



ASSESSING LAND BASED TAX SYSTEM IN INDIAN STATES

July,2020

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XV Finance Commission

State of Municipal Taxation

1%

Municipal Revenue Share of GDP
2007-08 to 2017-18

Finances of urban local governments in India are in a state of decay.

There is a growing mismatch between their responsibilities and revenues

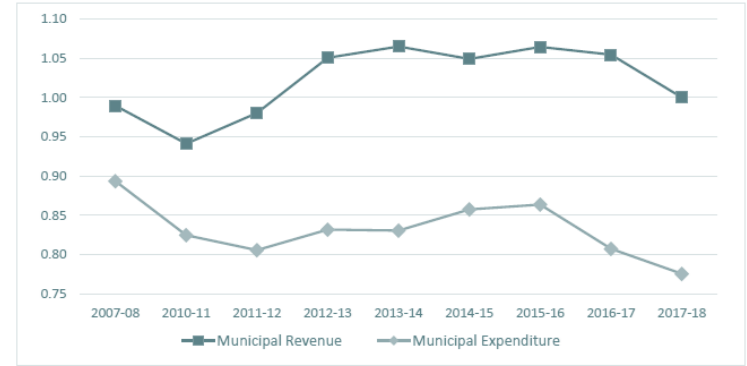
Municipal revenues and expenditures as per cent of GDP are in a state of decline and have not kept pace with the increasing needs of the urban centres.

Municipal own revenues lack buoyancy leading to a decline in their financial autonomy and increase in their dependence on transfers from higher levels of government.

Property tax, a major source of revenue for metropolitan cities around the world, **has remained stagnant in Indian cities.**

The latest blow has been from the introduction of GST which has subsumed local taxes such as octroi, local body tax, entry tax and advertisement tax, without any provision for compensation at the municipal level.

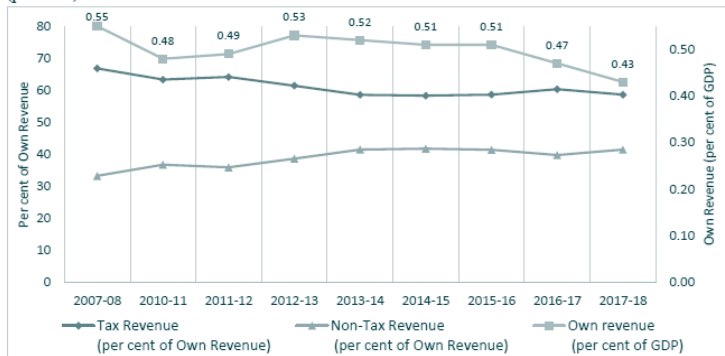
Chart 2.1: Municipal Revenue and Municipal Expenditure
(per cent of GDP)



Source: State of Municipal Finances in India: ICRIER Report for XV Finance Commission, March 2019

Chart 2.2: Municipal Tax Revenue, Non-Tax Revenue and Own Revenue

(per cent)



Note: Own Revenue is plotted as per cent of GDP on the right vertical axis. Tax and non-tax revenue are plotted as per cent of own revenue on the left vertical axis.

0.43%

Municipal Own Revenue Share of GDP
2017-18, Lowest in last eight years

Municipal tax revenue forms a major yet declining share of own revenue.

It includes property tax, profession tax, entertainment tax, and the recently abolished octroi/entry tax and advertisement tax, among others, with the taxes levied varying across states.

Source: State of Municipal Finances in India: ICRIER Report for XV Finance Commission, March 2019

Table 2.1: Municipal Finance Indicators

(per cent of GDP)

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|---------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Municipal Own Revenue | 0.48 | 0.49 | 0.53 | 0.52 | 0.51 | 0.51 | 0.47 | 0.43 |
| • Tax Revenue | 0.30 | 0.31 | 0.32 | 0.30 | 0.30 | 0.30 | 0.28 | 0.25 |
| • Non-Tax Revenue | 0.18 | 0.18 | 0.20 | 0.21 | 0.21 | 0.21 | 0.19 | 0.18 |
| Central Transfers | 0.07 | 0.07 | 0.08 | 0.09 | 0.08 | 0.10 | 0.13 | 0.12 |
| • CFC Grants | 0.03 | 0.03 | 0.04 | 0.05 | 0.04 | 0.05 | 0.08 | 0.07 |
| • Other Central Transfers | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 | 0.05 | 0.05 |
| State Transfers | 0.28 | 0.30 | 0.34 | 0.35 | 0.35 | 0.34 | 0.34 | 0.33 |
| Borrowings | 0.04 | 0.03 | 0.02 | 0.03 | 0.03 | 0.03 | 0.03 | 0.02 |
| Other Sources of Revenue | 0.07 | 0.09 | 0.08 | 0.08 | 0.09 | 0.08 | 0.08 | 0.10 |
| Municipal Revenue Total | 0.94 | 0.98 | 1.05 | 1.06 | 1.05 | 1.06 | 1.05 | 1.00 |
| Municipal Expenditure | 0.82 | 0.81 | 0.83 | 0.83 | 0.86 | 0.86 | 0.81 | 0.78 |

At present, property tax remains the only major tax in the municipal portfolio in India

60%

Property Tax Share to Municipal Tax Revenue
2017-18

In 2017-18, property tax revenue as a share of GDP in India was **0.15 per cent** which is far below the level of **1 per cent** estimated for recurrent taxes on immovable property in OECD countries (OECD Revenue Statistics 2018).

As documented by Bahl et al (2008), in the 2000s this ratio was **0.6 per cent in developing countries and 1.04 per cent in all countries.**

As Covid-19 puts India's largest cities under strain, municipalities must rethink finance strategies

Land-based financing tools, property taxation reforms and capital market-based solutions could help cash-strapped municipalities gain fiscal autonomy.



Gujarat eyes Maharashtra model, to revise jantri rates every year

Paul John & Kapil Dave | TNN | Jun 14, 2019, 06:37 IST



GANDHINAGAR: The Gujarat government is finally set to revise its jantri — ready reckoner rates for collecting stamp duty on property. This time, the state government is deliberating on adopting the 'Maharashtra model', where jantri rates are revised every year.

Unlike Gujarat, which revises its jantri rates once in a decade, its neighbouring state has an online e-Stamp Duty Ready Reckoner to calculate the "true market value" of any immovable property.

Betterment Charges

Property Tax



VMC lags behind in augmenting revenue through Vacant Land Tax

Published: 06th August 2018 02:23 AM | Last Updated: 06th August 2018 05:31 AM



By Express News Service

VIJAYAWADA: The Vijayawada Municipal Corporation (VMC) has achieved 36 per cent revenue through various taxations during the first quarter (April to July) after following the directives prescribed by Commissioner and Directorate of Municipal Administration (CDMA). In the same corresponding period, the civic body earned 25 per cent revenue through taxes.

THE TIMES OF INDIA 60,000 owners of open plots in Hyderabad to get GHMC tax notice

Koride Mahesh | TNN | Jul 26, 2017, 07:03 IST



Representative image

Vacant Land Tax

HYDERABAD: People who own open plots in the Greater Hyderabad Municipal Corporation limits may have to cough up Vacant Land Tax (VLT) from now on. With a view to mop up revenue, the GHMC has decided to collect VLT from plot owners every year. The civic body is gearing up to slap notices on about 60,000 people who have open plots registered on their names in the Greater Hyderabad limits in the past two years. The deputy municipal commissioners (DMC) of all circles have been asked to send notices to the plot owners.

