taxes and development charges. Betterment levy is a tax that a state collects on a plot of land that it has made better by building roads, metros, airports, etc.

The appreciation in land value on account of development of highways is generally captured by real estate brokers, who essentially benefit at the cost of taxpayers’ money. With betterment levy, or VCF, the government may get sellers of land around highways to pay a cess in tandem with the appreciated value of the land, to be shared between the Centre and states.

“The costs of land acquisition have gone too high, so we are trying to find a way to be able to at least part-finance land acquisition costs,” said the official. “There are many issues in urban projects. The idea is to take state governments on board as partner to get additional funds.”

To begin with, the model will be feasible only for urban projects, both greenfield and brownfield, according to the official.

“There is increasing pressure on all executing ministries to look at extra budgetary resources. Value capture financing is one such practical option and should be encouraged as unearned benefit accruing on account of public expenditure should be captured for the greater good of the public,” said Vinayak Chatterjee, chairman, Feedback Infra

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Corporation revises Property Tax

Following the State Government's announcement revising Property Tax by 50% for residential buildings and 100 % for commercial and industrial buildings sometime July last year, the Coimbatore Corporation has revised the rates.

Though there is no official announcement from the civic body, the Corporation's website www.ccmc.gov.in shows the revised demand, which each assessee can access by keying in his or her tax assessment number.

The website also displays the arrears each assessee has to pay for the two half years of the 2018-19 financial year.

Corporation officials say that the Government Order 73 of the Municipal Administration and Water Supply Department, dated July 19, 2018, says that the revised Property Tax is effective from the start of the last financial year – April 1, 2018 and therefore the civic body's Property Tax assesseees will have to pay the arrears for two half years.

And, those who have paid the Property Tax for the first half year of the current fiscal will have to pay the arrears as well. The Corporation has about over 4.60 lakh residential assessments, 38,500 commercial and 8,900 industrial assessments, which together help it earn ₹ 157 crore a year. The revision is expected to help the Corporation earn at least ₹ 120 crore more to take the total Property Tax demand to over ₹ 270 crore a year.

The officials say the arrears will help the civic body get another ₹ 30 crore, a one-time measure.

The increase for the current financial year is expected to strengthen the finances of the Corporation, which has been struggling for around three years to take up development works from its General Fund and rely mostly on grants from the Central and State governments.

That the Central Government withheld the release from the Central Finance Commission grant because of the State Government's delay in conducting local body election only added to the Corporation's financial stress, the officials say and add that at one time the Corporation owed over ₹ 100 crore to contractors for having executed various works.

With the Corporation revising the Property Tax, the challenge before it is to collect the tax, revise water charges and also start collecting the waste collection fee.

Pune Municipal Corporation stops 40% concession in property tax

The PMC administration has been trying for the last few years to withdraw the concession scheme, saying it did not make sense to apply the same rule applicable for new constructions when old structures have been redeveloped.

The Pune Municipal Corporation (PMC) has stopped the 40 per cent concession in property tax for new "self-occupied" residential properties, saying that the state government was in the process of withdrawing the scheme of the civic body.

"The scheme of 40 per cent concession was introduced in 1971 as a relief for people affected by the Panshet Dam tragedy. However, the state government has decided to make it null and void," said a civic official from the PMC Property Tax Assessment and Collection department.

"The PMC has started the implementation of no concession for new properties that are coming under tax ambit. From now on, new properties that are being assessed by the civic body for charging tax are not being given the 40 per cent concession," the official added.

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Similarly, old properties applying for the concessions were also being withheld, the official said. However, the old properties that were already in tax ambit and were getting 40 per cent concession in the property tax have been issued the bills with concessions at the beginning of financial year, the official said.

LMC finds 'musical' way to catch property tax defaulters, makes hotel pay Rs 19 lakh

On the very first day of the Lucknow Municipal Corporation's (LMC) drive to name and shame owners of commercial and residential properties who have pending tax dues of over Rs 1 lakh, the civic body scored a success.

The LMC team arrived at the doorstep of a tax defaulting hotel on Sapru Marg on Tuesday and started beating drums. Officials said the panicked management immediately decided to settle a part of the pending dues to save face in front of their customers.

