

PROPERTY TAX ASSESSMENT IN SMALL AND MEDIUM TOWNS

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04

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Broad focus areas and further research direction

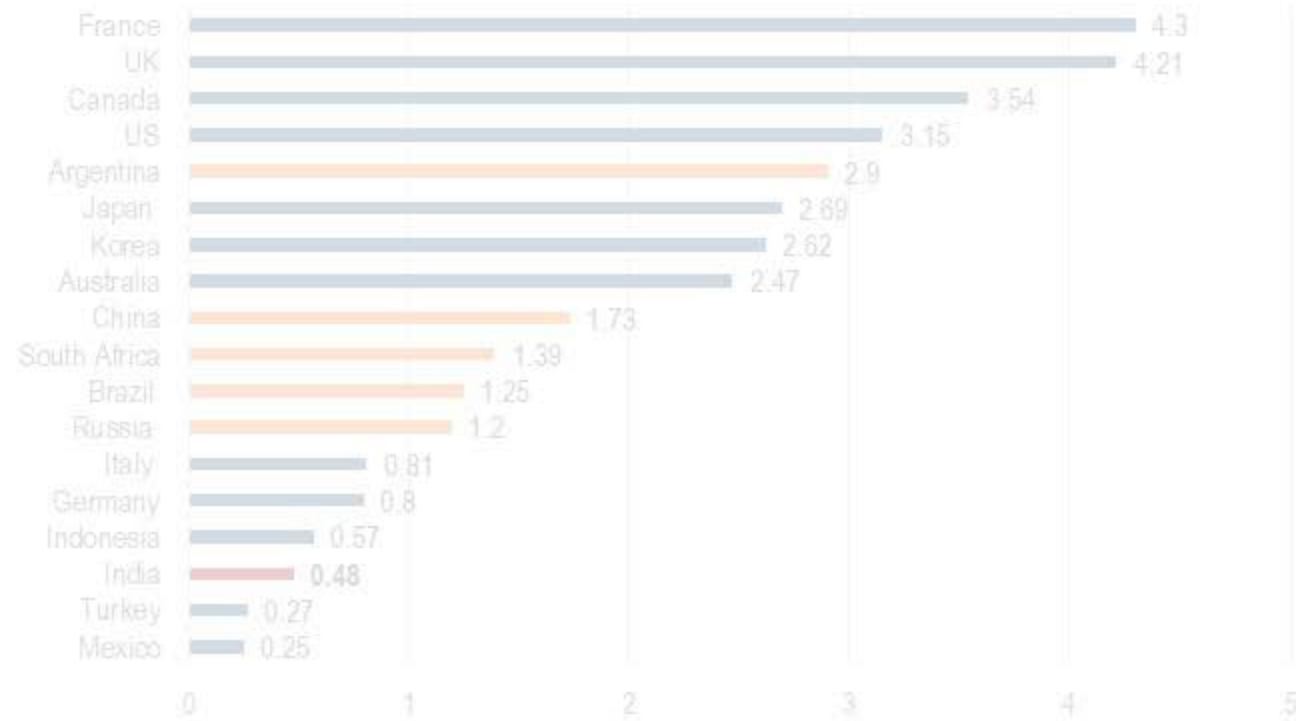


NEED FOR STUDY

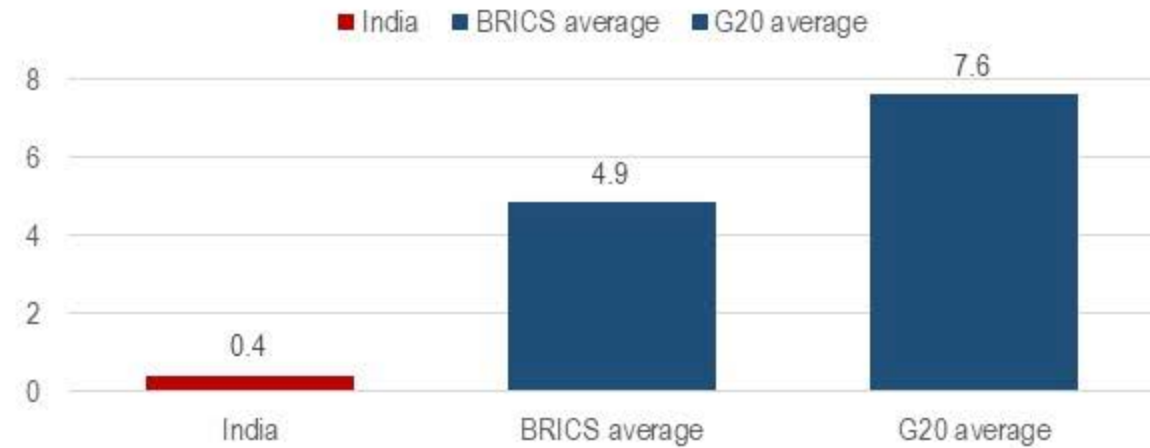


HUGE POTENTIAL THAT INDIA CAN TAP FROM PROPERTY TAX ₹

Property tax revenues as % of GDP



Property Tax Revenue as percent of Total Tax Revenue



Source: Property taxes across G20 countries: Can India Get it Right?, 2013.



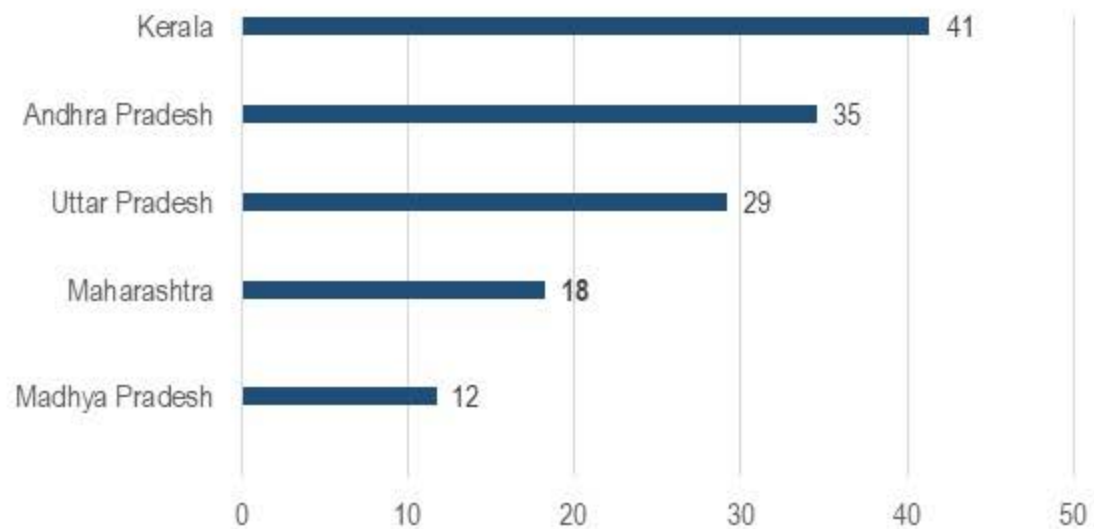
Introduction

Analysis

Challenges and potentials

Conclusion and way forward

Property tax as percent of municipal own revenue

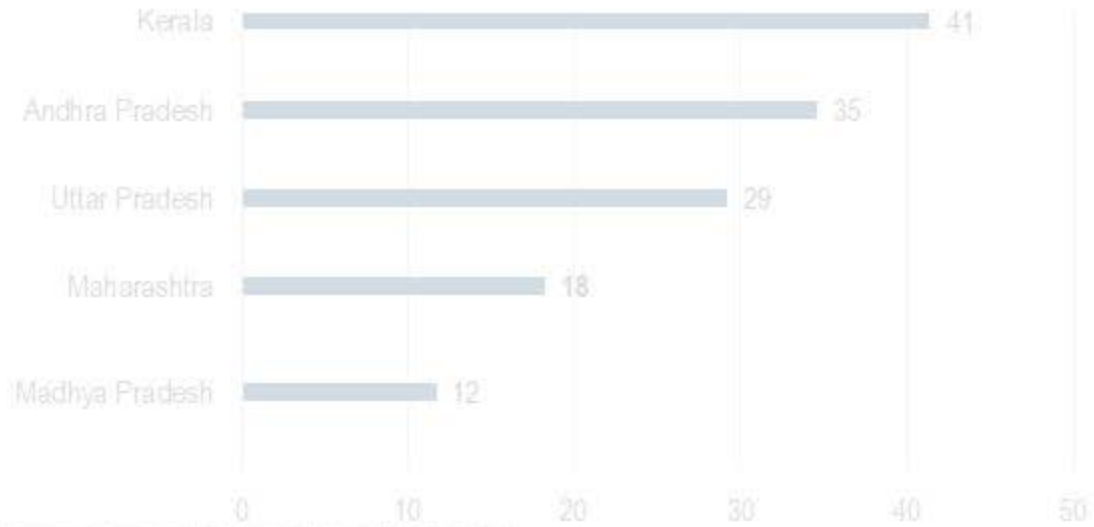


Source: Municipal Finance Matters, IMFR (2011)



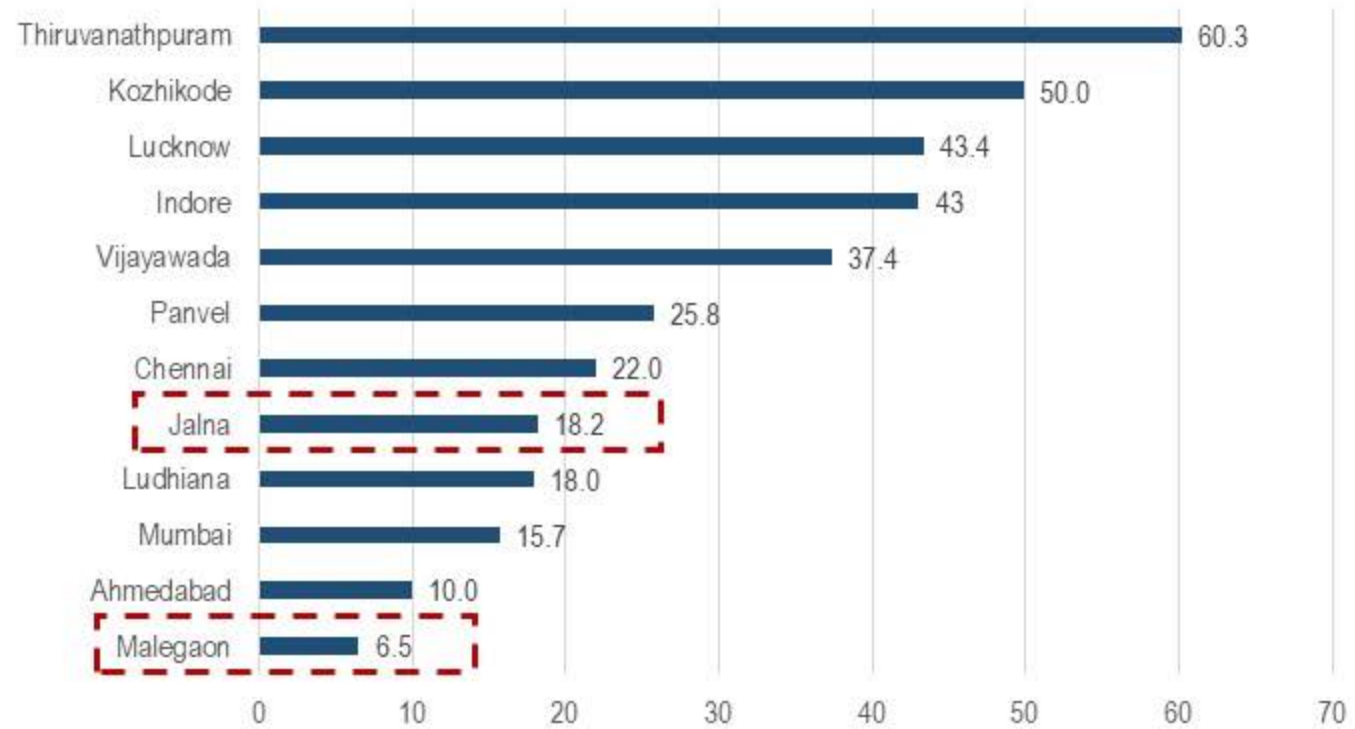
GREATER POTENTIAL TO TAP FROM SMALL AND MEDIUM TOWNS ₹

Property tax as percent of municipal own revenue.