Tax kitty

With ₹3.52 lakh cr, Mumbai tops in tax collection for FY19

Rahul Wadke | Mumbai | Updated on April 03, 2019 | Published on April 03, 2019

| | Tax collection FY19 (₹) | Tax collection FY18 (₹) | % change |
|------------|-------------------------|-------------------------|----------|
| Mumbai | 3.52 lakh cr | 3 lakh cr | 17 |
| Delhi | 1.60 lakh cr | 1.29 lakh cr | 25 |
| Bengaluru | 1.19 lakh cr | 1.02 lakh cr | 18 |
| Chennai | 74,000 cr | 66,000 cr | 12 |
| Hyderabad | 57,300 cr | 48,000 cr | 19 |
| Pune | 56,800 cr | 50,000 cr | 14 |
| Ahmedabad | 49,700 cr | 45,000 cr | 11 |
| Chandigarh | 44,700 cr | 39,800 cr | 11 |
| Kolkata | 43,200 cr | 22,900 cr | 8 |
| Bhopal | 28,500 cr | | 24 |

Study Objective

The study mainly focuses on assessing Municipal Corporation and Municipality Acts across the various states of India to identify provisions of municipal taxes and user charges/fees, and their actual implementation by mapping the institutions responsible for the provision of basic infrastructure services.

The objective is to do a comparative assessment of tax system across states and individual states in the form of a matrix along with rates of municipal taxes, levy of user charges and license fees.



Infographic Source: vector stock



Property Tax

The property tax is a unique mechanism for local revenue generation. The primary store of accumulated wealth in both developed and developing countries is in real estate. Such property is visible, immobile and a clear indication of one form of wealth. The property tax is thus difficult to avoid and if well administered can represent a non-distortionary and highly efficient fiscal tool.

William McCluskey: Property Tax An International Comparative Review

Property tax is based on area and size of the property (lands and buildings or both). It also comprises lighting tax, water tax and drainage tax etc.



Types of Property

Property, in India is classified into four categories, which help the government estimate tax based on certain criteria. The different property divisions in the country are mentioned below.

Land-in its most basic form, without any construction or improvement.

Improvements made to land - This includes immovable manmade creations like buildings and go downs.

Personal property – This includes movable man-made objects like cranes, cars or buses.

Intangible property

Source: Urban Property Tax Potential in India, Roy Bahl, July 2009; Bankbazaar.com /property tax, thehindu.com

MUNICIPAL TAXES COMPARATIVE MATRIX

TYPE: LAND BASED TAXES

| PROPERTY TAX | STATES OF INDIA | | | | | | | |
|---|---|---|--|---|--|---|---|---|
| | Andhra Pradesh | Gujarat | Karnataka | Kerala | Madhya Pradesh | Maharashtra | Tamil Nadu | Telangana |
| INDIA CODE ACT | Andhra Pradesh Municipalities Act, 1965 | The Gujarat Provincial Municipal Corporations Act, 1949 | The Karnataka Municipal Corporations Act, 1976 | The Kerala Municipality Act, 1994 | Madhya Pradesh Municipal Corporations Act, 1956 | The Maharashtra Municipal Corporations Act, 1949 | The Tamil Nadu District Municipalities Act, 1920 | The Telangana Municipalities Act, 2019 |
| PROVISION UNDER INDIA CODE ACT | Tax shall be levied on all buildings and lands within the municipal limits save those exempted by or under this Act or any other law. The property tax may comprise (1) a tax for general purposes; (2) a water and drainage tax (3) a lighting tax (4) a scavenging tax | Property taxes shall comprise the following taxes which shall, subject to the exceptions, limitations and conditions hereinafter provided, be levied on buildings and lands in the City: (1) a water tax; (2) a conservancy tax; (3) a general tax; (4) betterment charges levied under improvement schemes | Property tax shall be levied every year on all buildings or vacant lands or both situated within the city. The property tax shall be levied in case of : (1) commercial buildings; (2) residential building and buildings other than commercial building; (3) vacant land | Where a Council of a Municipality by a resolution determines to levy property tax, such tax shall unless, exempted by or under this Act or any other law, be levied on all buildings and lands within the municipal area. Property tax may comprise of : (1) a tax for general purposes; (2) a water and drainage tax; (3) a lighting tax; (4) a sanitary tax; | A tax payable by the owners of buildings or lands situated within the city with reference to the gross annual letting value of the buildings or lands, called the property tax, subject to the provisions of Sections 135,136 and 138. | Property taxes leviable on buildings and lands in the City under this Act shall include water tax, water benefit tax, sewerage tax, sewerage benefit tax, general tax, education cess, street tax and betterment charges | If the Council by resolution determines that a property tax shall be levied, such tax shall be levied on all buildings and lands within municipal limits save those exempted by or under this Act or any other law. The property tax may comprise of : (1) a tax for general purposes; (2) a water and drainage tax; (3) a lighting tax; (4) a scavenging tax; (5) a railway tax | Taxes or Cess or fees levied by the Municipality - Property Tax on land and buildings, any surcharge on mutation proceedings or for any other purpose |
| METHOD OF ASSESSMENT/ SPECIFIC PROVISION UNDER INDIA CODE ACT FOR TAX/USER CHARGE/ FEE IMPOSITION | Property tax is assessed for each property located in the limits of the ULB based on the Annual Rental Value and the Taxation rate. The Annual Rental Value of a property is calculated based on parameters like Plinth area, zonal location of the property, Residential/Non-residential status, age of the property, type of construction and other parameters applicable to specific situations. | Property tax is calculated as per the carpet area of the property and 4 factors, namely location factor, Age factor, type of building/use of the property factor and occupancy factor. | The BBMP follows Unit Area Value (UAV) system, for calculating the amount of property tax. The UAV is based on expected returns from the property, depending upon its location and nature of usage of the property. The computation of property tax is done by multiplying the area of the property by per sq. ft tax rate per month (UNIT) that is fixed on the basis of location of the property (AREA) and multiplied by current property tax rate (VALUE). | Property tax is assessed on the basis of the annual value of any buildings and lands adjacent to it, the importance of area where the building is situated, type of the building construction, method of use, plinth area, reasonable annual maintenance cost etc. and the tax shall be determined for the said building and land at the rate fixed by the Council | Property tax is calculated based on the plinth area of the property and annual value of land or building determined by the Corporation on the basis on per square meter. | Property taxes leviable on rateable value, or on capital value, as the case may be. The capital value considers various factors such as the nature and type of the land and structure of the building ;area of land or carpet area of building ; user category and age of the building. The property tax is calculated as follows: Capital value of property x Current property tax rate (%) x Weight for user category | The Property Tax on lands and buildings shall be levied on the basis gross annual rent value with less a deduction of 10% in the case of buildings *The annual value of the premises shall be deemed to be 6% of the total of the estimated value of the land and building after deducting depreciation of not less than 10 % | The Property Tax on buildings shall be levied on the following basis, namely:- (a) Capital value, or (b) Annual rental value, or (c) Such other basis as prescribed Factors for Capital Value or Annual Rental Value: plot size/plinth area/ floors/ usage, as prescribed |
| TAX RATE / USER CHARGE / LICENSE FEE LEVIED | For Residential purpose : Monthly Rental Value of plinth area as per the Notification: Rs 10/ Sq. Mt. and 25 % Rate of property tax on ARV For Non Residential purpose : Monthly Rental Value of plinth area as per the Notification: Rs 20 / Sq. Mt and 33 % Rate of property tax on ARV | The State Government shall levy, a cess at the rate of fifty paise on every rupee of land revenue Tax rate for Residential properties: Rs 11 to 16/ Sq. Mt. For Commercial properties: Rs 26 to Rs 30/ Sq. Mt. | The UAV value for Residential properties: varies from Rs 1 to 2.50/Sq. ft (self occupied) and Rs 2 to 5/ Sq. ft (Rented), For Commercial properties: Rs 3 to 20/Sq. ft For Vacant Lands: Rs 0.12 to 0.5/Sq. ft Property tax levied at such percentage not being less than 20 % and not more than 25 % of the taxable annual value of a building, vacant land or both.(Levied in case of BBMP) | Tax shall be charged, levied and paid, at the rate shall not be less than 6% and more than 20% (Town Panchayat), 9% and more than 25 % (Municipal Council), 12 % and more than 25% (Municipal Corporation). The general tax rate fixed for an area in the primary zone is ₹8 to ₹20 / Sq. Mt. for residential buildings; ₹60 to ₹90/ Sq. Mt. for commercial buildings within 100 sq.mt. and ₹20 to ₹40 / Sq. Mt. for industries. | Tax shall be charged, levied and paid, at the rate shall not be less than 6 % and more than 10% of the annual letting value , as may be determined by the Corporation for each financial year. The maximum and minimum rates of general property, tax which is envisaged to be levied as a consolidated rate, are 33.5 % and 15.5 % respectively. | Depending on the use of property, the tax rate varies from 0.316 to 2.296 % | Tax rate for Residential Buildings: Not to exceed 25 % (own occupied) & not exceed 50% (rented) Tax rate for Industrial Buildings: Not to exceed 150 % Tax rate for Commercial Buildings: Not to exceed 150 % | Tax rate for Residential properties: Not to exceed 25 % of ARV Tax rate for Commercial properties: Not to exceed 33 % of ARV |
| WHO DECIDES LEVY OF CHARGES/ MONITORING ON PROPERTY TAX | The Directorate of Municipal Administration (DMA) | Investor Facilitation Portal (IFP) | Bruhat Bengaluru Mahanagara Palike | Sanchaya Revenue and licence | e-Nagar Palika, Government of Madhya Pradesh | Payment of property tax in the respective municipal office | Directorate of Town Panchayats | Commissioner & Director Of Municipal Administration |

