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Property Tax and Assessment News from Around the World

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How property tax is calculated in India

The calculation takes into account the location of the property, type of property, status of occupancy (rented or self-occupied), infrastructure offered in the nearby area, floor and carpet area, number of floors of the construction, etc.

The annual tax paid on them is a major source of revenue for the local authorities for maintenance of civic amenities of the area like roads, sewage system, lighting, parks, and other infrastructure facilities.

Anyone who owns any kind of property in India must be aware of the term ‘property tax’. It is a recurring charge that the owner pays every year, annually or semi-annually, to the local government or the municipal corporation of his/her locality.

Property here refers to all tangible real estate, including houses, office buildings, shops, premises rented to third parties, land, etc.

The annual tax paid on them is a major source of revenue for the local authorities for maintenance of civic amenities of the area like roads, sewage system, lighting, parks, and other infrastructure facilities.

Though property tax is such an inherent part of real estate ownership, very few actually know how the exact tax amount is calculated.

Here’s a small guide to help you:

Before talking about calculations, a few things must always be kept in mind about property tax. First, the onus of paying property tax always lies with the owner, and not with the occupant of the property. Also, not paying property tax can give your local government the right to refuse you access to basic services like water and electricity connections.

Property tax should also be paid as the tax receipt can prove to be a key document to prove ownership of property in times of dispute or during availing of home loans.

How to calculate property tax?

Property tax calculation in India varies from state to state. There is no fixed formula, with different corporations using different methods to calculate the tax amount.

The calculation takes into account the location of the property, type of property, status of occupancy (rented or self-occupied), infrastructure offered in the nearby area, floor and carpet area, number of floors of the construction, etc.

In India, three key methods are used to calculate property tax:

1) Capital Value System: This method is followed by municipal authorities of India’s financial capital Mumbai. Under this system, the tax is levied as a ‘percentage of the market value’ of the property. The market value of the property is determined by the state government yearly and published on public platforms and primarily depends on the location of the property.

2) Unit Area Value System: This system is used by municipalities in Delhi, Kolkata, Bengaluru, Patna and Hyderabad, among others. Under this method, the tax is levied on the per unit price of the built-up area of the property.

This per unit price takes into account expected returns of the property as per its location, land price, usage. After the per unit price is calculated, it is multiplied with the total built-up area of the property to determine the final tax amount.

3) Annual Rental Value System or Rateable Value System: Hyderabad and Chennai are some of the cities which follow this method to calculate property tax. Under this method, the tax is calculated on the yearly rental value of the property.

Rental value is not necessarily the actual rent which is collected on the property but a value that is decided by the municipal authority based on the size and location of the property, condition of the premises, proximity to landmarks, amenities etc.

How can you pay property tax?

Property tax can be paid at the municipal corporation office of the area in which it is located. Some municipalities also tie up with certain banks where payment of property tax is accepted. Nowadays, most municipal corporations collect taxes online on their respective websites, making it convenient for all stakeholders.

Keep your Property Tax Number or Revenue Survey Number or Khatha Number handy while paying property tax. Also, keep in mind that late payments can attract a fine, generally equivalent to 5-20% of the amount due, varying from state to state.

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