"The hotel management prepared a cheque of Rs 19 lakh for the Lucknow Municipal Corporation without losing any time. Their total tax dues are to the tune of Rs 33 lakh," said additional municipal commissioner Amit Kumar.

Earlier on Monday, Ashok Singh, chief tax fixation officer of the municipal corporation had said that tax evaders would be embarrassed by the LMC by drums being beaten outside their establishments and notices being pasted on their doors.

LMC has decided to go for this unique measure, as it has failed to recover taxes from many defaulters despite issuing a number of property seizure notices. "Several defaulters have shown reluctance in receiving our legal notices. For such people, the strategy is to paste the notices on the doors of their residential / commercial premises," said Singh.

Maharashtra launches India's largest drone-based spatial survey in Pune

This is the largest such exercise in the country using drones to map spatial information.

The first survey of properties in state using unmanned aerial vehicles (UAVs) was launched in Pune district last week. This is the largest such exercise in the country using drones to map spatial information. It will give out firm property titles to residential and other properties in around 40,000 villages, helping residents gain better liquidity on these assets.

The survey was conducted in two villages — Pimpri Sandas and Nhavi Sandas in Pune's Haveli taluka — using a drone fitted with a high-resolution camera. Next week, authorities will launch the project in Satara (Maan and Khatav talukas), Aurangabad (Aurangabad taluka) and Pune (Purandar taluka), with plans to cover 25 villages in the period.

"This will cover sites across Maharashtra, except in Konkan, where it will be carried out post-monsoons due to inclement weather. Compared to the conventional system, this takes just two days of preparatory work and a few minutes for the drone survey," said a senior official from the settlement commissionerate and department of land records.

After this aerial survey, the data will be verified on the ground, and suggestions and objections will be called. An inquiry will be conducted before demarcating the boundaries of properties. The process will culminate with the grant of sanads (ownership documents).

Launched by the settlement commissionerate and department of land records, department of rural development and Survey of India (SOI), this is the first such spatial survey of over 39,000 villages in Maharashtra using unmanned aerial vehicles (UAVs). The Rs 373 crore project, which will see property cards being issued to all residential and other properties in gaothans (residential areas in villages), is expected to be completed in three years.

It will generate formal ownership records of 1.4 crore properties, ensure land-use planning, create liquid assets for villagers on properties worth thousands of crores, resolve disputes and help move towards clearer land titles. The project will use GIS-based technologies and prevent encroachment on government lands by demarcating their boundaries.

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The exercise, which will cover around two-thirds of Maharashtra's population, had been approved by the state cabinet in January. Last year, a pilot project at Sonori village in Pune's Purandar taluka saw an SOI drone being used to map residential areas.

Though surveys of gaothans are undertaken once they cross a threshold population of 2,000, just 3,931 of the over 43,000 villages in Maharashtra have been surveyed, albeit manually, to map out privately-owned and government properties, barren and open land in over 50 years since the Maharashtra Land Revenue Code, 1966, was approved.

The residents of these 39,733 villages lack formal ownership records and documents except tax receipts issued by the gram panchayats. Hence, banks are unwilling to grant loans on such properties. Lack of a firm title and demarcation of properties also causes disputes.

The official said by September end, the SOI planned to deploy 20 drones, including those which are radar-based to penetrate tree cover and foliage in areas like the Konkan, across Maharashtra for the project, with plans to cover up to five villages a day using a drone. These drones can fly to a height of 120 meters and are fitted with 20 megapixel cameras. At present, the SOI has temporarily earmarked five drones for this project.

The official said the project would be self-sustaining as it would recover the costs from property owners as fees for grant of sanads.

In villages where no surveys have been conducted, gram panchayats maintain registers of property but no spatial information exists.

The land records will be geo-referenced and digitised and the mapping will make planning easy for government agencies. Other benefits include better planning of infra projects, scientific valuation of land and updated property tax records.

The project will also include the establishment of 400 continuous operating reference stations (CORS) for better GPS accuracy of up to 10cm.

MC serves notices on 89 property tax defaulters

The Ludhiana Municipal Corporation has served notices on the owners of 89 buildings for not paying property tax. According to MC Superintendent for Property Tax Vivek Verma, Rs 1.25 crore is to be recovered from them.

