



India – August 2020

CONTENTS

GOVT WEIGHS PROPERTY TAX COLLECTION REFORMS.....	1
MUMBAI: BMC DISCUSSES FEASIBILITY OF REBATE ON PROPERTY TAX.....	2
SLUMP IN PROPERTY TAX COLLECTION	2

Govt weighs property tax collection reforms

- The reforms are aimed at enhancing the resources of urban local bodies, says union minister Hardeep Singh Puri
- The suggestions include frequent property revaluations, simplification of billing, cutting down exemptions

The Union housing ministry is considering reforms to increase efficiency and transparency in property tax collection by urban local bodies (ULBs) to improve revenues and make them self-reliant.

If best practices are followed, it will enable ULBs to provide better services and infrastructure, said Hardeep Singh Puri, minister for housing and urban affairs. Puri, on Tuesday, chaired a meeting with urban development ministers of six states, including Gujarat, Odisha, and Punjab to discuss steps that can be taken to enhance resources for ULBs.

“Discussed reforms to increase efficiency of property tax collection to enhance the resources available to ULBs at a meeting of consultative group on property tax reforms comprising state UD ministers from Gujarat, Odisha, Punjab, Tamil Nadu, Tripura and Uttar Pradesh,” Puri wrote on Twitter.

“Our discussions on best practices in property tax administration and statutory provisions will enable the ULBs to provide better basic services and infrastructure to citizens across states,” he said.

The meeting was held against the backdrop of urban local bodies facing increased dependence on property tax after the implementation of GST. Property tax has become the mainstay of municipal corporations after the subsumption of local taxes, including octroi, entry tax, local body tax, and advertisements tax under the GST, according to a study of finance of municipal corporations in metropolitan cities. However, the report points out that there has not been any sign of improvement in property tax collections.

International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

Some suggestions to increase property tax coverage include integrating information, reevaluating property frequently, reducing exemptions and concessions, simplifying billing and payments, and ensuring strict enforcement measures.

“As recommended by the 15th finance commission, we discussed best practices in property tax administration and statutory provisions across cities and states. These practices will further enhance resources available to ULBs,” said Durga Shanker Mishra, secretary, Union ministry of housing and urban affairs.

Mumbai: BMC discusses feasibility of rebate on property tax

After the Mira-Bhayander Municipal Corporation (MBMC) last week passed a resolution offering a 50% rebate on house tax and an interest waiver on outstanding in view of Covid-19, Mumbai civic body too is considering to give a similar concession to Mumbaiikars sources in the department revealed. Once decided, a proposal will be tabled before the standing committee for approval.

The BMC commissioner Iqbal Singh Chahal confirmed that they are considering the matter pertaining to property tax rebate to Mumbaiikars.

Currently, property tax is the only and major source of revenue after the civic body abolished the octroi. Other than the slowdown in real estate, leading to a decrease in the assessment of new properties, the issue of imposing the capital value tax which is sub-judiced has hit the revenue collection too.

With octroi, which was for decades the BMC’s cash cow, now replaced with the universal Goods and Services Tax (GST), the corporation is entitled to receive a compensation of Rs 9073.28 crore from the state government every year for the next five years. The state government this year (Upto February, 2020), has paid only Rs 6040.80 crore.

However, this decision will put a huge dent in the municipal coffers. In the first quarter of the current financial year, only Rs 966.30 crore was collected against the target of Rs 4,949.55 crore. It is also likely to reduce the total revenue assumed for property tax collection for the current fiscal.

Slump in property tax collection

One of the major revenue sources for the Bruhat Bengaluru Mahanagara Palike (BBMP), property tax, has dropped on account of the pandemic. According to information provided by the BBMP’s Revenue Department, till August 5, it had collected ₹1,804.80 crore by way of property tax. This is nearly ₹165 crore less than the amount collected during the corresponding period last fiscal.

BBMP officials attributed this to the pandemic. Sources told The Hindu that almost all revenue officials had been roped in for COVID-19 duty. “We have not given much attention to augmenting property tax collection since the beginning of this fiscal,” the source said.

International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

Furthermore, the civic body, which gives 5% rebate on property tax payments made during April, extended the rebate period till the end of May. This was because in April, it was able to collect just over ₹400 crore. The total tax collected by May 31 was ₹1,440 crore. The tax collected during the corresponding period last fiscal (2019-20) was ₹1,510.79 crore.

The BBMP has set a target of collecting ₹3,500 crore this year. During the last financial year, it had garnered a total of ₹2,729.77 crore.

BBMP's Special Commissioner (Revenue) Basavaraj admitted to a slump in tax collection. "Apart from regular activities of issuing notices to those with arrears, we cannot do much else. The department had drawn up an action plan of bringing in more properties under the tax net. However, given the pandemic situation, we are not sure when the action plan can actually be put in place," he said.

International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.