Across State Property Tax Matrix Determinants



Overall property tax value may comprise of other taxes such as **general tax, water tax, sanitary tax, education cess, betterment charges, lighting tax, railway tax, scavenging tax etc**



Vertical imbalance found under provisions made for property tax across India Code State Acts



Capital Value, Unit Area Value, Annual Rental Value or Rateable Value System are adopted for property tax Calculation



Property tax rate structure can be prescribed as a **Consolidate rate, Upper ceiling and lower ceiling, Discriminative Rate, Area specific Values and Progressive rate**



Unit Area Value might be an effective system to levy property tax by ULB's since multiple factors are involved in its calculation.



Inefficient information on property tax database and inefficient budgeting & accounting systems

***Property Tax Inclusive of Other taxes** : Andhra Pradesh, Gujarat, Kerala, Maharashtra & Tamil Nadu

***Property Tax on Land & Building** : Karnataka, Madhya Pradesh & Telangana

***CV:** Mumbai & Telangana ***UAV:** Gujarat, Karnataka ***ARV or RVS:** Andhra Pradesh, Maharashtra, Kerala, Madhya Pradesh, Tamil Nadu & Telangana

***Consolidate Rate:** Madhya Pradesh ***Ceiling Rate:** Karnataka & Madhya Pradesh ***Discriminative Rate** : Gujarat, Karnataka, Andhra Pradesh & Telangana ***Area Specific Value:** Kerala, Maharashtra & Tamil Nadu

Source: Urban Property Tax Potential in India, Roy Bahl, July 2009; Bankbazaar.com /property tax, thehindu.com

XV Finance Commission

State of Property Tax Per Capita

Maharashtra, Gujarat, and Madhya Pradesh

Highest Municipal Revenue as well as Own Revenue per capita

Karnataka, Gujarat and Maharashtra

Highest per capita property tax revenue of Municipal Corporations in 2017-18

60%

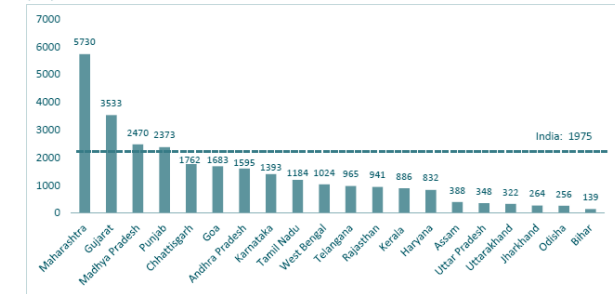
The Municipal Corporations of **Gujarat, Maharashtra and Karnataka, together** accounted shares of the all India property tax revenue in 2017-18

The share of **property tax** in own revenue in 2017-18 was the highest in Karnataka at 68 % and the lowest in Punjab at 9%, among major states

Chart 2.6: Total Municipal Revenue Per Capita: 2017-18 (Rs.)



Chart 2.7: Municipal Own Revenue Per Capita: 2017-18 (Rs.)



Source: State of Municipal Finances in India: ICRIER Report for XV Finance Commission, March 2019

**Table A11. Property Tax for all Urban Local Governments
2010-11 to 2017-18**

(Rs. crore)

| State | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Gujarat*** | 789.1 | 832.0 | 900.8 | 1087.5 | 1184.5 | 1281.4 | 1511.4 | 5312.2 |
| Haryana*** | 69.9 | 125.7 | 248.6 | 337.2 | 114.5 | 527.8 | 599.3 | 89.6 |
| Himachal Pradesh | 13.7 | 16.4 | 22.1 | 19.9 | 18.5 | 32.7 | 29.3 | 34.3 |
| Jammu and Kashmir*** | NA | NA | NA | NA | NA | NA | NA | NA |
| Jharkhand | NA | NA | 11.2 | 10.4 | 26.2 | 29.9 | 88.4 | 80.0 |
| Karnataka | 1075.4 | 1076.8 | 1649.0 | 1631.8 | 2008.4 | 2324.4 | 2628.5 | 2705.0 |
| Kerala *** | 164.1 | 206.5 | 168.0 | 187.4 | 213.6 | 235.2 | 262.3 | 294.9 |
| Madhya Pradesh*** | 246.4 | 303.6 | 416.5 | 459.0 | 494.6 | 603.4 | 781.7 | 1079.9 |
| Maharashtra | 5275.2 | 5233.3 | 5590.4 | 6068.7 | 6961.0 | 8697.7 | 8799.6 | 8357.7 |

**Table A42. Share of Property Tax Revenue in GSDP
2010-11 to 2017-18**

(per cent)

| State | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Gujarat*** | 0.151 | 0.135 | 0.124 | 0.135 | 0.129 | 0.125 | 0.130 | 0.404 |
| Haryana*** | 0.027 | 0.042 | 0.072 | 0.084 | 0.026 | 0.109 | 0.109 | 0.014 |
| Himachal Pradesh | 0.024 | 0.023 | 0.027 | 0.021 | 0.018 | 0.029 | 0.023 | 0.025 |
| Jammu and Kashmir*** | NA | NA | NA | NA | NA | NA | NA | NA |
| Jharkhand | NA | NA | 0.006 | 0.005 | 0.012 | 0.014 | 0.038 | 0.031 |
| Karnataka | 0.262 | 0.178 | 0.237 | 0.200 | 0.220 | 0.222 | 0.227 | 0.206 |
| Kerala *** | 0.062 | 0.057 | 0.041 | 0.040 | 0.042 | 0.042 | 0.042 | 0.042 |
| Madhya Pradesh*** | 0.094 | 0.096 | 0.109 | 0.104 | 0.103 | 0.111 | 0.121 | 0.148 |
| Maharashtra | 0.503 | 0.409 | 0.383 | 0.368 | 0.391 | 0.438 | 0.390 | 0.335 |

*No Municipal Corporation in the state, ** No Municipal Council in the state, ***No Nagar Panchayat in the state