Source: Municipal Finance Matters, IMFR (2011)

Property tax percent of Municipal Own Revenue



*For the year 2007-08

- The all-India collection of Property Tax yield is estimated to be between **Rs. 6274 and Rs. 9424 crore**
- **Poor collection efficiency**, at 37 percent of demand
- Municipal Property Tax revenues could increase to **Rs. 22,000 crore – Rs. 32,000 crore**

Source: Urban property tax potential in India, 2009

Introduction

Analysis

Challenges and potentials

Conclusion and way forward

To understand and assess the potential of property tax in local governments of small and medium towns

OBJECTIVES

1

To understand recent initiatives for property tax reforms taken in local governments through programmes like JnNURM and smart cities and recognize factors that improved the property tax revenues

2

To understand the current scenario pertaining to property tax in the selected towns: Wai and Sinnar in detail and conduct a comparative analysis of the two towns based on certain parameters

3

To highlight issues and assess reasons for the same and suggest measures that can be implemented in the selected towns for improving the potential of improvement of property tax



SCOPE AND LIMITATIONS

1

This study would not only look at property tax, but also consider the **components of property tax** like fire tax, sanitation tax, solid waste management tax, tree tax and water tax. However, these components will not be dealt in detail

2

Apart from the revenue aspect of property tax, this study would also consider looking at **expenditure of the property tax** department to understand the process efficiency of the department

3

Data limitation was another hindrance to conduct a more detailed analysis of the parameters chosen. The ULBs did not have a mechanism to provide the necessary data. However, if that is procured, another research can be undertaken in this domain

UNDERSTANDING PROPERTY TAX

Property tax is tax levied on properties (buildings and land) falling within the jurisdiction of the local governments.

ACT PROVISIONS

COMPONENTS

METHODS OF ASSESSMENT

CHALLENGES

REFORMS

BEST PRACTICES

UNDERSTANDING PROPERTY TAX

ACT PROVISIONS



COMPONENTS

- Tax base
- Tax rate
- Tax coverage
- Tax collection

METHODS OF ASSESSMENT

Annual rental value
Unit area
Capital value based

CHALLENGES



KEY CHALLENGES

- **Lack** of a comprehensive **database** of all assessed properties
- **Poor tax net coverage**
- **Improper maintenance** of records
- **Inadequate training** of staff
- Poor **collection efficiency**
- **Lack of monitoring** from the state level agencies
- Lack of **incentives**
- **Method of assessment** does not capture the potential of the tax
- Large number of **exemptions**

UNDERSTANDING PROPERTY TAX

ACT PROVISIONS

Maharashtra Municipalities,
Nagar Panchayats and
Townships act, 1965

COMPONENTS

- Tax base
- Tax rate
- Tax coverage
- Tax collection

METHODS OF ASSESSMENT

Annual rental value
Unit area
Capital value based

CHALLENGES

REFORMS

JnNURM
AMRUT

BEST PRACTICES

REFORMS AND INITIATIVES

JnNURM and **AMRUT** aimed to target **collection ratio** and **coverage ratio** in cities to improve collection from own revenue sources

- **Improved methods** of property tax assessment
- Appropriate **administrative reforms**
- Property surveys and use of **GIS technology**
- **Computerization** of property taxes
- Regular **revision** of rates
- More **user friendly** tax system
- Prioritizing **tax enforcement**
- Transparent property tax system and measuring the **effectiveness of the property tax reforms** on the basis of the parameters like coverage, tax mapping, demand, collection, enforcement etc.
- Introduction of **Self-Assessment System (SAS)**

UNDERSTANDING PROPERTY TAX

ACT PROVISION

Maharashtra Municipalities,
Nagar Panchayats and
Townships act, 1965

COMPONENTS

- Tax base
- Tax rate
- Tax coverage
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METHODS OF ASSESSMENT

Annual rental value
Unit area
Capital value based

CHALLENGES

REFORMS

JnNURM
AMRUT

BEST PRACTICES

- Auctioning of properties
- Drone surveys
- Collection drives

- The literature available focuses on bigger corporations
- Reforms also focus on cities and not on small and medium towns
- Limited data availability and research being done on these towns

B class municipal council



Population



81,503

Area



51.4 sq.km.

Population density



1586 persons/ sq.km.

Properties



20,430

- Property tax demanded: 3.9 crore
- Property tax collected: 1.9 crore
- Collection efficiency: 49%



Population



47,268

Area



3.6 sq.km.

Population density



13022 persons/ sq.km.

Properties

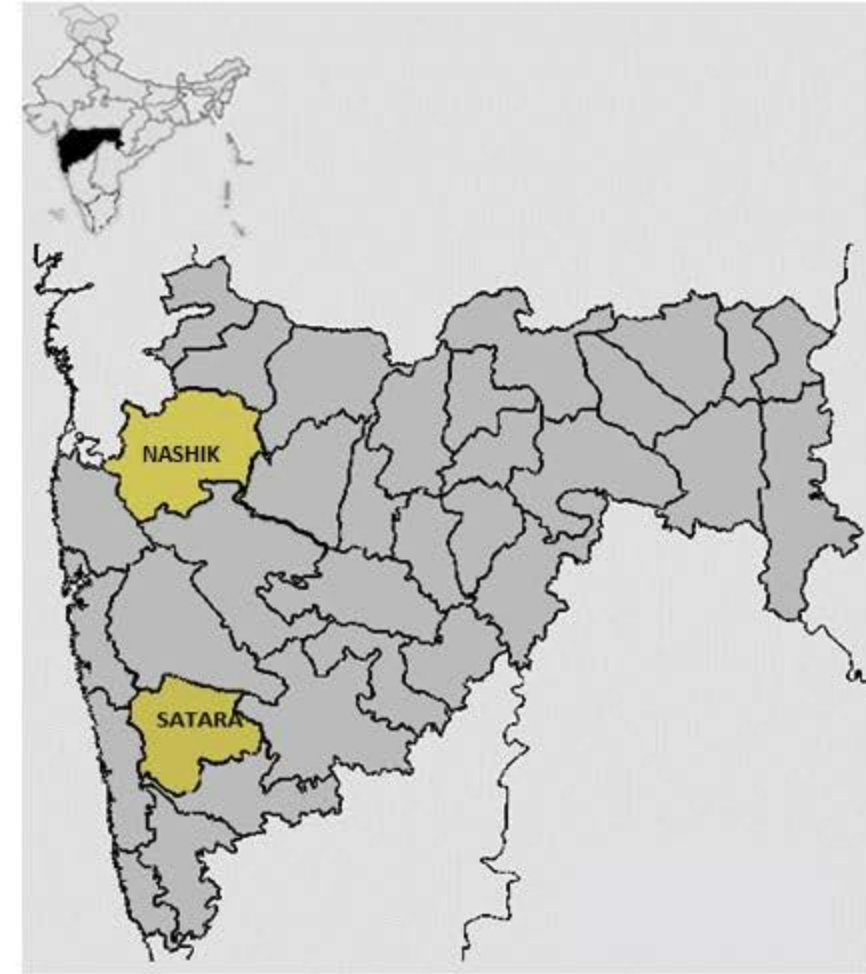


11,627

- Property tax demanded: 1.9 crore
- Property tax collected: 1.4 crore
- Collection efficiency: 73%

C class municipal council

This data is for the year of 2017-18



UNDERSTANDING PROPERTY TAX IN STUDY AREAS



WAI

Designation	Number of employees	Role
Tax inspector	1	Verification of all bills, receipts and report, total amount collected, look after issues like ownership and transfer of properties
Asst. tax inspector	3	Check and verify bills, receipts, assessment maps, tackle issues
Recovery clerk	8	Recovery of outstanding and current tax

Number of employees **12**

SINNAR

Designation	Number of employees	Role
Tax inspector	1	Verification of all bills, receipts and report, total amount collected, look after issues like ownership and transfer of properties
Recovery clerk	7	Recovery of outstanding and current tax

Number of employees **8**

HOW IS PROPERTY TAX ASSESSED? ₹

	WAI	SINNAR
Method of assessment used	Annual Rateable value	Ready reckoner → Annual Rateable value
Last assessment year	2015-2016	2018-2019
Zones	8 zones	5 zones
Formula	Annual rateable value= carpet area x 12 months x rate	Annual rateable value= carpet area x rate
Factors which rate depends on	Use of property, age of building, building material and road width	Use of property, age of building and building material

Sthapatya consultants: Drone survey, GIS, re-numbering of properties, assessment, billing



WAI

पुनर्वार्षिक विवरण २०१५-२०१६

वाई नगरपरिषद वार्ड
सुधारित वार निवारीत द्वाराचा शुभमालिका तक्का
स्वायत्त भागातील इतर निव्वळती

क्र.सं.	वास्तव्य/वास्तव्य ॥ व्हॉल्यूम निव्वळती रकमी	मोकळी, प्रवाही, आवाही-मुखावळी आवाही, इतिहास पेश भाग २, इतिहास पेश भाग २																						
		उत्तम प्रकारे आवासीय वास्तव्य, उत्तम विविधता व सुव्यवस्था असलेली, इमारत "अ" प्रकार					सामान्य प्रकारे आवासीय वास्तव्य, निम्न वॉल्यूम व इतर इमारत "ब" प्रकार					सर्वोत्तम प्रकारे आवासीय वास्तव्य, निम्न वॉल्यूम व इतर इमारत "क" प्रकार												
		निव्वळती		वास्तव्य			निव्वळती		वास्तव्य			निव्वळती		वास्तव्य										
२०१२-१२	वाढ ३०%	२०१५-१६	२०१२-१२	वाढ ३०%	२०१५-१६	२०१२-१२	वाढ ३०%	२०१५-१६	२०१२-१२	वाढ ३०%	२०१५-१६	२०१२-१२	वाढ ३०%	२०१५-१६	२०१२-१२	वाढ ३०%	२०१५-१६	२०१२-१२	वाढ ३०%	२०१५-१६				
१	३	४	५	६	७	८	९	१०	११	१२	१३	१४	१५	१६	१७	१८	१९	२०	२१	२२	२३	२४	२५	२६
२	१६	५	२२	२३	७	३०	१२	४	१६	१६	५	२२	८	२	१०	१२	४	१६	४	१	५	७	२	९
३	१४	४	१८	२१	६	२०	१०	३	१२	१४	४	१८	७	२	९	१०	३	१२	४	१	५	७	२	९
४	१३	४	१७	१८	५	२२	९	३	१२	१३	४	१७	७	२	९	९	३	१२	४	१	५	५	१	६
५	१०	३	१३	१६	५	२१	८	२	१०	१०	३	१२	५	१	६	८	२	१०	३	१	४	५	१	६
६	९	३	१२	१३	४	१७	७	२	९	९	३	१२	५	१	६	७	२	९	३	१	४	४	१	५
७	८	२	१०	१२	४	१६	५	१	६	८	२	१०	४	१	५	५	१	६	३	१	४	४	१	५
८	७	२	९	९	३	१२	४	१	५	५	१	६	३	१	५	३	१	५	३	१	४	३	१	५

Zoning based on area

1. Road width
2. Building use
3. Building age
4. Building material

SINNAR

सिन्नर नगरपरिषद, जि नाशिक
मान्यता पंचवार्षिक कार्यकारणी सन २०१८-१९ ते २०२३-२३
निव्वळती बांधकामाची सामाईक बांधकाम प्रकार निहाय दर परक (प्रति चौ.मी प्रती वर्ष)

1) मुख्य उस्ता जगतचे भाग

no	बांधकाम वर्ष	सिमेंट कॅडिटरचना (RCC Framed Structure and well finished load bearing structure)		सिमेंट भूजा इतर विटांच्या मिठी व स्लॅब छत (Load bearing Structure with slab)		सिमेंट भुजा विटांच्या मिठी व टिन कॅडि (Mangrove Tiles) चे छत.		भाजीच्या मिठीवर छत/कॅडिचे छत (Mud mortar Construction with C/CI roofing)	
		निव्वळती	अनिव्वळती	निव्वळती	अनिव्वळती	निव्वळती	अनिव्वळती	निव्वळती	अनिव्वळती
२०१६ ते २०१८	३३०	४९५	२९७	४४६	२६७	४०२	२४२	३६१	
२०१३ ते २०१५	२२५	३३८	२०३	३०४	१८२	२७३	१६४	२४६	
२०१० ते २०१२	१६९	२५३	१५२	२२८	१३७	२०५	१२३	१८५	
२००५ ते २००९	१५२	२२८	१३७	२०५	१२३	१८५	१११	१६६	
१९९८ ते २००४	१४४	२१६	१३०	१९५	११७	१७५	१०५	१५८	
१९९० ते १९९७	१३७	२०६	१२३	१८५	१११	१६७	१००	१५०	
१९८३ ते १९८९	१०३	१५४	९३	१३९	८३	१२५	७५	११२	
१७०० ते १९८२	५१	७७	४६	६९	४२	६२	३७	५६	

