

CHAPTER - II

PROPERTY TAX

- A) Legal Provisions
- B) Trends in Property Tax
- C) Observations
Rate Fixation

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PROPERTY TAX

Property tax is to municipal Government what Income Tax is to the Central Government and Sales Tax is to State Government. Property tax, a levy on the lands and buildings constitutes an important source of revenue next to octroi of the municipalities. Property tax is not as a tax paid out of property. It really aims to reach the income derived by the owner from his possessions and uses of property.

A) LEGAL PROVISIONS IN

MAHARASHTRA MUNICIPALITY ACT, 1965 :

Subject to orders of State Government Municipal Council shall impose the taxes listed below i.e. a consolidated property tax. Consolidated property tax can be imposed by Council subject to minimum and maximum limits prescribed by State Government e.g. Maharashtra State Government has prescribed limit as 22 to 25 per cent of the property income i.e. tax based on 'rateable value of property'. Consolidated property tax imposed by Gadhinglaj Nagar Parishad includes :

- a) a general tax
- b) a general water tax
- c) a lighting tax
- d) a general sanitary tax
- e) a special latrine tax.

Another provision is that State Government under special circumstances grants exemption for any property or lands from levy of such tax but annually, State Government may reimburse to council - concerned, equal to loss due to such exemption. Such reimbursement cannot be given if 'C' class Municipal Council itself decides that it cannot levy any of such tax.

Consolidated tax on property based on 'rateable value' means amount of rent for which such property might be expected to let or actually let - whichever is higher - less 10% of it for repairs or on any other account. Council may vary the tax rate within prescribed maximum and minimum limits i.e. 22 - 25% of rateable value given by the concerned state Government.

The amount of property taxes is payable in full in one instalment in the beginning of the year on the presentation of bill. Failing the payment within the time allowed, penalty is charged and staff has to follow up according to the prescribed procedure of recovery and attachment.

Under the municipal enactment the responsibility for valuation and assessment of properties (determining annual rental value) is placed on the shoulders of municipal bodies. The courts have taken more or less the consistent view that the annual value determined by municipal bodies should not exceed standard rent fixed under relevant Rent Restrict Act.

B) TRENDS IN PROPERTY TAX :

Revenue from property tax from the year 1980-81 to 1984-85 of Gadhinglaj Nagar Parishad is given in the Table No. 3.

TABLE NO. 3

TRENDS IN PROPERTY TAX PROCEED OF GADHINGLAJ NAGAR

PARISHAD

Year.	Revenues from Property Tax (in Rs.)
1980-81	2,01,029
1981-82	3,03,684
1982-83	3,40,655
1983-84	3,73,410
1984-85	4,20,548
1985-86	5,00,000 (Budgeted Figures)

Source : Annual Accounts of Nagar Parishad.

Total proceeds of property tax is increasing yearly especially there is perceptible rise in the proceed from the year 1980-81 and onwards. As the Table No. 3 indicates from 1980-81 to next year there is sharp rise by about 50%, after that in third year growth was 12.3% in fourth year growth was 9.7% and in fifth year growth was 12.6%. With that authorities of municipality estimated the growth rate at 20% for the year 1985-86.

Sharp growth rate in the 1981-82 (i.e. 50%) was due to the revision of rate of property tax and additional new constructions of buildings were more in that year.

Cumulative effect of that was sharp increase in growth rate by 50%. In next four years under study growth rate was normal.

Share of property tax in the total revenues from rates and taxes remained in the margin of 17.5 - 20% per cent. But share of property tax in the total revenues of Nagar Parishad was next to share of octroi i e. from 6.5% to 9.5% of the total revenues of Gadhinglaj Nagar Parishad. (See Appendix '1').

C) OBSERVATIONS :

For collecting administrative information long interviews with officers, employees were conducted. For knowing the problems and capacity to pay some house-owners were contacted and data collected. Facts are given below.

1. Total revenue from property tax is directly x related to the speed of constructions taking place in municipal area. If the constructions are more the proceed will be more. Constructions like houses, public buildings, schools, hospitals, offices, shops are the determinants of the proceed.
2. In future as developing urban area, in the context of construction works, it is definitely stressed that construction works will increase at rapid rate.

3. Rent of house in Gadhinglaj Municipal area is rising @ 10% p.a. as opined by some owners and occupiers of buildings.

RATE FIXATION :

Assessment of tax, determination of rateable value, preparation of assessment list, and amendments thereto etc. is done as per Government rules and regulations i.e. as per Maharashtra Municipality Act.

As per State Government notification Valuation Officer is appointed who shall exercise powers in defined municipal area. Reasonably expected rent or actual rent per annum whichever is higher, is taken and from that 10% deduction is made.

Chief Officer shall cause assessment list of all buildings and land in area. For this Chief Officer may inspect any land or building and occupier or owner shall be bound to furnish a true information about rent and value of property under his signature. When the name of assessee and related information cannot be ascertained holder or occupier will be liable for this. Chief Officer can estimate the rent and value of property with the help of Engineer. After verification by Valuation Officer, Chief Officer shall publish the assessment list for the inspection

by the owners. Objections received from them are lodged with Valuation Officer and he shall investigate and dispose of the cases. Revision in rateable values is done once in four years.

Government from time to time fixes the tax limits and all the municipalities are free to levy taxes at the rates within prescribed limits.

In Gadhinglaj Nagar Parishad, generally body of council by resolution passed at its meeting delegates to Chief Officer the powers regarding valuation and rent fixation. Chief Officer can delegate his powers to Tax Inspector. If municipal council wants, then it can suggest to Government for providing services of Valuation Officer.

Annual average recovery is 80% in property tax. Arrears are collected by instalments with penalty interest thereon. There is no tax evasion though there is late recovery. Every elected body of municipal council tries to fix property tax at minimum level set by State Government due to which proceed from tax reduces to that extent. Personal opinions received from some council members revealed the following facts :-

- i) People cannot bear high tax rate.
- ii) Raising rates will invite opposition from

ii) Contd...

citizen who have given votes to the elected body.

iii) For winning next election voters are satisfied by lowering the tax rate.

Interview with tax superintendent and house owners revealed that owners give false information i.e. under-valuation of property and low rent figures for avoiding tax burden. Some small house owners have no capacity to pay annually property tax even of Rs. 100/- of their own.

SMALL HOUSE :

There is no exemption to property in taxation except lands and properties of 'Devasthan', Darga and crematory.

Reasonable rent is fixed by Chief Officer after considering quality, period, structure, location of construction and information received from general public (back door information).

It is observed that rent fixation by Municipal Officers is far off from reality e.g. property, earning rent of Rs. 6,500/- taxed upto Rs. 300/- only instead of Rs. 1,287/- as per legal provisions. It is also observed that old constructions are taxed at lower rate than new one. Many old houses earning total rent at very low figure due

to which owners are unable to pay high property tax. Assessment agency sometimes tempted to underassessment due to tipping and influence of political pressure. Consequently, property tax is maladministered by existing machinery and tax payers make clever bids to get their tax reduced.

It is also found that there are accumulation of arrears due to lack of adequate employees, unwillingness for prompt action, delay in invoking the provisions of Land Revenue Act, delay of Government Departments to clear the arrears and delay in the preparation of assessment list and disposal of cases.

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