**Table A45. Share of Property Tax in Total Municipal Revenue
2010-11 to 2017-18**

(per cent)

| State | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Gujarat*** | 10.4 | 10.5 | 9.4 | 8.4 | 8.5 | 9.1 | 8.9 | 25.5 |
| Haryana*** | 4.4 | 5.8 | 10.1 | 17.3 | 7.1 | 21.7 | 17.5 | 2.3 |
| Himachal Pradesh | 10.1 | 10.0 | 8.5 | 6.4 | 9.4 | 9.7 | 4.4 | 9.5 |
| Jammu and Kashmir*** | NA | NA | NA | NA | NA | NA | NA | NA |
| Jharkhand | NA | NA | 1.9 | 2.1 | 2.2 | 1.8 | 4.7 | 4.8 |
| Karnataka | 14.2 | 11.4 | 16.3 | 14.6 | 16.1 | 16.8 | 18.4 | 18.2 |
| Kerala *** | 13.0 | 9.9 | 9.7 | 8.7 | 8.8 | 7.8 | 7.6 | 8.1 |
| Madhya Pradesh*** | 11.5 | 10.4 | 6.9 | 6.2 | 6.5 | 5.8 | 6.7 | 8.8 |
| Maharashtra | 20.7 | 17.6 | 15.8 | 15.6 | 16.4 | 18.3 | 18.0 | 17.2 |

**Table A54. Per capita Property Tax Revenue for all Urban Local Governments
2011-12 to 2017-18**

(Rs.)

| State | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|-------------------|---------|---------|---------|---------|---------|---------|---------|
| Gujarat*** | 357.4 | 375.7 | 440.3 | 465.7 | 489.1 | 560.1 | 1911.5 |
| Haryana*** | 135.3 | 257.5 | 335.9 | 109.6 | 486.3 | 531.2 | 76.4 |
| Himachal Pradesh | 229.9 | 302.8 | 267.4 | 243.7 | 420.7 | 369.5 | 422.9 |
| Jammu and Kashmir | NA | NA | NA | NA | NA | NA | NA |
| Jharkhand | NA | 23.0 | 20.8 | 51.1 | 57.0 | 163.8 | 144.4 |
| Karnataka | 442.6 | 660.1 | 636.2 | 762.7 | 859.7 | 946.8 | 949.0 |
| Kerala *** | 271.6 | 213.0 | 229.0 | 251.6 | 267.0 | 286.9 | 310.9 |
| Madhya Pradesh*** | 154.4 | 209.0 | 227.2 | 241.6 | 290.8 | 371.7 | 506.6 |
| Maharashtra | 1103.3 | 1148.9 | 1215.8 | 1359.5 | 1656.0 | 1633.2 | 1512.2 |

*No Municipal Corporation in the state, ** No Municipal Council in the state, ***No Nagar Panchayat in the state

Source: State of Municipal Finances in India: ICRIER Report for XV Finance Commission, March 2019

Property Tax System Maharashtra

Urban population, Area and Number of Urban Local Governments Overview

| States | Urban Population Census 2011 (million) | Urban Population Census 2011 (percent) | Total Number of ULGs | Municipal Corporations | | | Municipal Councils | | | Nagar Panchayat | | |
|--------------------|--|--|----------------------|------------------------|----------------------|----------------|--------------------|----------------------|----------------|-----------------|----------------------|----------------|
| | | | | Number | Population (million) | Area (sq.km) | Number | Population (million) | Area (sq.km) | Number | Population (million) | Area (sq.km) |
| Maharashtra | 50.8 | 45.2 | 391 | 27 | 35.43 | 3098.21 | 231 | 10.77 | 3450.49 | 133 | 1.23 | 1578.89 |

Urban Local Governance

27

Municipal Corporations

231

Municipalities



Source: State of Municipal Finances in India: ICRIER Report for XV Finance Commission, March 2019

MAHARASHTRA ULB COMPARATIVE MATRIX

TYPE: LAND BASED TAXES

| PROPERTY TAX | URBAN LOCAL GOVERNMENT | | |
|---|---|--|--|
| | Municipal Corporations | Municipal Councils | Nagar Panchayats |
| INDIA CODE ACT | The Maharashtra Municipal Corporations Act, 1949 | The Maharashtra Municipalities Act, 1965 | The Maharashtra Municipal Councils, Nagar Panchayats And Industrial Townships Act, 1965. |
| PROVISION UNDER INDIA CODE ACT | Property taxes leviable on buildings and lands in the City under this Act shall include water tax, water benefit tax, sewerage tax, sewerage benefit tax, general tax, education cess, street tax and betterment charges | The consolidated tax on property shall include a general tax, a general water tax, a lighting tax, a general sanitary tax and a special latrine tax. | The consolidated tax on property shall include a general tax, a general water tax, a lighting tax, a general sanitary tax, a special latrine tax, a fire tax, an environment tax, water benefit tax, sewerage benefit tax and street tax. For the purposes of levy of property taxes, the expression “building” includes flat, a gala, a unit or any portion of buildings. |
| METHOD OF ASSESSMENT/ SPECIFIC PROVISION UNDER INDIA CODE ACT FOR TAX/USER CHARGE/ FEE IMPOSITION | Property taxes leviable on rateable value, or on capital value, as the case may be. The capital value considers various factors such as the nature and type of the land and structure of the building ;area of land or carpet area of building ; user category and age of the building. The property tax is calculated as follows: Capital value of property x Current property tax rate (%) x Weight for user category | A consolidated property on lands or buildings or both situated within municipal area, based on their rateable value as determined. In order to fix the rateable value of any building or land assessable to a property tax, there shall be deducted from the amount of rent for which such building or land might reasonably be expected to let, or for which it is actually let, from year to year, whichever is greater, a sum equal to 10% of the said annual rent , and the said deduction shall be in lieu of all allowances for repairs or any other account whatever. | The consolidated property tax or all or any of the property taxes may be imposed on a graduated scale. A consolidated property tax on lands or building or both situated within municipal area, based on their rateable value or their capital value, as the case may be and determined. In order to fix the rateable value of any building or land assessable to a property tax, there shall be deducted from the amount of rent for which such building or land might reasonably be expected to let, or for which it is actually let, from year to year, whichever is greater, a sum equal to 10 % of the said annual rent , and the said deduction shall be in lieu of all allowances for repairs or on any other account whatever. |
| TAX RATE / USER CHARGE / LICENSE FEE LEVIED | Depending on the use of property, the tax rate varies from 0.316 to 2.296 % | Depending on the use of property, the tax rate varies from 0.316 to 2.296 % | The amount of property tax leviable in respect of a residential building or residential tenement, having carpet area of 46.45 sq. meters (500 sq. feet) or less, shall not exceed the amount of property tax levied and payable in the year immediately preceding the year of such adoption of capital value as the basis. Depending on the use of property, the tax rate varies from 0.316 to 2.296 % |
| WHO DECIDES LEVY OF CHARGES/ MONITORING ON PROPERTY TAX | Payment of property tax in the respective municipal corporation office | Payment of property tax in the respective municipal council office | Directorate of Municipal Administration |

Property Tax System

Gujarat

Urban population, Area and Number of Urban Local Governments Overview

| States | Urban Population Census 2011 (million) | Urban Population Census 2011 (percent) | Total Number of ULGs | Municipal Corporations | | | Municipal Councils | | | Nagar Panchayat | | |
|---------|--|--|----------------------|------------------------|----------------------|--------------|--------------------|----------------------|--------------|-----------------|----------------------|--------------|
| | | | | Number | Population (million) | Area (sq.km) | Number | Population (million) | Area (sq.km) | Number | Population (million) | Area (sq.km) |
| Gujarat | 25.7 | 42.6 | 170 | 8 | 14.72 | 1570.11 | 162 | 8.56 | 4185.75 | 0 | 0.00 | 0.00 |