Zoning based on typology

1. Building use
2. Building age
3. Building material

WAI

Carpet area (sq.m.)	Rate	Annual rent (*12)	Improvement expense (10%)	Taxable value
100	21	25,200	2,520	22,680

Fire tax	2.0%	General tax	25%
		Education tax	06%
		Employment guarantee tax	03%
		Tree tax	1.0 %
		Sanitation tax	60

Rs. 8,111/year
Tax payable

Rs. 81/sq.m
Per sq.m

SINNAR

Carpet area (sq.m.)	Rate	Annual rent	Improvement expense (10%)	Taxable value
100	281	28,100	2,810	25,290

	General tax	23%
	Education tax	06%
	Employment guarantee tax	03%
	Tree tax	0.25%
	Fire tax	2.0%
	Sanitation tax	300
	Solid waste tax	100

Rs. 9,062/year
Tax payable

Rs. 90/sq.m
Per sq.m



HOW IS PROPERTY TAX BILLED? ₹

मिळकतकर देयक रकम २०१८-१९
(पुणे महानगरपालिका अधिनियम, क्रम १७८ व अखण्ड ८, दिनांक ३१.१०.०१)

विभागीय कार्यालय : NASHIK WEST नवीन घटक क्र. : 707-B
देयक क्रमांक : 0022275 देयक दिनांक : 11/04/2018 ईडेयक क्रमांक : 75799/58
पिकावधकाराचे नांव : KOTHARI MAHENDRA RATANAL घर क्र. : 707/1361/007/PUS
संपत्ती / मालकी : पत्र क्र. : 771/A/1/3/2, 07, PUSKAK BUNLOW DATTATRY DARSHAN CO.OP.SOCI. J&T COLONY,NASHIK

घातकाचा प्रकार	दिवानी	अंतिमदानी	रक्कम	मिळकतीचे प्रकार	आवकतीचे दिनांक
वर्षावका घातकाचा प्रकार	72355		72355	Residential/Bas	18/02/2018

वर्षावका घातकाचा प्रकार	दिवानी	दिवानी	दिवानी	दिवानी	दिवानी
वर्षावका घातकाचा प्रकार	2298				2298

वर्षावका घातकाचा प्रकार

वर्षावका घातकाचा प्रकार	दिवानी	दिवानी	दिवानी	दिवानी	दिवानी
वर्षावका घातकाचा प्रकार	2298				2298

वर्षावका घातकाचा प्रकार

वर्षावका घातकाचा प्रकार	दिवानी	दिवानी	दिवानी	दिवानी	दिवानी
वर्षावका घातकाचा प्रकार	2298				2298

Nashik: **Rs. 51/ sq.m**
Area: 186 sq.m

पुणे महा नगरपालिका मिळकत देयक
पुणे महानगरपालिका अधिनियम व अखण्ड ८, दिनांक ३१.१०.०१

विभाग क्र. CH/14/0009005 देयक क्र. 21983 'A' घटक क्र. A/61 2009-2010
घातकाचा दि. 01-04-2009 नवीन घातकाचा दि. 04-04-2018 व रक्कम 27245 नवी घटक क्र. :
मिळकतीचे प्रकार JADHAV JAYASHRI J&T
घातकाचा प्रकार CTS NO. 1030/3 F. PLOT NO. 388/3 SHIVNAGAR PUNE 2ND + 3RD FL. F. NO. 4 + 6
मिळकतीचे प्रकार CTS NO. 1030/3 F. PLOT NO. 388/3 SHIVNAGAR PUNE 2ND + 3RD FL. F. NO. 4 + 6

वर्षावका घातकाचा प्रकार	दिवानी	दिवानी	दिवानी	दिवानी	दिवानी
वर्षावका घातकाचा प्रकार	2298				2298

वर्षावका घातकाचा प्रकार

वर्षावका घातकाचा प्रकार	दिवानी	दिवानी	दिवानी	दिवानी	दिवानी
वर्षावका घातकाचा प्रकार	2298				2298

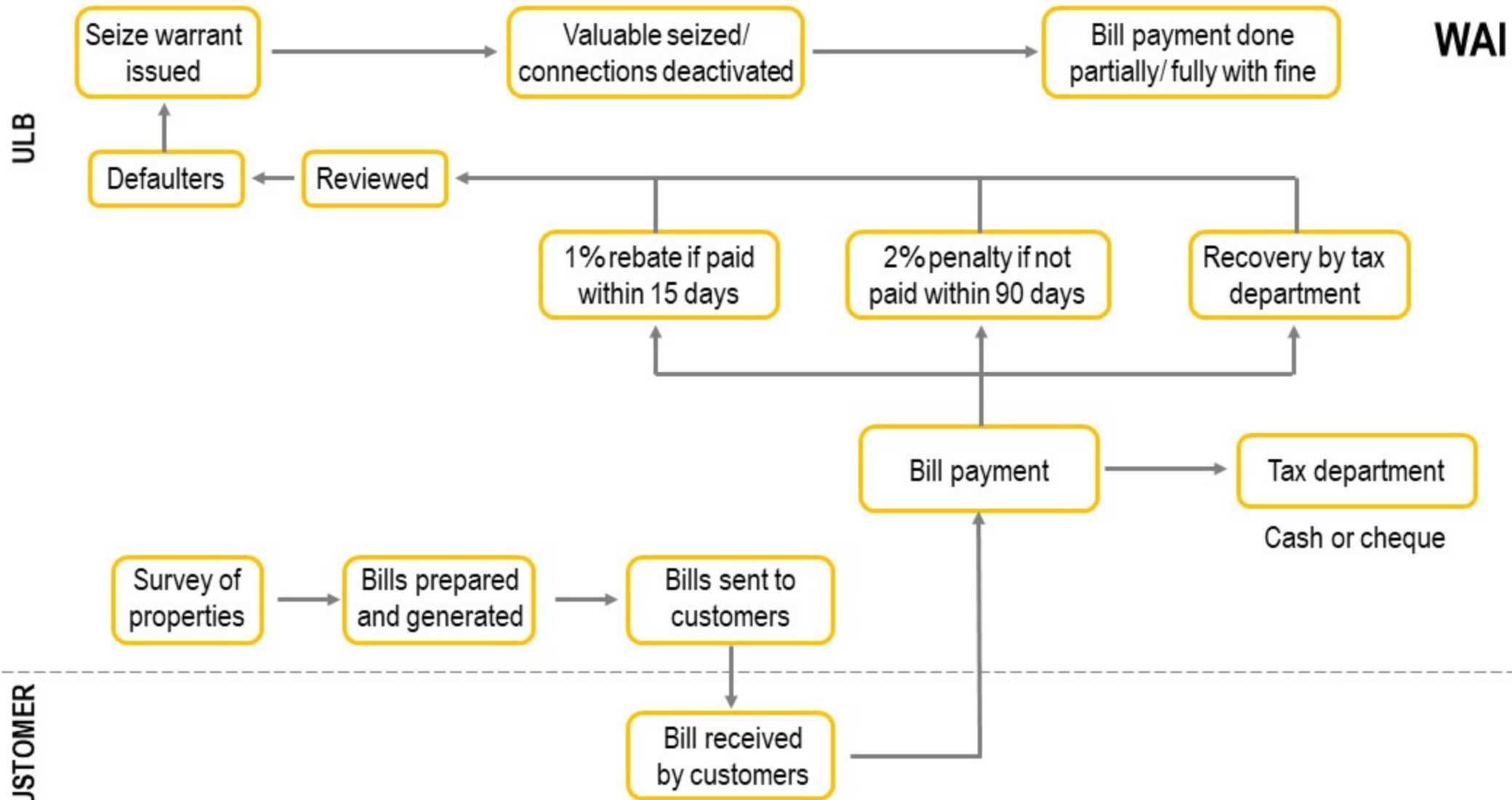
वर्षावका घातकाचा प्रकार

वर्षावका घातकाचा प्रकार	दिवानी	दिवानी	दिवानी	दिवानी	दिवानी
वर्षावका घातकाचा प्रकार	2298				2298