Verma said the notices had been served on the property owners of various buildings, including commercial and industrial. He further said they had also served notice to recover around Rs 17 lakh from the United Cycle Parts Manufacturers Association (UCPMA). A notice had also been served on GS Autos, he added.

Besides, the Municipal Corporation is going to start sealing of those buildings whose property tax has not been paid by the owners concerned. He said, "We have prepared a list of 138 defaulters for not paying property tax. The notices are also being served on for sealing 138 buildings."

To avoid any action, the property owners have been appealed to pay their tax on time. An official said some of the big industrial units had given wrong information about constructed areas in the property tax forms. "They mentioned less constructed area, but they have covered more area for the construction in reality," he claimed.

Data analytics to check tax evasion

With the usage of Big Data Analytics, India is set to join a group of developed countries which already use Big Data to keep a check on tax evasion

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Recently a standing committee of Parliament tabled a report on the status of unaccounted income and wealth, both inside and outside India. Three national bodies allocated the task of arriving at estimates, had come up with varying answers ranging from 7 to 12 percent of GDP, which were impossible to reconcile.

While deposing before the committee, the Chairman of CBDT (the Central Board of Direct Taxes) provided a window into the various Big Data Analytics efforts used by the tax department. These are complex systems that collect data from multiple sources, including social media, to assemble a profile of the taxpayer. A non-filers monitoring system or NMS focuses attention on non-filers with potential tax liabilities. The system assimilates and analyses in-house information as well as transactional data received from "third parties", to identify persons who had undertaken high value financial transactions but did not file their returns.

With the usage of Big Data Analytics, India is set to join a group of developed countries such as Belgium, Canada, USA, UK and Australia which already use Big Data to keep a check on tax evasion.

Another project called Project Insight has been initiated to strengthen the non-intrusive information driven approach for improving compliance and effective utilisation of information in all areas of tax administration. Under Project Insight, an integrated data warehousing and business intelligence platform is being rolled out in a phased manner.

Under this project, the Income Tax Transaction Analysis Centre (INTRAC) has been operationalised for handling data integration, data warehousing, data quality management and data enrichment including data analytics. A dedicated reporting portal has also been launched to provide a comprehensive interface between reporting entities and the Income Tax Department. The 'Insight Platform' is being used for identification of high-risk non-filers under NMS, selection of cases under Computer Aided Scrutiny Selection and for a centralised processing of information received under automatic exchange of information.

While questions of privacy and the overall security of personal information continue to remain, the availability of Big Data seems to have created a fertile pool for hunting for filers. Questions still remain on whether the data is being effectively trawled to reveal insights to bring non-filers to book.

Another example of the terra-bytes of data available is the linkage of the GSTN with the income tax information that further richens the data pool. GSTN has individual transaction-by-transaction data and in a single stroke, a data scientist can theoretically assemble a full profit and loss of a business which could be compared with the income tax paid by the business.

Already there are reports of several municipalities and states in India using drones to validate land and building records. Spatial surveys are used to generate 3D images of buildings, digitise land records and link assets on ground to transfer deeds and property tax assessments. It has been reported that the Lucknow Municipal Corporation will now use drone cameras to improve efficiency of its property tax assessment and collection process. The drones will be able to detect new properties which were otherwise hidden in normal surveys. This will increase the municipal revenue and enable the LMC to manage city infrastructure efficiently.

A possible similar scheme for surveying markets and vendors, using AI and predictive analytics from images gathered from public video cameras, can build a profile of economic activities in commercial areas. Driving digital payments and deliberately tightening paper money supply in the economy can help drive greater digital adoption, enhancing the ability to monitor economic activity.

Tapping into newer sources of information and using innovative methods to assemble data into actionable information will be areas that the tax department needs to work on, as tax rates are still high and tax revenues low, drawing up an impossible cycle. Newer ways to collect information on small traders that are outside the GST net today and also the focus on the sectors most prone to tax avoidance, can be some of the low hanging fruits.

The numbers speak for themselves. In a country of 1.2 billion people, we have only 0.45 billion PAN numbers issued to individuals. Only about half of these are linked to Aadhaar and only 0.05 billion even filed a tax return. Of those filed, barely 200,000 individuals reported an income of above INR 1 crore.

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