Urban Local Governance

8

Municipal Corporations

162

Municipalities



Source: State of Municipal Finances in India: ICRIER Report for XV Finance Commission, March 2019

GUJARAT ULB COMPARATIVE MATRIX

TYPE: LAND BASED TAXES

| PROPERTY TAX | URBAN LOCAL GOVERNMENT | | |
|---|---|---|------------------|
| | Municipal Corporations | Municipal Councils | Nagar Panchayats |
| INDIA CODE ACT | The Gujarat Provincial Municipal Corporations Act, 1949 | The Gujarat Municipalities Act, 1965 | N.A |
| PROVISION UNDER INDIA CODE ACT | Property taxes shall comprise the following taxes which shall, subject to the exceptions, limitations and conditions hereinafter provided, be levied on buildings and lands in the City: (1) a water tax; (2) a conservancy tax; (3) a general tax; (4) betterment charges levied under improvement schemes | For the purpose of levy of tax on buildings or lands situate within the municipal borough under sub-section (1),- (a) the buildings may be classified into residential buildings and buildings other than the residential buildings; and (b) the municipality may determine one rate of tax for residential buildings and the other than rate of tax for buildings other than the residential buildings | N.A |
| METHOD OF ASSESSMENT/ SPECIFIC PROVISION UNDER INDIA CODE ACT FOR TAX/USER CHARGE/ FEE IMPOSITION | Property tax is calculated as per the carpet area of the property and 4 factors, namely location factor, Age factor, type of building/use of the property factor and occupancy factor. | A tax on buildings or lands situate within the municipal borough to be based on the carpet area of the buildings or lands or both. | N.A |
| TAX RATE / USER CHARGE / LICENSE FEE LEVIED | The State Government shall levy, a cess at the rate of fifty paise on every rupee of land revenue Tax rate for Residential properties: Rs 11 to 16/ Sq. Mt. For Commercial properties: Rs 26 to Rs 30/ Sq. Mt. | Tax rate for Residential properties: Rs 11 to 16/ Sq. Mt. For Commercial properties: Rs 26 to Rs 30/ Sq. Mt. | N.A |
| WHO DECIDES LEVY OF CHARGES/ MONITORING ON PROPERTY TAX | Investor Facilitation Portal (IFP) | Investor Facilitation Portal (IFP) | N.A |

Property Tax System Karnataka

Urban population, Area and Number of Urban Local Governments Overview

| States | Urban Population Census 2011 (million) | Urban Population Census 2011 (percent) | Total Number of ULGs | Municipal Corporations | | | Municipal Councils | | | Nagar Panchayat | | |
|-----------|--|--|----------------------|------------------------|----------------------|--------------|--------------------|----------------------|--------------|-----------------|----------------------|--------------|
| | | | | Number | Population (million) | Area (sq.km) | Number | Population (million) | Area (sq.km) | Number | Population (million) | Area (sq.km) |
| Karnataka | 23.6 | 38.7 | 272 | 11 | 14.46 | 1790.00 | 173 | 8.42 | 2907.00 | 88 | 1.45 | 1369.00 |

Urban Local Governance

11

Municipal Corporations

175

Municipalities



Source: State of Municipal Finances in India: ICRIER Report for XV Finance Commission, March 2019

KARNATAKA ULB COMPARATIVE MATRIX

TYPE: LAND BASED TAXES

| PROPERTY TAX | URBAN LOCAL GOVERNMENT | | |
|---|--|--|------------------|
| | Municipal Corporations | Municipal Councils | Nagar Panchayats |
| INDIA CODE ACT | The Karnataka Municipal Corporations Act, 1976 | The Karnataka Municipalities Act, 1964 | N.A |
| PROVISION UNDER INDIA CODE ACT | Property tax shall be levied every year on all buildings or vacant lands or both situated within the city. The property tax shall be levied in case of : (1) commercial buildings; (2) residential building and buildings other than commercial building;(3) vacant land | Property tax shall be levied every year on all buildings or vacant lands or both situated within the city. | N.A |
| METHOD OF ASSESSMENT/ SPECIFIC PROVISION UNDER INDIA CODE ACT FOR TAX/USER CHARGE/ FEE IMPOSITION | The BBMP follows Unit Area Value (UAV) system, for calculating the amount of property tax. The UAV is based on expected returns from the property, depending upon its location and nature of usage of the property. The computation of property tax is done by multiplying the area of the property by per sq. ft tax rate per month (UNIT) that is fixed on the basis of location of the property (AREA) and multiplied by current property tax rate (VALUE). | The taxable annual value of a building, vacant land or both shall be calculated by multiplying the corresponding "unit area value" with the total built-up area of a building, vacant land or both for ten months, minus depreciation at such rate, as may be prescribed, depending on the age of a building. | N.A |
| TAX RATE / USER CHARGE / LICENSE FEE LEVIED | The UAV value for Residential properties varies from Rs 1 to 2.50/Sq. ft (self occupied) and Rs 2 to 5/ Sq. ft (Rented) For Commercial properties: Rs 3 to 20/Sq. ft For Vacant Lands: Rs 0.12 to 0.5/Sq. ft | For Residential Properties: : 0.3 to 1 % of taxable capital value of the building For Commercial properties: 0.5 to 3 % of taxable capital value of the building For Vacant Lands(<1000 sq.mt) : 0.1 to 0.5 % For Vacant Lands(>1000 sq.mt) : 0.025 to 0.1 % of taxable capital value of land The property tax shall be levied by the Bruhath Bangalore Mahanagara Palike by resolution passed as specified in section 106 at such percentage not being less than 20 percent and not more than 25 percent of the taxable annual value of a building, vacant land or both. | N.A |
| WHO DECIDES LEVY OF CHARGES/ MONITORING ON PROPERTY TAX | Bruhat Bengaluru Mahanagara Palike | Bruhat Bengaluru Mahanagara Palike | N.A |

Intra State Property Tax

Matrix Determinants

Karnataka was the first state in India to computerise land records, under the 'Bhoomi Project', followed by Andhra Pradesh and Tamil Nadu.

Tax Rate: 0.30 to 2.296 %



Property tax levied on buildings and land **comprise of other taxes** also

Property taxes leviable on **rateable value**, or on **capital value**, as the case may be

Maharashtra has the **second highest per capita property tax revenue** in 2017-18

Tax rate is based on **percentage of capital land value**

Tax Rate: Rs 11-30/sq.mt



Property tax levied on buildings and land **comprise of other taxes** also

Property tax is calculated as per the **carpet area of the property**

Gujarat has the **highest per capita property tax revenue** in 2017-18

Tax rate is based on **per square metre per annum**

Tax Rate: Rs 1-20/sq.ft



Property tax shall be levied on all **buildings or vacant lands or both**

Unit Area Value (UAV) system, for calculating the amount of property tax

Karnataka has the **lowest per capita property tax revenue** in 2017-18

Tax rate is based on **per square feet per annum**

Source: India Code State Acts

Property Tax Exemption



Objectives of Granting Exemption:

Social Justice

High administrative and Collection cost particularly from **low tax yielding properties**,

Properties that provide directly or indirectly, services having characteristics of a merit or public good.

10%

Urban Properties

11%

Assessed Properties

Due to exemption Tax bases are narrowed and coverage is inequitable.