Pune: **Rs. 173/ sq.m**
Area: 160 sq.m

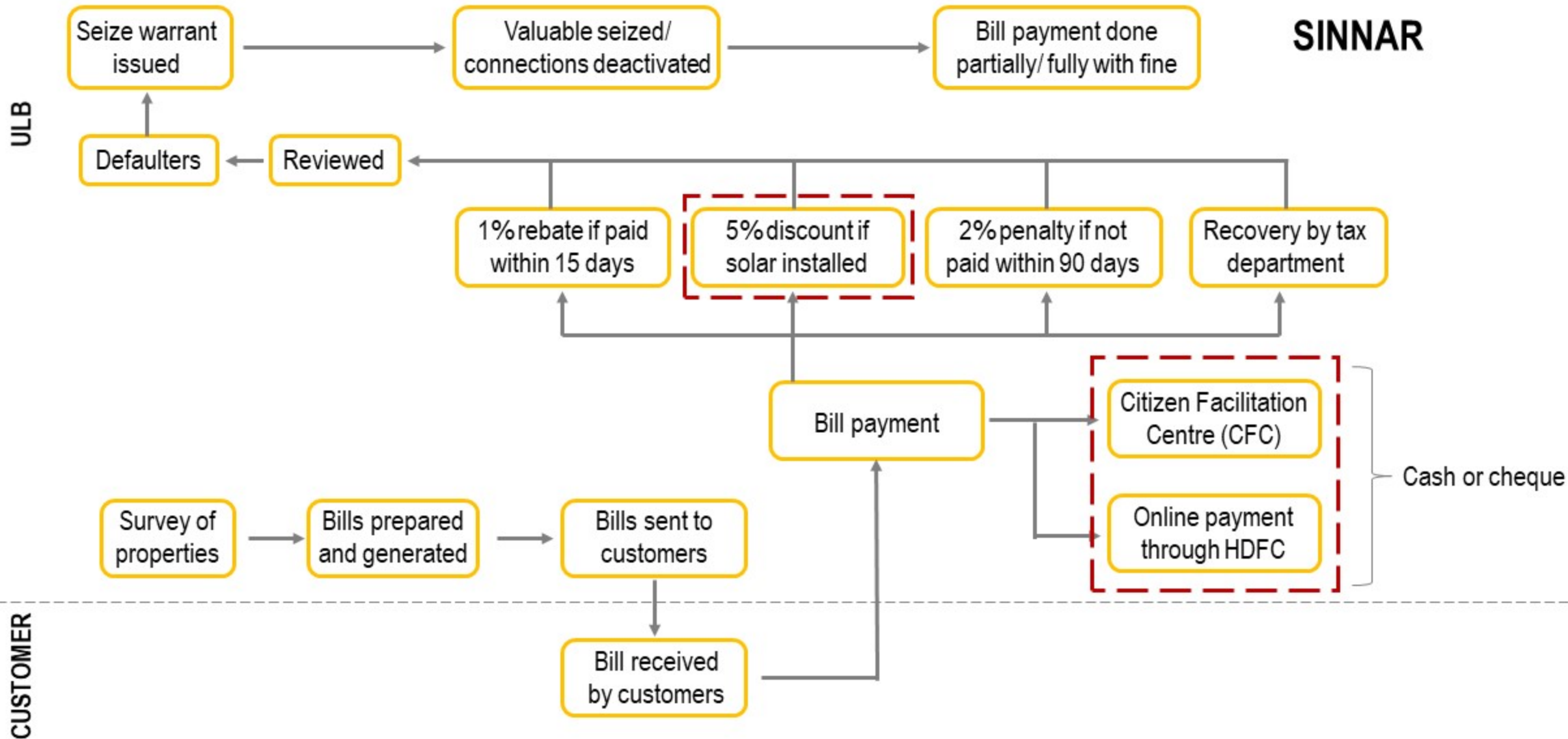


HOW IS PROPERTY TAX BILLED AND COLLECTED? ₹



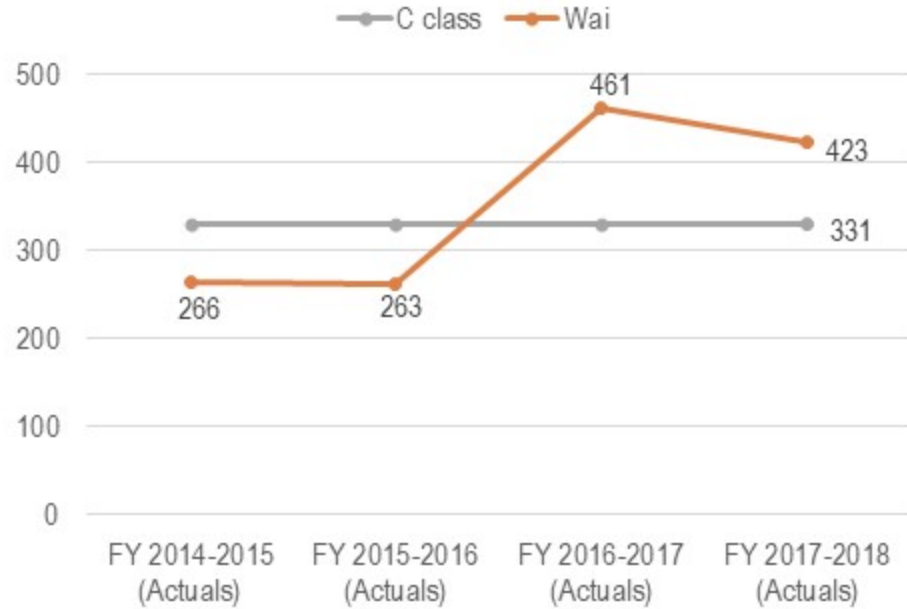
Source: WMC, SMC

HOW IS PROPERTY TAX BILLED AND COLLECTED? ₹



Source: WMC, SMC

WAI



*The B and C class values are for 2018

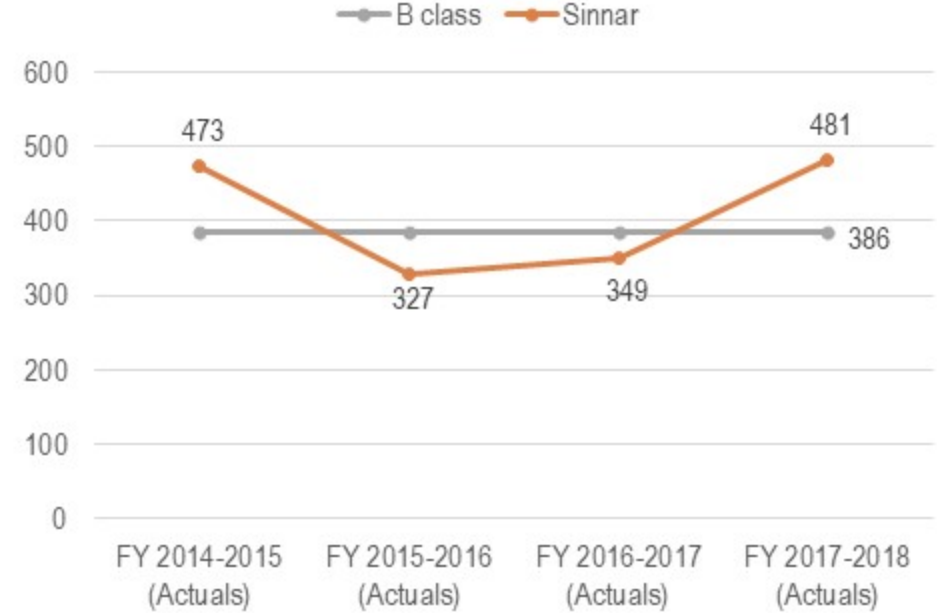
PER CAPITA PROPERTY TAX

Average per capita property tax

Wai: Rs. 353

Sinnar: Rs. 408

SINNAR

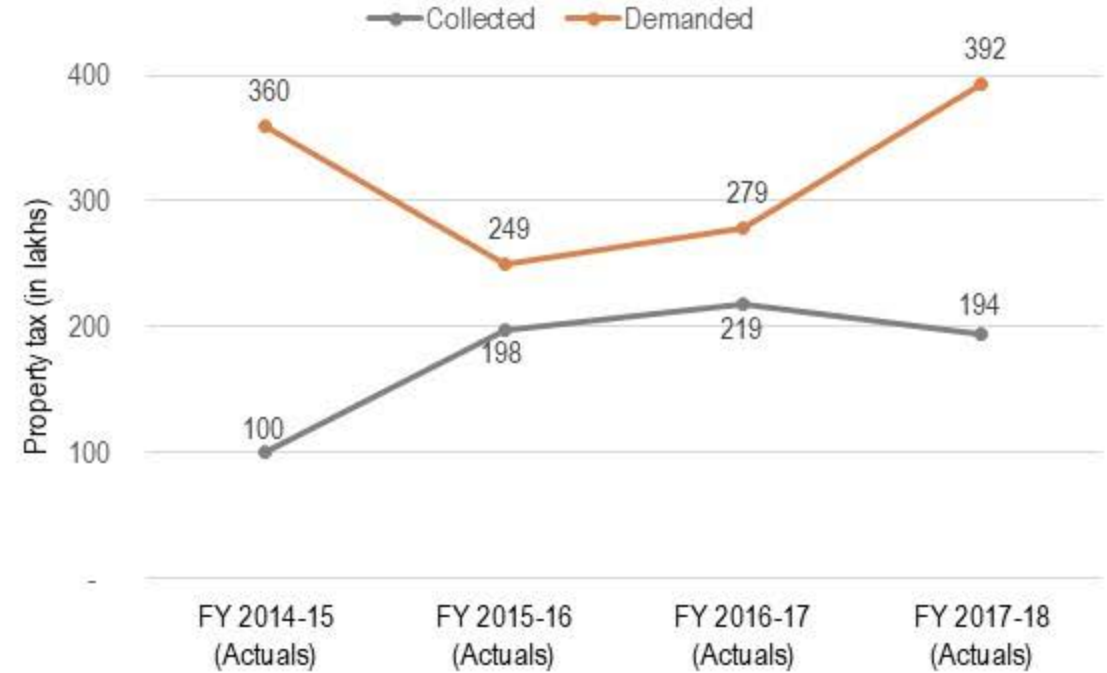


The per capita property tax values of Wai and Sinnar are higher than the average of both C class and B class municipal councils respectively

WAI

SINNAR

PROPERTY TAX: DEMAND VS COLLECTED



ANALYSIS



1. **Method of assessment:** The method of assessment and base unit rates are both very crucial for any property tax system
2. **Property tax as the backbone of ULBs:** Property tax is the most dominant and crucial revenue source for the local governments
3. **Coverage and effective coverage of properties:** Absence of a formal count of properties is one of the major obstacles in accurately estimating the property tax potential in India. The performance of some cities in terms of effective coverage is also particularly low
4. **Collection efficiency:** There is a large gap between tax demanded and tax collected, which indicates poor collection efficiency
5. **Expenditure on property tax:** One of the less explored areas in property tax include looking at its expenditure side to understand the net revenue income and also look at process efficiency
6. **Property tax as a local government responsibility:** It is argued that property tax is a local government revenue, and its determination should, therefore, be a local government responsibility



WAI

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	Sanitation tax	300
	Solid waste tax	100

Rs. 9,062/year
Tax payable

Rs. 90/year
Per sq.m



WAI

Carpet area (sq.m.)	Rate	Annual rent (*12)	Improvement expense (10%)	Taxable value	Consolidated tax payable
100	1	1,200	120	1,080	Rs. 5/ sq.m
	30	36,000	3,600	32,400	Rs. 116/ sq.m

SINNAR

Carpet area (sq.m.)	Rate	Annual rent	Improvement expense (10%)	Taxable value	Consolidated tax payable
100	37	3,700	370	3,330	Rs. 15/ sq.m
	330	33,000	3,300	29,700	Rs. 106/ sq.m

- Lack of data to understand the percentage of properties falling in different categories
- Need for database creation and mining

Sr. No.	Town	Factors on which rate is dependent	Maximum unit rate	Minimum unit rate
1	Gevrai	Building material, use, road width	288	60
2	Chiplun	Building material	340	108
3	Akot	Building material	348	96
4	Wai	Building material, age, use, road width	360	48
5	Sinnar	Building material, typology, age, use	330	37

*Source: PAS

- Wai and Sinnar stand out to be the towns which have adopted one of the highest unit rates when compared to other towns
- However, understanding the rationale behind setting these rates is the key to correct assessment of property tax

WAI: 2012

Carpet area (sq.m.)	Rate	Annual rent (*12)	Improvement expense (10%)	Taxable value
100	16	19,200	1,920	17,280

Fire tax	2.0%	General tax	25%
		Education tax	06%
		Employment guarantee tax	03%
		Tree tax	01%

WAI: 2016

Carpet area (sq.m.)	Rate	Annual rent (*12)	Improvement expense (10%)	Taxable value
100	21	25,200	2,520	22,680

Fire tax	2.0%	General tax	25%
		Education tax	06%
		Employment guarantee tax	03%
		Tree tax	01%
		Sanitation tax	60

30%
Increase in rates

Assessment: Property tax

- Residential
- 1-5 year old property
- RCC structure

The revision of the rateable values of all properties in the municipal area shall, as far as possible, be done once in four years, and once done shall remain in force until they are revised under this sub-section

The Maharashtra municipal councils, nagar Panchayats and industrial townships act, 1965

Source: WMC, SMC



SINNAR

Town	For the year 2016-17	Maximum rate (in Rs.)	Minimum rate (in Rs.)
Sinnar	Capital value rates used for assessment	19,800	6,930
	Jantri rates*	20,600	15,100

*Source: igmaharashtra.gov.in

40,772/year
Tax payable

Carpet area (sq.m.)	Rate	Annual rent	Improvement expense (10%)	Taxable value
100	281	28,100	2,810	25,290

9,062/year
Tax payable

General tax	23%
Education tax	06%
Employment guarantee tax	03%
Tree tax	0.25%
Fire tax	2.0%
Sanitation tax	300
Solid waste tax	100

OTHER IMPORTANT ASPECTS IN ASSESSMENT OF PROPERTY TAX ₹

	WAI	SINNAR								
Open plots	Rs. 6/year	Not taxed								
Rent properties	<table border="1"><thead><tr><th>Amount of rent paid per month</th><th>Annual rateable value</th><th>Improvement expense (10%)</th><th>Taxable value</th></tr></thead><tbody><tr><td>100</td><td>1200</td><td>120</td><td>1080</td></tr></tbody></table>	Amount of rent paid per month	Annual rateable value	Improvement expense (10%)	Taxable value	100	1200	120	1080	Same method as used for other properties
Amount of rent paid per month	Annual rateable value	Improvement expense (10%)	Taxable value							
100	1200	120	1080							
Exemptions	Central government and Municipal Council, religious places, places of cultural importance and slums	Municipal Council, religious places and places of cultural importance								
Educational institutes		50 percent of tax rate: 12.5%								

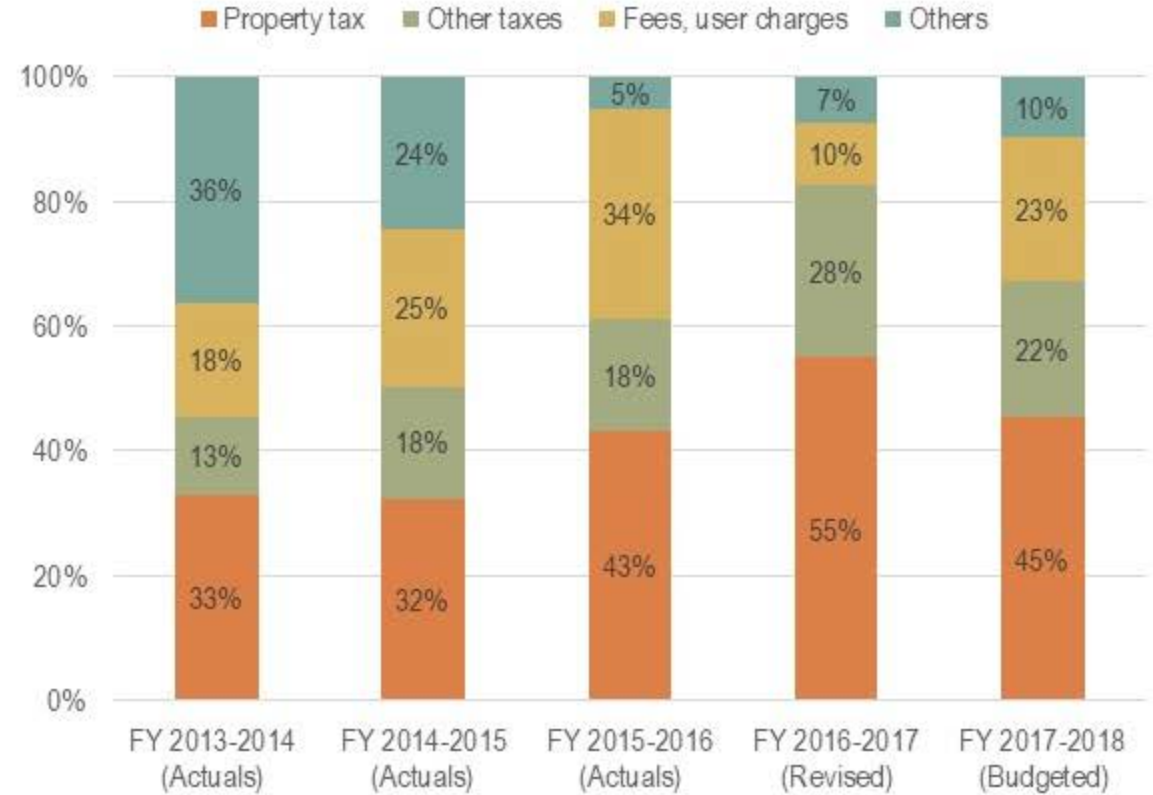
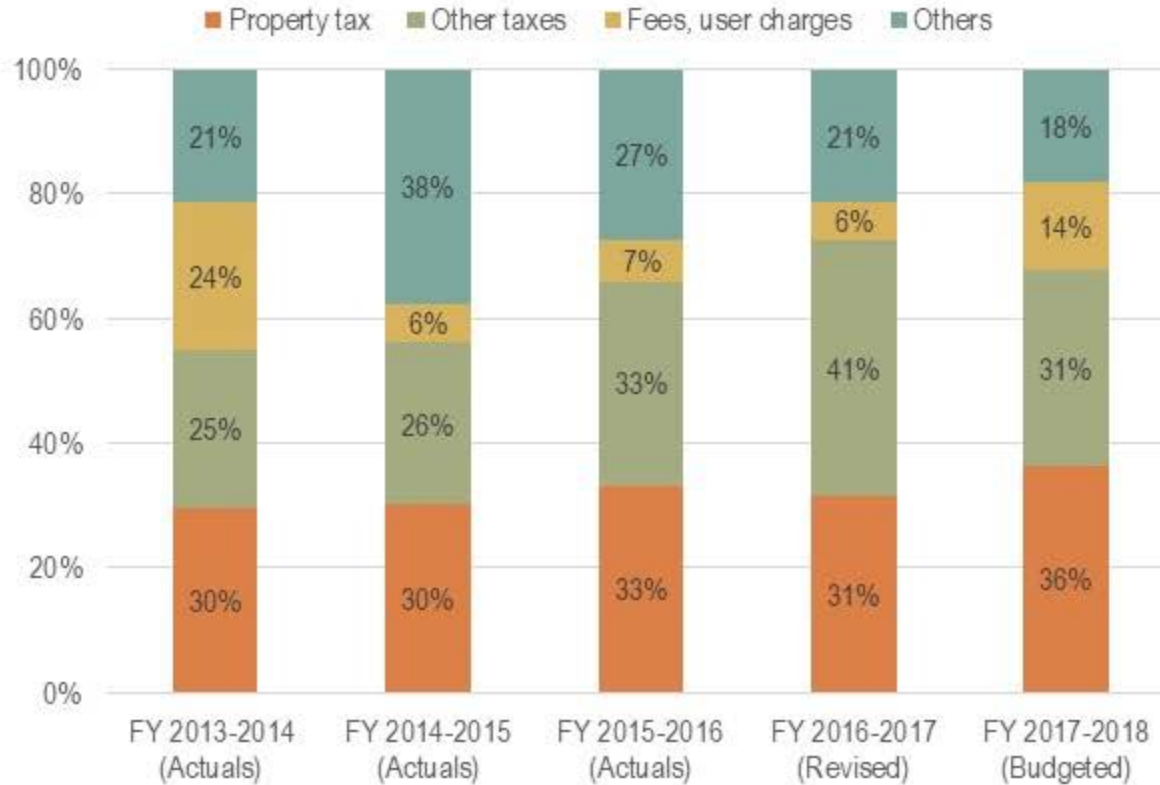


1. **Method of assessment:** The method of assessment and base unit rates are both very crucial for any property tax system
2. **Property tax as the backbone of ULBs:** Property tax is the most dominant and crucial revenue source for the local governments
3. **Coverage and effective coverage of properties:** Absence of a formal count of properties is one of the major obstacles in accurately estimating the property tax potential in India. The performance of some cities in terms of effective coverage is also particularly low
4. **Collection efficiency:** There is a large gap between tax demanded and tax collected, which indicates poor collection efficiency
5. **Expenditure on property tax:** One of the less explored areas in property tax include looking at its expenditure side to understand the net revenue income and also look at process efficiency
6. **Property tax as a local government responsibility:** It is argued that property tax is a local government revenue, and its determination should, therefore, be a local government responsibility

WAI

SINNAR

PROPERTY TAX AS A PERCENT OF OWN REVENUE INCOME

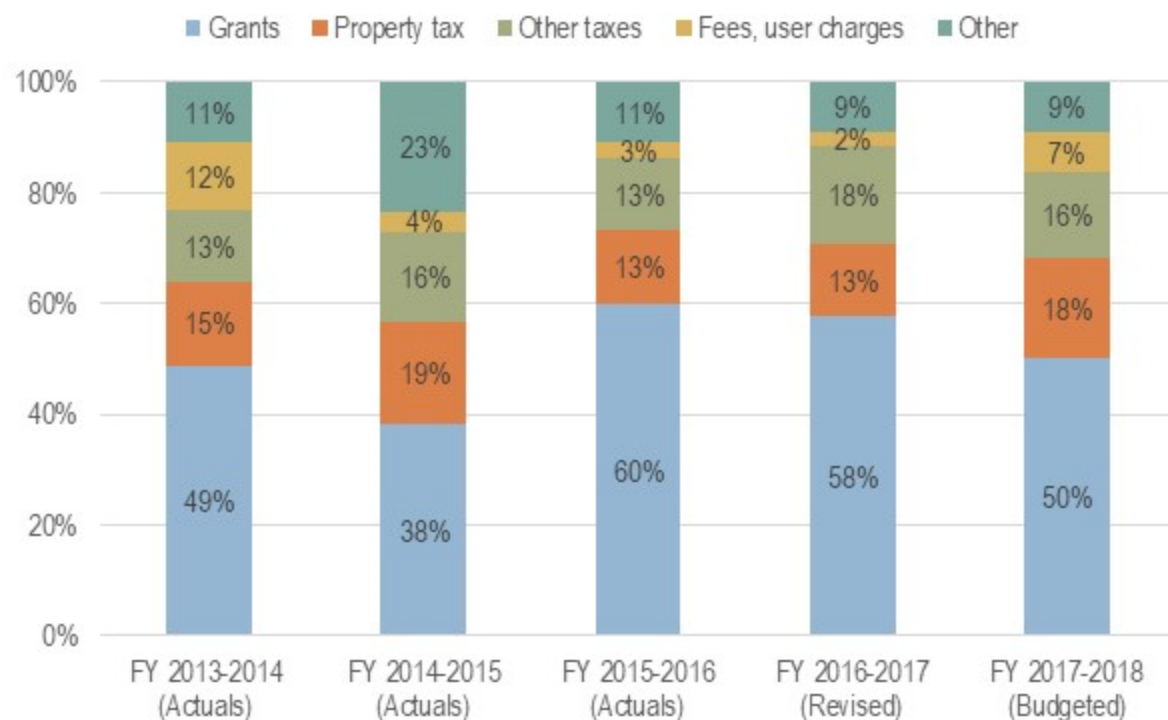


- Property tax accounts to an average of 30 percent of own revenue sources of Wai and 40 percent of own revenue sources of Sinnar
- It accounts to only 1/3rd of own income and it still has a lot more potential that can be tapped

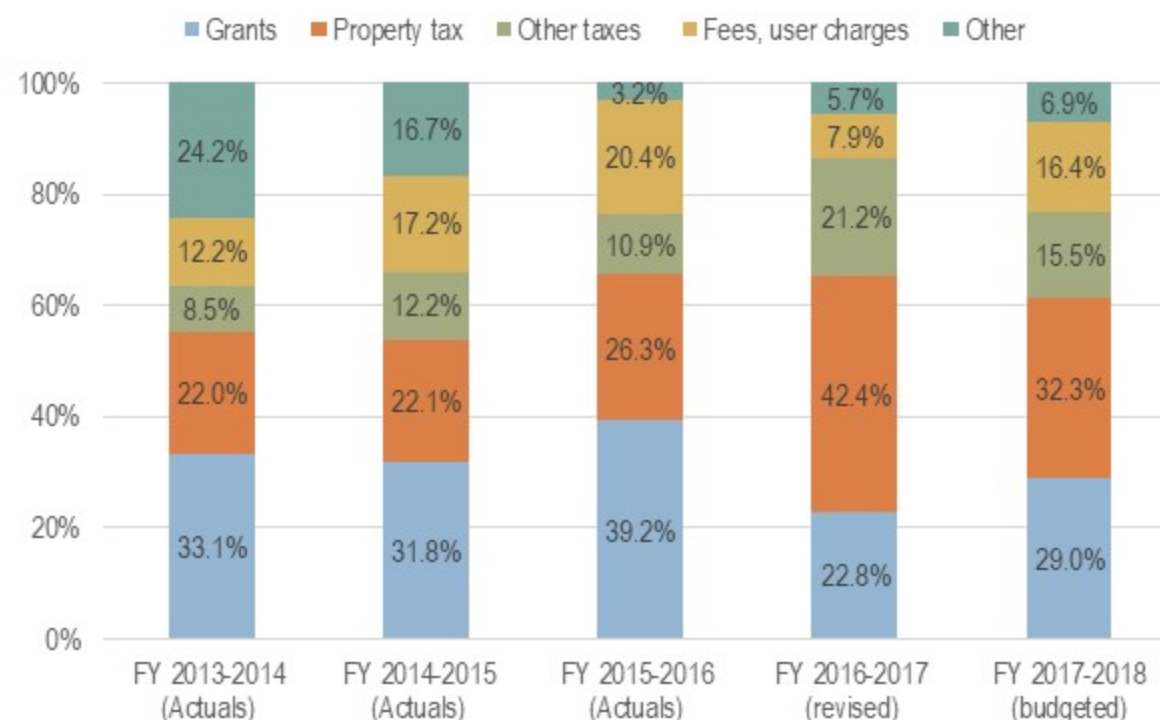
IS PROPERTY TAX A DOMINANT SOURCE FOR THE ULB? ₹

WAI

PROPERTY TAX AS A PERCENT OF TOTAL REVENUE INCOME



SINNAR



Sources of revenue	FY 2013-2014 (Actuals)	FY 2014-2015 (Actuals)	FY 2015-2016 (Actuals)	FY 2016-2017 (Revised)	FY 2017-2018 (Budgeted)
Property tax	111,11,593	133,75,981	111,83,191	130,00,000	205,00,000
Total revenue income	730,94,401	717,85,724	836,63,892	973,62,031	1125,80,500