Source: Urban Property Tax Potential in India, Roy Bahl, July 2009

Categories of properties stand exempted from payment of property taxes



Residential properties whose rateable values are below a minimum threshold



Central and state government properties



Charitable organisations



Places of worship



Ancient and heritage monuments



Burial and cremation grounds



Properties used for sheltering



Recognized educational institutions



Vacant properties of certain categories



Slum dwellings not having any title over the land

Article 285 of the Constitution of India exempts properties of the Union government

//

In the first phase of reform of Property tax in Bengaluru which was initiated in 2000, Property tax registers were updated by mapping of properties through GIS. This helped in wider coverage and therefore, broadening the tax base. The system moved to a Unit Area Method of valuation and optional Self-Assessment of Property Tax Scheme (SAS).

Property tax collections increased by 33 per cent in 2001 on account of wider coverage, higher collection rates, lower compliance costs and higher tax rates.

//

Source: State of Municipal Finances in India: ICRIER Report for XV Finance Commission, March 2019

Weakness



State governments have neglected property tax as a source of revenue because



No property tax exemption without state government compensating cities for the loss of revenue (15th Finance Commission)



Adopt unit area value (UAV) or Capital Value method for making assessments of property value.



Revaluation of properties at regular intervals, self-assessment and simpler procedures to reduce the administrative cost of collecting this tax

Property tax is levied on unrealized increases in wealth



Encourage ULB's to set up a Central Valuation Authority (11th Finance Commission)



Encourage use of Geographical Information System (GIS) and digitization to improve property tax administration (12th Finance Commission)



Mandate of setting up of the State Property Tax Board for performance grant eligibility of states and **to create buoyancy in property tax revenue**(13th Finance Commission)

How to Strengthen Property Tax System?

Source: State of Municipal Finances in India: ICRIER Report for XV Finance Commission, March 2019

Gujarat: Govt to offer property tax benefits to 'smart societies' in Ahmedabad

The conditions for tax waivers are that the societies must adhere to segregating wastes, properly manage and recycle garbage, conserve water and take other such measures like saving power and focus on greenery

ETGovernment ▪ Updated: January 18, 2020, 09:34 IST



In a bid to promote good governance including proper management of waste, water and garbage among residential society, the [Ahmedabad Municipal Corporation](#) has launched the Smart Society Incentive Scheme that offers tax benefit to smart societies.

Source: <https://government.economictimes.indiatimes.com/news/smart-infra/gujarat-govt-to-offer-property-tax-benefits-to-smart-societies-in-ahmedabad/73347801>



**How
Property
Taxes
are correlated
with
Ready
Reckoner
Rates?**

Ready Reckoner Rate

The minimum price at which a property has to be registered in case of its transfer.

Circle Rates Delhi, Uttar Pradesh, Uttarakhand

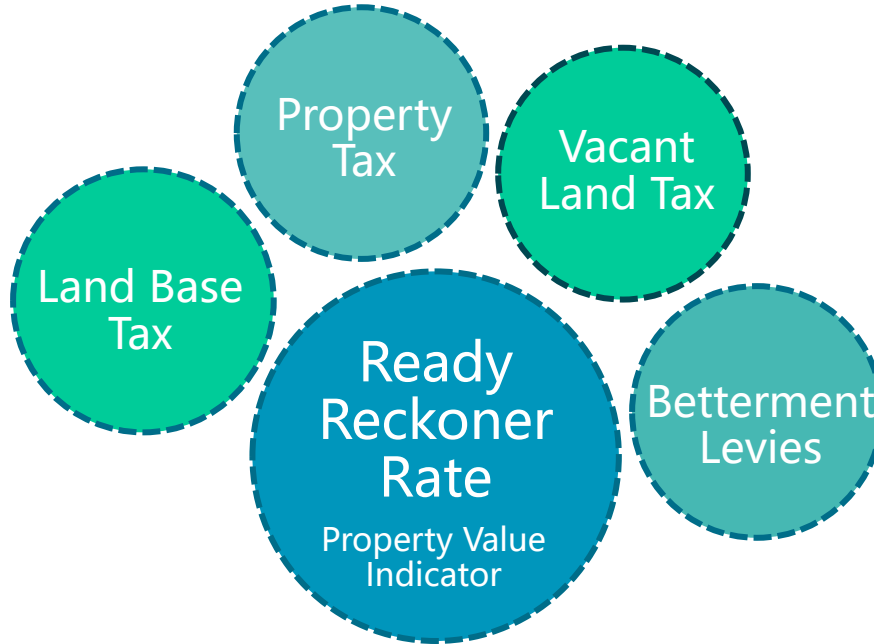
Guideline Value or Guidance Value South states

DLC Rates Rajasthan

Collector Rates Haryana & Punjab

Market Valuation Guideline Madhya Pradesh and Chhattisgarh

Jantri Rates Gujarat



Ready reckoner rates are the integral part of Property Tax Assessment System



State governments determines and revise RR rates once in a year according to market dynamics.



May differ within cities in the same state, and among various localities of a city.



Property is bought or sold, collection of stamp duty and registration charges on the declared value or the circle rate, whichever is higher.



Market values of Properties in order to collect stamp duty.

Source: housing.com/news/real-estate-basics-ready-reckoner-rates

SECTOR SENTIMENT

- > Micro assessment of area-wise rates
- > Reduction of rates according to the amended Bombay Stamp (Determination of True Market Value of Property) Rules, 2018
- > Amendment to the Rule 4 allowing "increase" and "decrease", unlike only "increase" over the years

THE DEMANDS

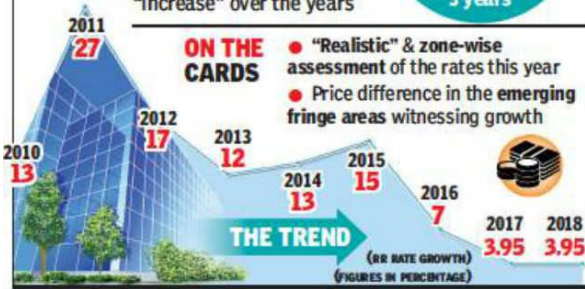
Credai wants the government to reduce rates in most areas. Changes in ASR once in 3 years

ON THE CARDS

- "Realistic" & zone-wise assessment of the rates this year
- Price difference in the emerging fringe areas witnessing growth

THE TREND

(RR RATE GROWTH)
(FIGURES IN PERCENTAGE)



RR Rates > Actual Value

- Buyer pays additional stamp duty
- Seller pays additional capital gain tax
- Deterrent for property buyers
- Black Money Accumulation
- Impacts high payment of property tax, vacant land tax, land base tax and betterment levies.

Source: 99acres.com, myloancare.in/delhi-circle-rate-revised, myloancare.in/ready-reckoner/mumbai, e-stampdutyreadyreckoner.com



Property Value Calculation

How do you calculate ready reckoner?

With the help of "RECKONER" you have to **locate** the Division / Village with Zone / Sub Zone and C.S. (cadastral survey) / C.T.S. (chain triangulation survey) number etc. of your property. From the table you can **find** the **rates** of property such as Land, Residential, Office, Shop and Industrial Unit. **Rates** are per Square Meter (Built-Up-Area) or in Hectare.

Ready Reckoner Rate

Property value = Area of plot in square meter x Applicable **ready reckoner** rates for flats in that area in Rs. per square meter X 1.25*

*Built up area is regarded as the higher of 1.2 times the carpet area of the flat

Circle Rate

Property value = Sum of : Area of plot in square meter x applicable circle rate for land in the locality in Rs. per square meter.

Built up area in square meter x by minimum cost of construction in Rs. per square meter multiply by construction age factor.

The state has been divided into four regions **rural, influential (peri-urban areas peripheral to urban areas), municipal council and municipal corporation areas to do the rational valuation of RR rates at the micro level.**

Maharashtra: Govt lobbies for ‘rational’ approach to new Ready Reckoner rates

Nisha Nambiar | TNN | Updated: Jan 15, 2020, 12:27 IST



Grammarly
Instant Grammar Checker

DOWNLOAD



The ready reckoner rates remained unchanged in 2018-19 and 2019-20. (File photo)

PUNE: Land use changes in the past two years, boundary modifications from rural to urban areas, sale transactions in all zones and alterations in the development control rules will be reflected in this year’s “rationalized” Ready Reckoner (RR) rates expected to be announced on April 1.

The RR rates are assessments of property value by the state government, on the basis of

Average 2.5 times increase in property tax in new system

Anjaya Anparthi | TNN | Nov 25, 2017, 10:55 IST



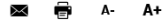
NAGPUR: The demand notes distributed by the Nagpur Municipal Corporation (NMC) to 1.07 lakh property tax payers have revealed that the average hike in tax is 2.5 times, with individual increase ranging between 2-10 times.

After over a decade, the NMC is revaluating existing properties. At the same time, it

has launched new property tax system — ready reckoner-rate chart. As on date, revaluation of three lakh properties has been done. Demand notes were prepared for around 1.50 lakh properties, of which 1.07 lakh were distributed.

Gujarat eyes Maharashtra model, to revise jantri rates every year

Paul John & Kapil Dave | TNN | Jun 14, 2019, 06:37 IST



Jantri rates were hiked in Gujarat by almost 50% in February 2007 and stayed unchanged since 1999. The next ra... Read More

GANDHINAGAR: The Gujarat government is finally set to revise its jantri — ready reckoner rates for collecting stamp duty on property. This time, the state government is deliberating on adopting the ‘Maharashtra model’, where jantri rates are revised every year.

Unlike Gujarat, which revises its jantri rates once in nearly a decade, its fiercely competitive

neighbouring state has an online e-Stamp Duty Ready Reckoner (RR) which helps calculate the “true market value” of any immovable property.

THE TAX HIKE EXPLAINED

| | |
|--|---|
| <p>NEW SYSTEM New property tax system — ready reckoner and rate chart — launched in 2015-16 but implemented in 2017-18</p> | <p>ready reckoner value in 2013-14. Tax levied on expanded area and as per changes in user. Rental properties identified and rental tax revised. Larger residential property tax and special conservancy tax levied</p> |
| <p>REVALUATION Out of 5.50 lakh properties, around 4 lakh surveyed. Revaluation process, including finalization of assessment register of 3 lakh properties, done. All demand notes to be issued by Feb</p> | <p>TAX INCREASE Tax for individual properties increased 2-10 times as per analysis of 98,348 properties. Average hike could be more in North, Central, South and East Nagpur where properties have undergone changes</p> |
| <p>REASONS FOR HIKE Properties assessed as per</p> | |

Maharashtra To Keep Ready Reckoner Rates Unchanged In FY19

Ministry of Finance

Amendments to the Indian Stamp Act, 1899 for Rationalization of Stamp Duty & Design of Zero Evasion Collection Mechanism in Respect of Securities market instruments

Dated: 21 FEB 2019

The President of India, today, gave his assent to the Amendments to the Indian Stamp Act, 1899 which were introduced as part of the Finance Act 2019. The was in fulfillment of the commitment made in the last Union Budget 2018-19 to take reform measures with respect to Stamp Duty regime on financial securities transactions in consultation with the States and make necessary amendments to the Indian Stamp Act, 1899. The Finance Bill 2019 was passed by both the Houses of Parliament, Lok Sabha and Rajya Sabha, on 12th and 13th February 2019 respectively.

Property Tax Ready Reckoner Rates & Betterment/ Development Charges

NATION, CURRENT AFFAIRS

Khata-rsis: Betterment fee a boon or escape route?

DECCAN CHRONICLE.

Published Aug 30, 2018, 6:07 am IST

Updated Aug 30, 2018, 6:07 am IST



Collecting a betterment fee will help the BBMP build drains and roads and do periodical asphaltting, the official maintains.



The Ministry of Urban Development has given its nod to 'betterment fee' on lines of a Value Capture Finance (VCF) that would be rolled out in 2017-18 and is aimed at resource mobilisation.

Coming Soon: 'Betterment Fees' - An Additional Cost On Your Property

© December 26, 2016 | Sneha Sharon Mammen



Development charges to go up from January 1



5020mAh Fast-roof Tech, Protected

OPEN

Besides betterment charges, other components of VCF are Land Value Tax, Fee for changing land use, Development charges, Transfer of Development Rights, Premium on the relaxation of Floor Space Index and Floor Area Ratio, Vacant Land Tax, Tax Increment Financing, Zoning relaxation for land acquisition and Land Pooling System.

The Mumbai Metropolitan Region Development Authority (MMRDA) and City and Industrial Development Corporation Limited (CIDCO) have used different Value Capture methods including Betterment levy to finance infrastructure development in the urbanising areas.



AURANGABAD: The Aurangabad Municipal Corporation (AMC) has announced new rates for development charges and betterment charges with effect from January 1, 2013. The hike in the development charge is due to the change in rates of ready reckoner which will come into effect from New Year.



(Wikimedia)

If 2016 was the year of big announcements, 2017 is going to witness these developments taking shape. Come 1 April, 2017 and a 'betterment fee' would be levied if your house happens to be a beneficiary of price rise owing to any infrastructural development such as a Metro, a special economic zone (SEZ), an industrial corridor or even an expressway.

Ready Reckoner Rates &

Betterment/ Development Charges

Only Maharashtra has adopted VCF system of development charge based on the valuation carried out every year for Stamp Duty (called Ready Reckoner).



Value Based Development charge system

Valuation referred as
Ready Reckoner Rates

Maharashtra levies development charges at **2.0 % +0.5% (Building + Land) rate of developed land /building mentioned in Ready Reckoner**



Area Based Development charge system

Valuation referred as
Jantri Rates

Gujarat Levies **Rs 1-10per square metre as betterment / development charges.** Unauthorized development charges are based on percent of jantri rates.



Area Based Development charge system

Valuation referred as
Guidance Values

Karnataka Levies **Rs 200-250 per square metre as betterment / development charges**

Source: Land Based Fiscal Tools and Practices for Generating Additional Financial Resources, August 2013; deccanherald.com/content/424613/betterment-fee-khata-connection