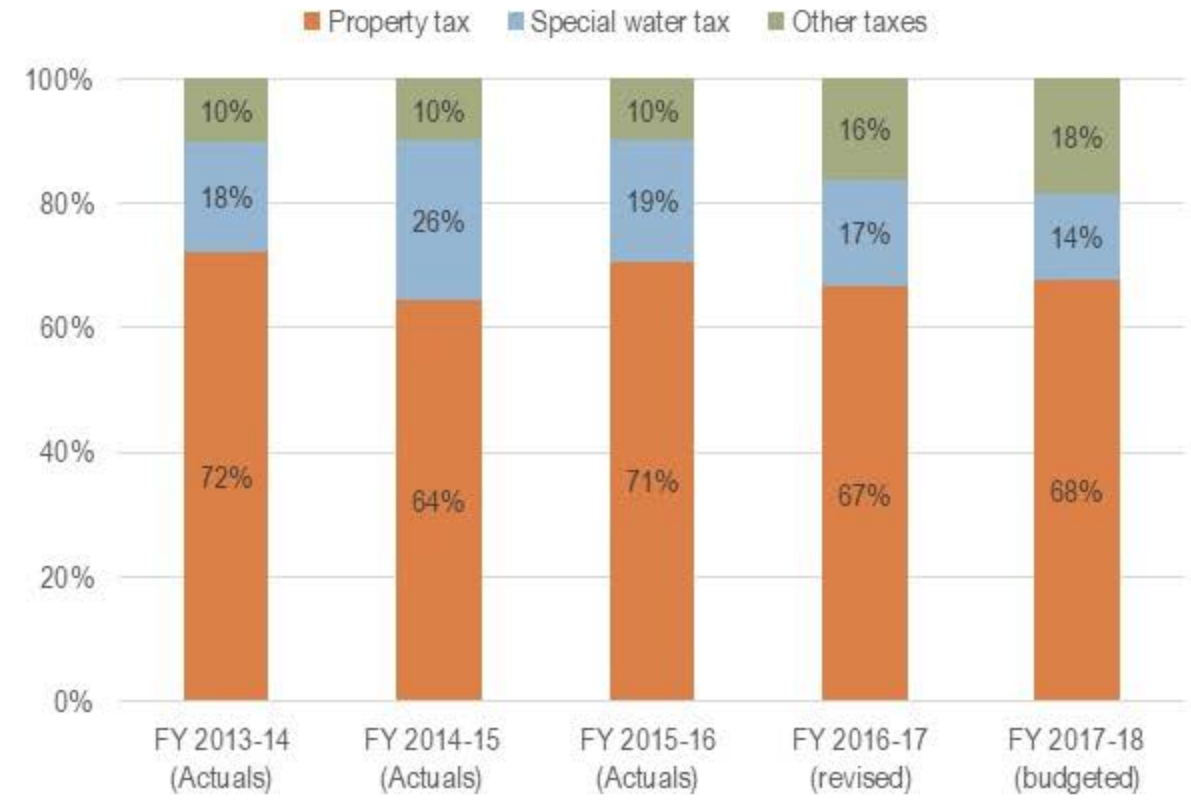
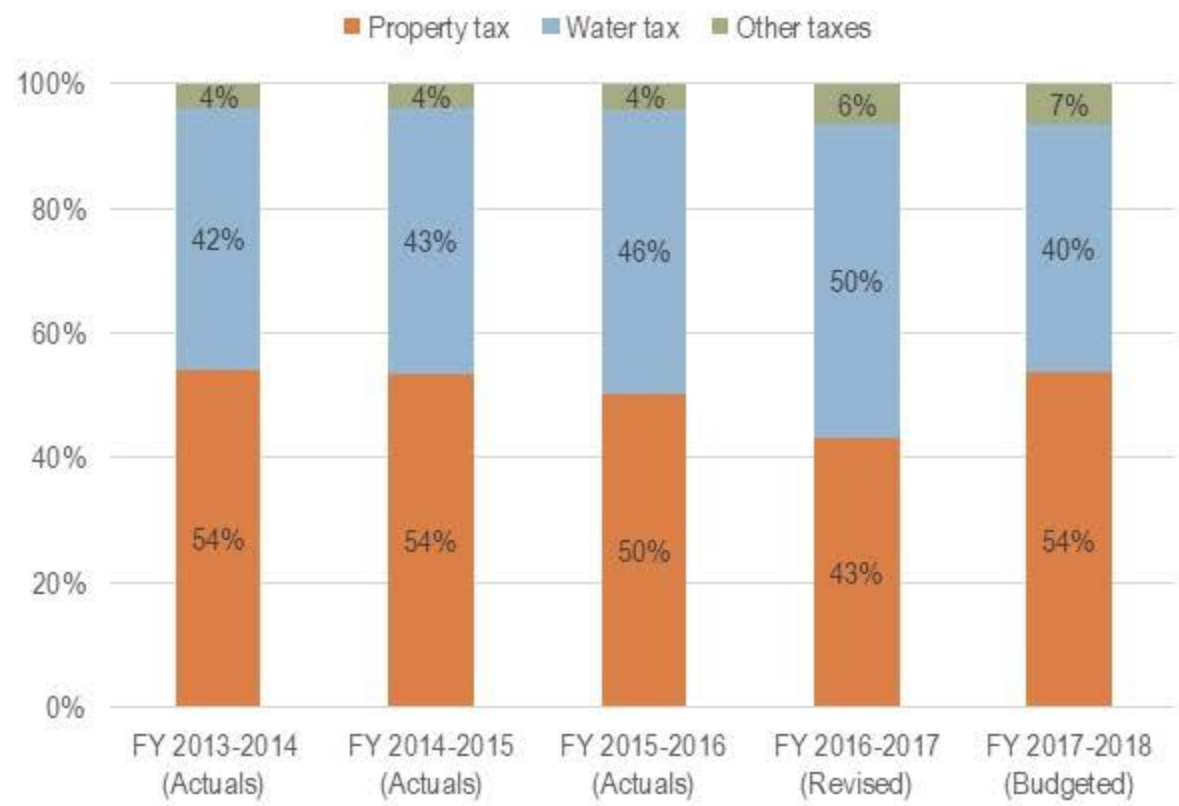
Sources of revenue	FY 2013-2014 (Actuals)	FY 2014-2015 (Actuals)	FY 2015-2016 (Actuals)	FY 2016-2017 (Revised)	FY 2017-2018 (Budgeted)
Property tax	220,89,875	205,03,805	322,49,880	865,75,726	650,00,000
Total revenue income	1005,94,470	927,50,187	1226,79,479	2042,24,736	2015,32,000



WAI

SINNAR

SHARE OF DIFFERENT TAX REVENUES



1. **Method of assessment:** The method of assessment and base unit rates are both very crucial for any property tax system
2. **Property tax as the backbone of ULBs:** Property tax is the most dominant and crucial revenue source for the local governments
3. **Coverage and effective coverage of properties:** Absence of a formal count of properties is one of the major obstacles in accurately estimating the property tax potential in India. The performance of some cities in terms of effective coverage is also particularly low
4. **Collection efficiency:** There is a large gap between tax demanded and tax collected, which indicates poor collection efficiency
5. **Expenditure on property tax:** One of the less explored areas in property tax include looking at its expenditure side to understand the net revenue income and also look at process efficiency
6. **Property tax as a local government responsibility:** It is argued that property tax is a local government revenue, and its determination should, therefore, be a local government responsibility

COVERAGE OF PROPERTIES

Town	Number of houses (Census 2011)	Number of properties
Wai	8117	9657
Sinnar	14398	14667

EFFECTIVE COVERAGE OF PROPERTIES

Town	Total properties (2018)	Properties paying tax (2018)	Effective coverage
Wai	11137	10000	90%
Sinnar	24972	19500	78%

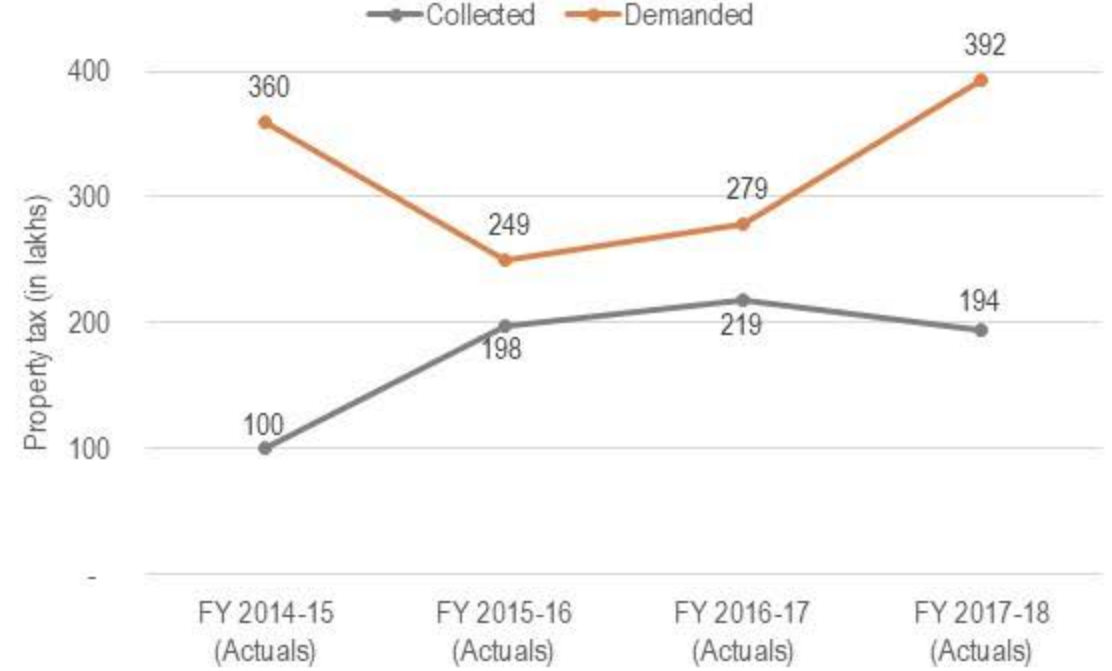
Although coverage of properties seems to be one of the major issues with property tax system in India, Wai and Sinnar both seem to do better in this domain

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WAI

SINNAR

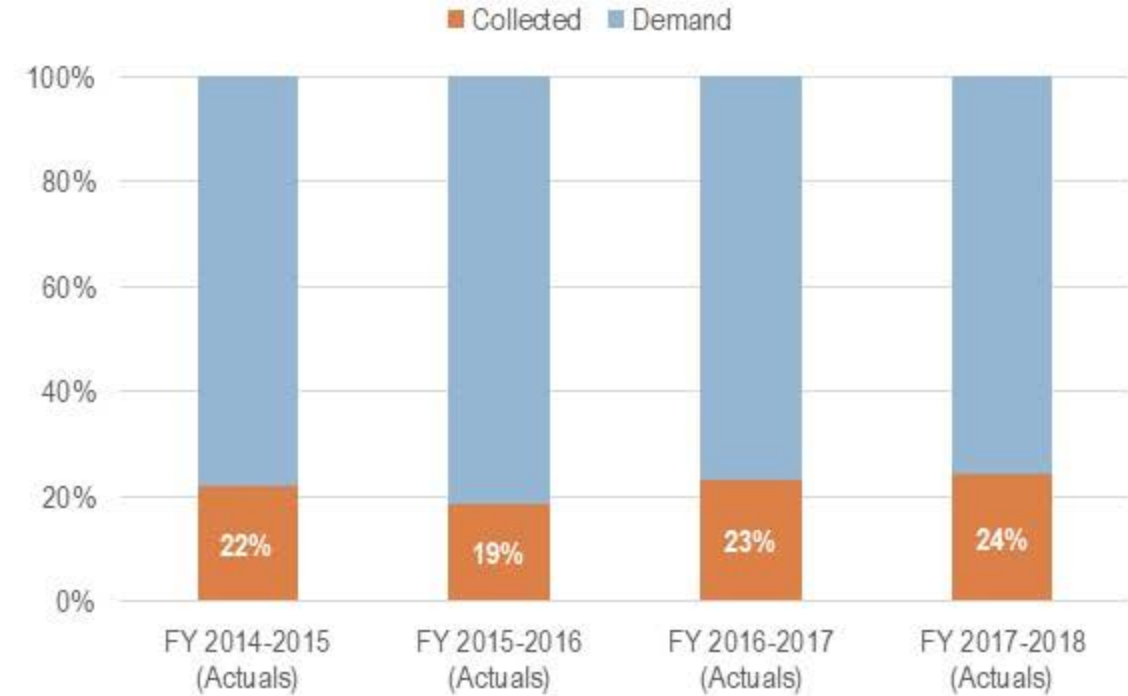
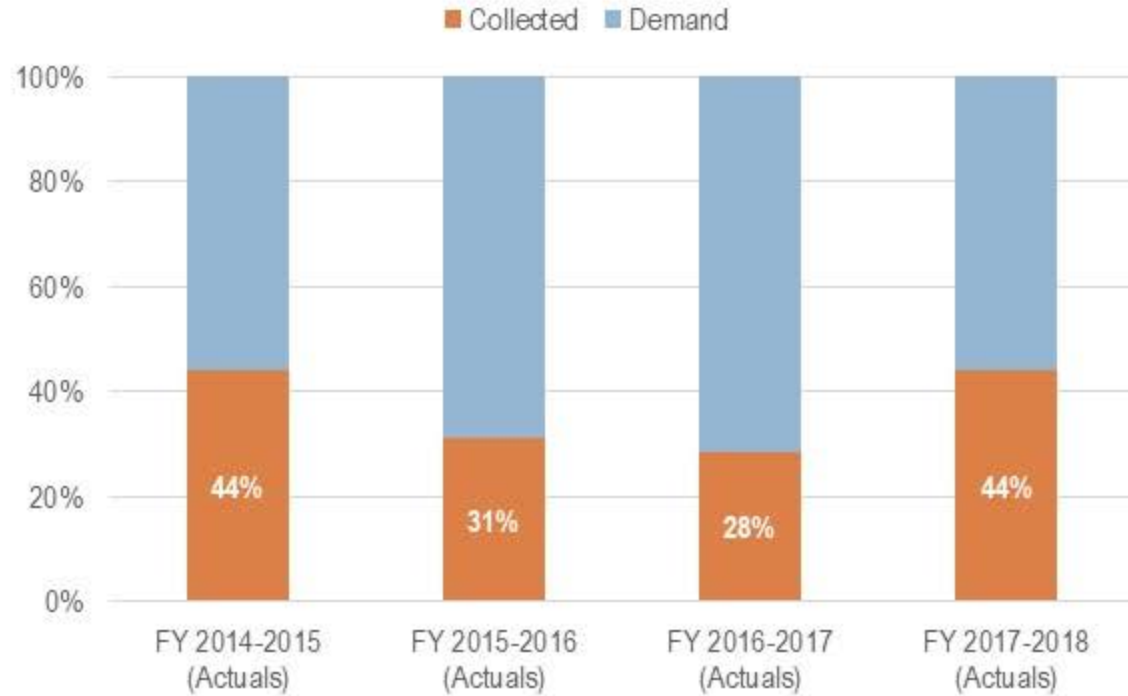
PROPERTY TAX: DEMAND VS COLLECTED



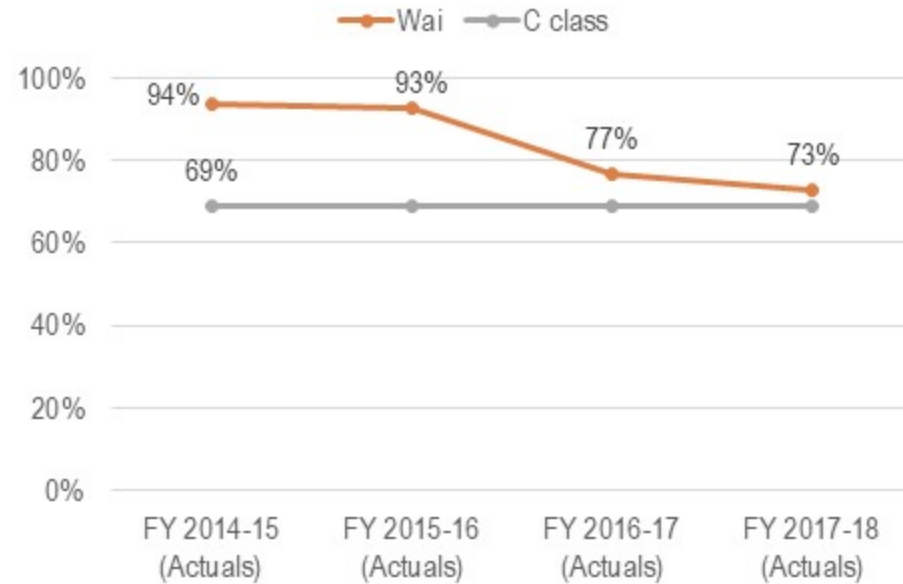
WAI

SINNAR

PROPERTY TAX: DEMAND VS COLLECTED: ARREARS



WAI



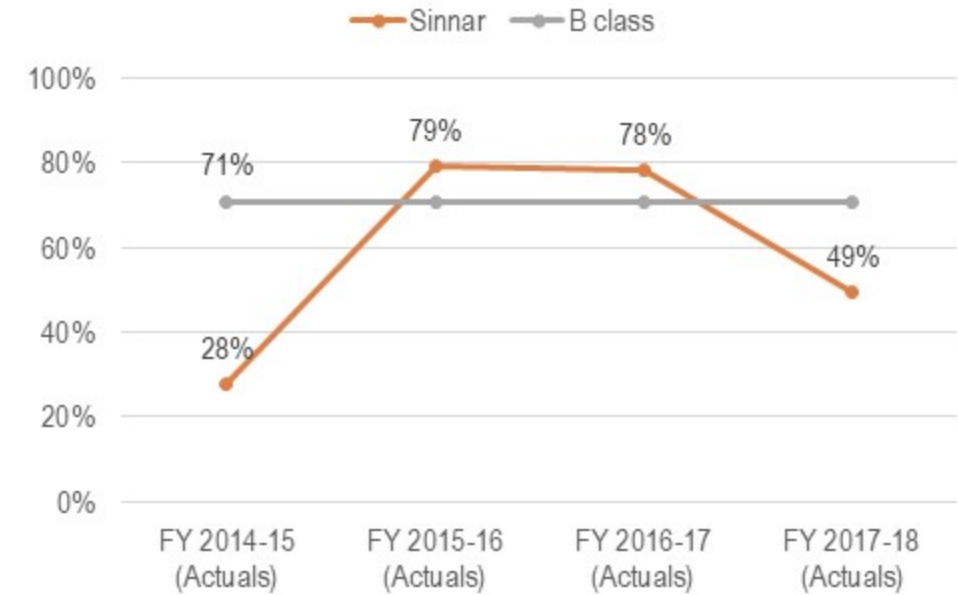
*The B and C class values are for 2018

COLLECTION EFFICIENCY

Wai: **84%**

Sinnar: **59%**

SINNAR



- Collection efficiencies tend to reduce after the assessment year because the payable property tax is higher after assessment and thus, people refrain from paying this tax. This explains the fall in collection efficiency in Wai after 2015-16.
- We can also conclude that Wai and Sinnar perform poorly in terms of collection efficiency when compared with Class b and C average collection efficiency

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HOW MUCH EXPENDITURE IS DONE ON PROPERTY TAX? ₹

WAI

Designation	Number of employees	Role
Tax inspector	1	Verification of all bills, receipts and report, total amount collected, look after issues like ownership and transfer of properties
Asst. tax inspector	3	Check and verify bills, receipts, assessment maps, tackle issues
Recovery clerk	8	Recovery of outstanding and current tax

Number of employees **12**

SINNAR

Designation	Number of employees	Role
Tax inspector	1	Verification of all bills, receipts and report, total amount collected, look after issues like ownership and transfer of properties
Recovery clerk	7	Recovery of outstanding and current tax

Number of employees **8**

EXPENDITURE ON PROPERTY TAX

48.5 lakhs/year

Salary and administration cost

1.5 lakhs/year

Billing and collection cost

50 lakhs/year

Total expenditure

34.5 lakhs/year

Salary and administration cost

1.5 lakhs/year

Billing and collection cost

36 lakhs/year

Total expenditure



47

Source: WMC, SMC

Introduction

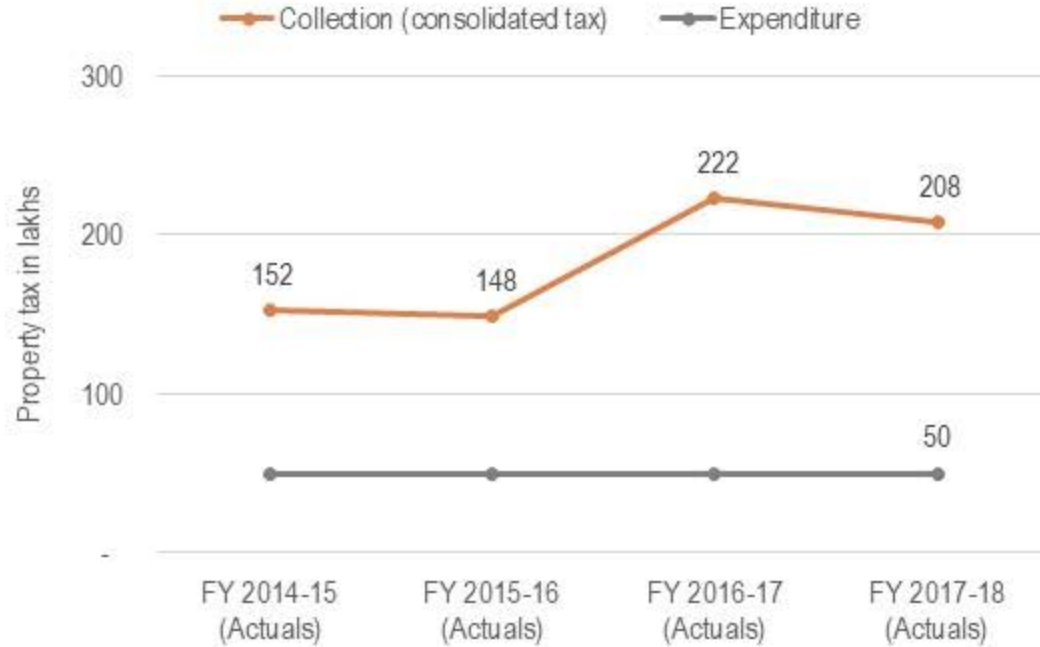
Analysis

Challenges and potentials

Conclusion and way forward

WAI

Property tax: collection v/s expenditure



Demand of **2.8 crore** v/s expenditure of **50 lakhs**

Expenditure: **25%** of collection

SINNAR

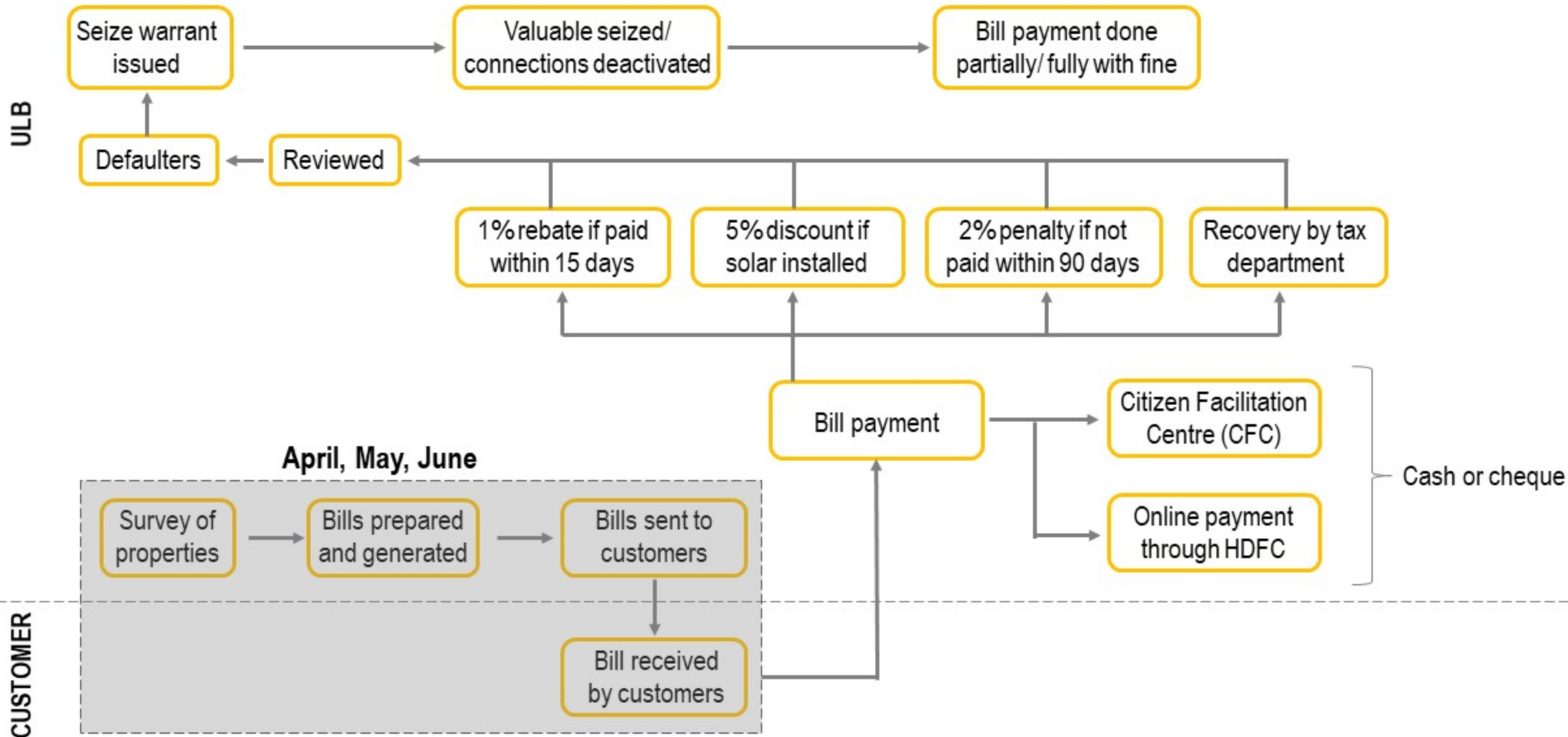
Property tax: collection v/s expenditure