MUNICIPAL TAXES COMPARATIVE MATRIX

TYPE: LAND BASED TAXES

| VACANT LAND TAX | STATES OF INDIA | | | | | | | |
|---|--|---|--|---|--|---|--|--|
| | Andhra Pradesh | Gujarat | Karnataka | Kerala | Madhya Pradesh | Maharashtra | Tamil Nadu | Telangana |
| INDIA CODE ACT | Andhra Pradesh Municipalities Act, 1965 | The Gujarat Provincial Municipal Corporations Act, 1949 | The Karnataka Municipal Corporations Act, 1976 | The Kerala Municipality Act, 1994 | Madhya Pradesh Municipal Corporations Act, 1956 | The Maharashtra Municipal Corporations Act, 1949 | The Tamil Nadu District Municipalities Act, 1920 | The Telangana Municipalities Act, 2019 |
| PROVISION UNDER INDIA CODE ACT | The Council shall in the case of lands which are not used exclusively for agricultural purposes and are not occupied by or adjacent and appurtenant to building levy these taxes (Property Tax), at such percentages of the capital value of the lands or at such rates with reference to the extent of the lands as may be fixed by the Council | Property taxes shall comprise the following taxes which shall, subject to the exceptions, limitations and conditions hereinafter provided, be levied on buildings and lands in the City: (1) a water tax; (2) a conservancy tax; (3) a general tax; (4) betterment charges levied under improvement schemes | Property tax shall be levied every year on all buildings or vacant lands or both situated within the city. | Where a Council of a Municipality by a resolution determines to levy property tax, such tax shall unless, exempted by or under this Act or any other law, be levied on all buildings and lands within the municipal area. | A tax payable by the owners of buildings or lands situated within the city with reference to the gross annual letting value of the buildings or lands, called the property tax, subject to the provisions of Sections 135,136 and 138. | Property taxes leviable on buildings and lands in the City under this Act shall include water tax, water benefit tax, sewerage tax, sewerage benefit tax, general tax, education cess, street tax and betterment charges. | The Municipal Council shall, in the case of lands which are not used exclusively for agricultural purposes and are not occupied by, or adjacent and appurtenant to, buildings, levy property tax on such lands at such rate as it may fix, having regard to its location and subject to the minimum and maximum rates per square feet as may be prescribed by the State Government | The Property tax shall be levied and collected on vacant land which are not used either for agricultural purposes, and are not occupied by, or adjacent and appurtenant to buildings, at the time of construction or registration as a one-time payment, subject to rates prescribed by the Government from time to time on capital value of the land by the Municipality. |
| METHOD OF ASSESSMENT/ SPECIFIC PROVISION UNDER INDIA CODE ACT FOR TAX/USER CHARGE/ FEE IMPOSITION | Vacant land tax is assessed based on the capital value of the land. | Property tax is calculated as per the carpet area of the property and 4 factors, namely location factor, Age factor, type of building/use of the property factor and occupancy factor. | Subject to the minimum and the maximum, rates specified in sub-section (2), the corporation may fix the property tax at such percentage of the taxable capital value of the buildings or vacant lands or both based on the prescribed criteria such as location, building plinth area, vacant land area, building age, type of construction, nature of use and other such. | In this Act, these taxes shall be levied at such percentage of the annual value of buildings or lands which are occupied by or adjacent and appurtenant to buildings or both as may be fixed by the Council | Tax imposed is determined by the annual letting value of the buildings or lands | Property taxes leviable on rateable value, or on capital value, as the case may be | Vacant land tax is assessed based on its location and subject to the minimum and maximum rates per square feet as may be prescribed by the State Government | Vacant land tax is assessed based on the estimated capital value of the land. |
| TAX RATE / USER CHARGE / LICENSE FEE LEVIED | Tax on vacant lands shall be levied at 0.50% and 0.20% of the capital value of the land (i.e., the market value as fixed by the Stamps and Registration Department for purpose of registration) in the case of Corporations and Municipalities respectively. | The State Government shall levy, a cess at the rate of fifty paise on every rupee of land revenue. Property tax rate varies from Rs 10 to 30 per square meter. | Based on the vacant land area in sq.mt the tax rate varies from 0.01 % to 0.5 % of taxable capital value of land. Property tax levied at such percentage not being less than 20 % and not more than 25 % of the taxable annual value of a building, vacant land or both.(Levied in respect of BBMP) | Tax shall be charged, levied and paid, at the rate shall not be less than 6% and more than 20% (Town Panchayat), 9% and more than 25 % (Municipal Council), 12 % and more than 25% (Municipal Corporation). | Tax imposed at a rate of 7% centum of the annual letting value of the land or building | Depending on the use of property, the tax rate varies from 0.316 to 2.296 % | the minimum vacant land tax rate varies from 10-30 paise/ Sq. Ft while the maximum rates varies from 40-60 paise/ Sq. Ft | According to the GHMC Act, the vacant land tax that can be collected by the corporation is 0.5% of the registration value of the land. |
| WHO DECIDES LEVY OF CHARGES/ MONITORING ON PROPERTY TAX | The Directorate of Municipal Administration (DMA) | Investor Facilitation Portal (IFP) | Bruhat Bengaluru Mahanagara Palike | Sanchaya Revenue and licence | e-Nagar Palika, Government of Madhya Pradesh | Payment of property tax in the respective municipal office | Directorate of Town Panchayats | Commissioner & Director Of Municipal Administration |

Across State Vacant Land Tax

Matrix Determinants



Vacant land tax is levied on lands which are **not used for agriculture** purpose and are not **occupied or belonging to the adjacent building** *Andhra Pradesh, Karnataka, Tamil Nadu and Telangana*



No specific 'Vacant Land' term provisions under India Code State Act of Gujarat, Kerala, Madhya Pradesh and Maharashtra which states i.e. tax levied on all buildings and lands within the city



Vacant Land tax is based on capital value *for Andhra Pradesh, Karnataka, Telangana* **or based on location subject** to minimum and maximum rates per square feet for *Tamil Nadu*

Vacant Land tax rate varies from 0.01 to 0.5% of the capital value of the land



The minimum vacant land tax rate varies from 10-30 paise/ Sq. Ft while the maximum rates varies from 40-60 paise/ Sq. Ft

Source: India Code State Acts

Vacant Tax/ Betterment Charges Determinants

Bopal residents stumped by betterment charges

Himanshu Kaushik & Paul John | TNN | Jun 28, 2010, 02:03 IST

12months warranty, Korean forging press leader, rational price, solid and durable, OPEN



AHMEDABAD: Bopal residents may be in for more shock after restriction on high-rises. Hefty betterment charge is now being slapped on individual house owners. [Ahmedabad Urban Development Authority](#) (Auda) which is anywhere between Rs 4,000 and Rs 2.5 lakh depending on individual plot size.

Auda is being blamed of being partial in respect of the mode of payment as well. "For those who have booked houses in ongoing construction in Bopal, betterment charges can be made in instalments. However, all built property owners have to pay in one go," said a senior town planning officer at Auda.

Source: Times of India/Ahmedabad, Commonfloor.com/ Property Tax Guide, myloancare.in/property tax/ Bangalore

THE NEW INDIAN EXPRESS VMC lags behind in augmenting revenue through Vacant Land Tax

Published: 06th August 2018 02:33 AM | Last Updated: 06th August 2018 05:31 AM



VIJAYAWADA: The Vijayawada Municipal Corporation (VMC) has achieved 36 per cent revenue through various levies during the first quarter (April to July) after following the directives of 60,000 owners of open plots in Hyderabad to get GHMC tax notice

Koride Mahesh | TNN | Jul 26, 2017, 07:03 IST



Representative image

HYDERABAD: People who own open plots in the Greater Hyderabad Municipal Corporation limits may have to cough up Vacant Land Tax (VLT) from now on. With a view to mop up revenue, the GHMC has decided to collect VLT from plot owners every year.

The civic body is gearing up to slap notices on about 60,000 people who have open plots registered on their names in the Greater Hyderabad limits in the past two years. The deputy municipal commissioners (DMC) of all circles have been asked to send notices to the plot owners.



Municipalities be enabled to levy vacant land tax (14th Finance commission)



A clear framework of rules for the levy of betterment tax should be put in place by the states (15th Finance commission)



Vacant land Tax, land use conversion charge should be linked with basic land value.

Recommendations



The Urban Local Bodies Across States of India should adopt a common assessment system for levying the property tax to have a better governance of Municipal Revenue.

Since it's the major source of revenue for Indian Cities the common approach would simply help the states to have a comparative analysis within good practices and easily overcome their deficit.



Ready Reckoner Rates or Circles Rates should have a rational approach based on the basic infrastructure services within the area and not in comparison with market value.

It would give the real estate sector a boost, rare Deterrent for property buyers and reduced impact on the property tax, vacant land taxes, betterment levies, development levies and others.

Way Forward!



Ready Reckoner Rates or Circles Rates shares a mutual relationship with land based taxes such as property tax, vacant land tax, betterment levies etc. Any variations in them do impact in the tax rate structure of the property value. One should not overlook these parameters while doing the assessment of Land Base Tax System.

Thank you

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Sign up: tiny.cc/pasenews