Demand of **6.2 crore** v/s expenditure of **36 lakhs**

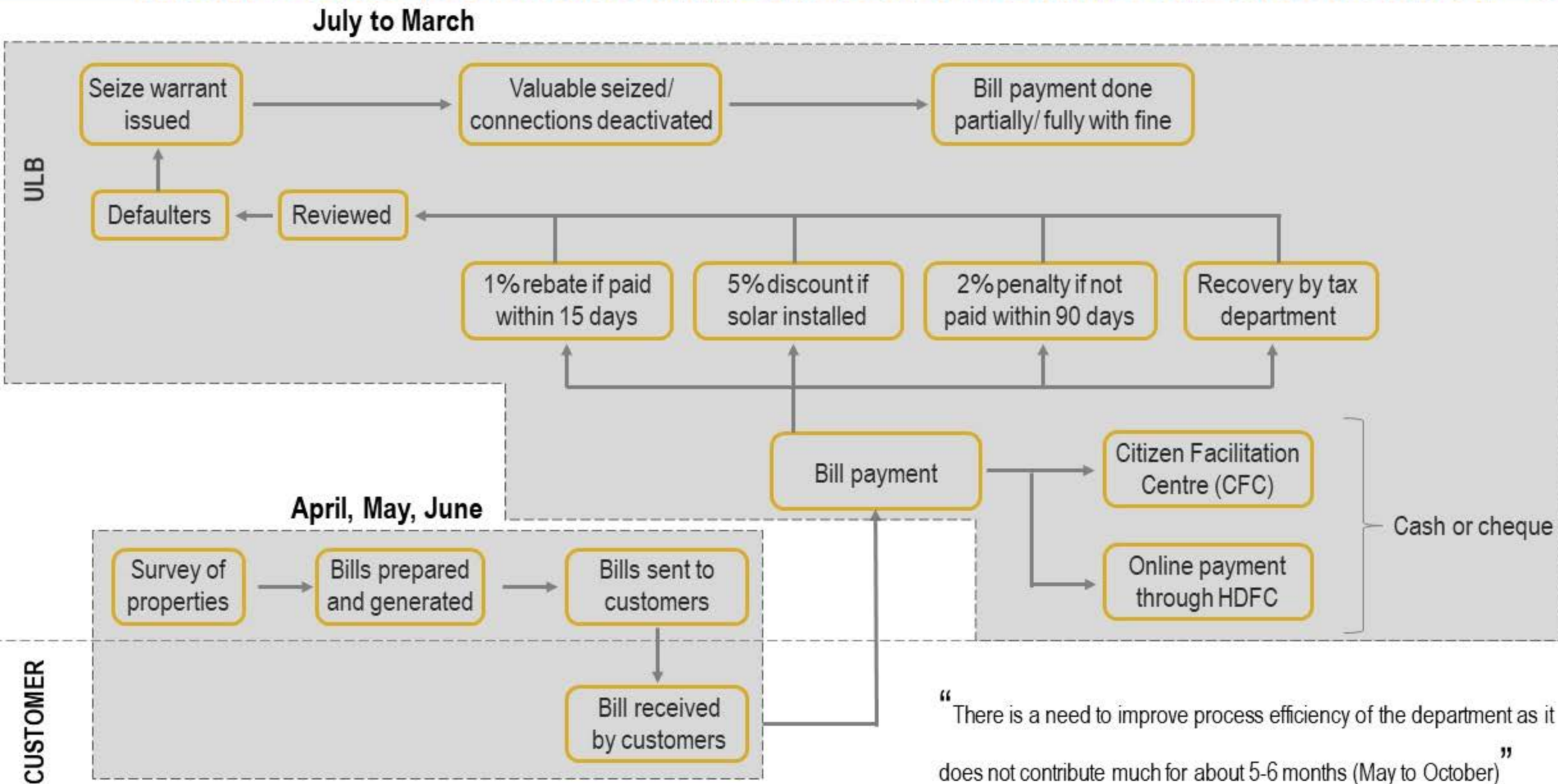
Expenditure: **12%** of collection

HOW DOES THE DEPARTMENT FUNCTION ALL YEAR ROUND? ₹



Source: WMC, SMC

HOW DOES THE DEPARTMENT FUNCTION ALL YEAR ROUND? ₹



“There is a need to improve process efficiency of the department as it does not contribute much for about 5-6 months (May to October)”

Source: WMC, SMC

Introduction

Analysis

Challenges and potentials

Conclusion and way forward

Month	Collection (FY 2017-18)	% collection
April	10,98,387	4.3%
May	4,32,509	1.7%
June	1,81,176	0.7%
July	1,02,950	0.4%
August	1,60,292	0.6%
September	74,684	0.3%
October	2,16,936	0.9%
November	5,91,861	2.3%
December	8,94,741	3.5%
January	19,31,319	7.6%
February	38,81,444	15.2%
March	159,47,541	62.5%

- The process efficiency of the department drops in the months of May to October
- Thus, during this period, not much tax gets collected

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SUMMARY OF FINDINGS

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	WAI	SINNAR
Is property tax a dominant source for the ULBs?	30%	32%
Coverage and effective coverage	90%	78%
Method of assessment	<ul style="list-style-type: none">• Unit rates highest amongst peer cities• Components not linked to property tax• No online payment mechanism	<ul style="list-style-type: none">• Open plots not taxed• Rent properties not taxed based on rent they fetch
Collection efficiency	73%	49%
Expenditure v/s income	Rs 50 lakhs v/s collection of Rs. 2 crore	Rs 36 lakhs v/s collection of Rs. 3 crore
Process efficiency		Poor

BANGALORE

Transition from the annual rental method to unit area method of valuation.

Bangalore adopted **GIS** based property tax system, **Property Identification Code** (PIC) to bring missing properties in the tax net, introduced **Self-Assessment System** (SAS) and **hassle free payment** options like in kiosks, debit/credit cards and banks. They also introduced **uniform rates**, elaborate **design of depreciation**, **sensitized people** about the gains and developed a **framework** of incentives and dis-incentives.

AHMEDABAD

Transition from annual rateable valuation method to unit area based method.

They adopted measures like simplified **automated tax collection** system, **easy tax payment** facility for citizens, **online** and hassle free complaint registration system and **database** and **training** of corporation staff. It undertook steps like **updating** municipal records and adding unrecorded properties, **reassessing properties** that were poorly assessed earlier and **strict enforcement**.

VISHAKHAPATNAM

Annual rental value system fixed with reference to factors like location of building, type of construction, plinth area and age of building and nature of usage

Vishakhapatnam carried out strategies like **reducing revision period** from 5 to 3 years, adoption of **Self-Assessment system** (SAS), **GIS mapping**, assigning unique **Property Identification Codes** (PIC) and **penalties** to be imposed.

PATNA

Patna moved to a presumptive area-based valuation considering parameters like **location**, **usage**, **built-up area** and **type of construction**.

JALGAON

Taxing open plots based on their area. Thus, a **per sq.m rate** is applicable for taxing vacant land

HASSAN

They adopted measures like **surveying and mapping** to build ground inventory, **integration of information** to its spatial location, **property search facility** and **MIS reports** and decision support tool.

THIS STORY IS FROM NOVEMBER 25, 2017

Average 2.5 times increase in property tax in new system

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

Ahmedabad Municipal Corporation auctions property of tax defaulter, finds no taker

(Thursday) 3rd January, 2018

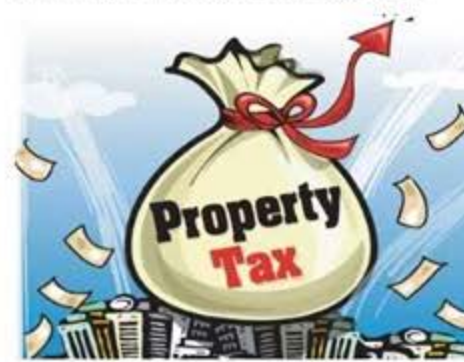


The Ahmedabad Municipal Corporation on Wednesday auctioned a commercial establishment valued at Rs 4 lakh as it owed the civic body Rs 22.23 lakh in outstanding property tax. However, no one turned up at the auction, so, the AMC decided to use the property for its own use. AMC's tax department had decided

THIS STORY IS FROM DECEMBER 4, 2018

AMC to auction defaulter's property, registers 21% increase in tax income

Himanshu Kaushik | TNN | Updated: Dec 4, 2018, 23:33 IST



Picture for representative purpose only

AHMEDABAD: The Ahmedabad Municipal Corporation, which has plans to auction the property of defaulters, has claimed that the income of the property, professional and vehicle tax has registered an increase of 21%. The AMC's official release that the total income of all the three taxes combined was Rs 786 crore which was collected between April 1 and December 4 this year. The corporation officials said that the income this year was Rs 138 crore more than last year during the same period.

pending dues amount to Rs 3.75 crore.

MCG launches campaign for door-to-door collection of property tax

Residents will get an SMS alert and a receipt once they pay property tax

GURUGRAM | Updated: Feb 10, 2018, 23:21 IST



Gurugram civic body to auction 100 properties of tax defaulters

Editor | December 10, 2018 @ 12:44 PM

Delhi/NCR

MCG has decided to auction 100 properties of defaulters who have not cleared their property tax dues despite several notices being issued. The auction will take place by the end of this month or first week of January.

Drone survey to help widen tax net in Vijayawada

In a bid to boost its revenues through property tax management, VMC is planning to conduct a drone survey in the city.



Published: 01st May 2017 04:40 AM | Last Updated: 01st May 2017 06:07 AM



Lucknow Municipal Corporation plans drone-based survey of properties

The LMC will create a property database by collecting and linking data of each property to a digital map. Evidence based, auditable data will be collected speedily and accurately with the help of drones with minimum manual intervention.

LUCKNOW (ANI) Aug 11, 2017 12:37:57

Arjun Singh
Hindustan Times, Lucknow



Civic body of India's Tamil Nadu to use drone mapping for properties

By News Desk - 11/23/2017

SHARE



- Drone survey and GIS mapping
- Rebates and incentives

Housing societies that go green to get rebate on property tax

In an another attempt to reduce the burden on the old and over-burdened landfills in the city, the Brihanmumbai Municipal Corporation (BMC) wants to give a rebate to housing societies, which work towards reducing that burden.

MUMBAI (ANI) Aug 14, 2016 23:24:57

Tanjana Shrivastava
Hindustan Times



CONCLUSION AND WAY FORWARD

BROAD FOCUS AREAS AND FURTHER RESEARCH DIRECTIONS

- 1 State level**
- Base unit rates
 - Other taxes as a component of property tax

ULB level

- Open plots
- Rent properties

METHOD OF ASSESSMENT

- 2 ULB level**
- User friendly payment options
 - Effective and efficient data management through IT enabled solutions (software)

- **State level**
- Communication strategy
- Capacity building of staff

COLLECTION EFFICIENCY

- 3 State level**
- State based incentive schemes
 - Routine review and monitoring

EXPENDITURE AND PROCESS EFFICIENCY