



# ***“Improving Property Tax Collection by Civic Bodies”***

**Collective inputs from over 335,000+ Indian Citizens on**

**“Swachh Bharat”**

***(Current state, Issues, Root Causes and Proposed Solutions)***

***September 11, 2015***

## **Improving Property Tax Collection by Civic Bodies**

### **Executive Summary**

Proper assessment of properties and efficient collection of tax is vital for municipal corporations as property tax is the primary source of income for these authorities. In a bid to improve their functioning, several municipalities across India have introduced innovative practices in property tax assessment and administration. However, due to a combination of things including ineffective enforcement of policies, processes, systems, leakages and enforcement actions, most municipalities are unable to effectively collect their share of the property taxes. As a result, many municipalities have financial issues and are unable to pay timely salaries, upgrade equipment, train staff and hire additional workforce.

The 335,000+ strong “Swachh Bharat” online community has come together to collectively identify the key issues, root causes and solutions for Property tax Collection in India and the community expects that the Central Government will drive the implementation of these solutions at urban local bodies so they are able to improve their property tax collections on a sustainable basis.

### **Issues and Root Causes Identified:**

1. Many property owners have not paid property tax for years
2. Many people are ignorant about paying property tax
3. Municipal corporation has not declared harsh fines on not paying property tax on time
4. There is major corruption in the property tax departments of municipalities
5. Department employees take bribes to reduce the tax
6. Paying property tax is a tough task through the online method
7. There are long queues in the municipal offices
8. Many times, the property tax payment counters don't open even by 11am
9. There is no penalty in delay of property tax payment
10. There is no encouragement for people to pay property tax
11. The municipal corporation does not have enough powers to enforce the collection of property tax
12. Most municipalities do not calculate the tax correctly
13. Municipal Councillors are themselves defaulters and do not encourage property tax collection in time
14. There is little accountability of concerning officers

15. A reason for the poor collection of property taxes is non-updation of the data bases of the Municipal corporations and non-linkage of the same with the Registrar of Property.

### **Solutions Identified:**

1. Not paying property tax should be made illegal
2. People should be educated about the importance of paying property tax and its link to cleanliness in their area
3. Property tax should be made a community objective and tracked at a ward level (At ward level, municipal resources available should be made proportionate to property taxes paid). This will drive the payers in an area to chase non payers for a cleaner/better ward
4. The information of defaulters should be published in circle or on a public forum to drive transparency and accountability
5. The RWA could be assigned the task of collecting the property tax from all the residents and depositing it with the authorities
6. Property tax should be included in either water or electricity bill once a year at fixed interval
7. If not paid at the stipulated time, water or electricity should be disconnected as the case may be
8. Steep fines should be imposed on not paying property tax on time
9. Penalty should be applied on paying the property after the due date
10. CCTV cameras should be installed in the department offices to catch the bribe takers and givers
11. The process of paying and tracking property tax at property and ward level should be made online, simple and user friendly
12. More desks should be opened at the municipal offices to pay property tax
13. Tax collection desks should be opened at the specified time and should be manned through the day
14. There should be set parameters to calculate property tax payable for each property
15. The property tax collection system should be computerized and should be linked to the Registrar of Property database
16. The rate of property tax should be reduced and the scope expanded
17. Nationalized banks should be authorized to collect property tax
18. After the expiry of certain period and proper notice the tax arrears property should be auctioned to collect the tax
19. Concessions on interest should be given to the past non-payers and encourage them to pay the dues
20. The loyal property tax payers should be rewarded by giving some discounts

21. Unpaid property tax should also be liable for heavy interest penalties
22. No sale/lease/renting out deeds should be registered if property tax is pending
23. Contact detail of people who have vacant properties should be updated. email, mobile, permanent address, passport number etc. so as to track them and send the outstanding notice
24. The municipality should release a statement every year showing the amount collected and how it was spent.

### **Improving Property Tax Collection by Civic Bodies –A few Citizen posts:**

1. It is painful that the Municipal Councillors are themselves defaulters and do not encourage property tax collection in time. There is not effective authority to monitor the working of Civic Bodies. The councillors are virtually owners of civic bodies and hence the mess is created. The ONLINE payment of taxes should streamlined/privatized at the earliest – **K C Rana**
2. The calculation of property tax is arbitrary and does not follow any rational. It is on the whim and fancy of the assessing officer, especially at the lower levels of gram panchayat etc. The best way is to lower the tax rates to low levels and opt for collection at banks. The assessment should be transparent and should be able to be challenged before a senior officer and the adjudication should be done within a week, and not held in abeyance. This would speed up the collection. On the disbursement similar checks should be maintained for proper utilisation – **Dipal Himatsingka**
3. They should ensure that tax revenues from one ward should not be channelled to other wards. This would also ensure that there is no appeasement for certain localities and abolishment of vote bank politics. – **Manohar Batulla**
4. Property tax should be included in either water or electricity bill once a year at fixed interval. if not paid at the stipulated time water or electricity should be disconnected as the case may be – **Sneh Madan**
5. There is no standard for calculating Property Tax. It is at the whims and fancy of the bill collectors and their supervisors the tax is levied. So there is much scope for bribe. There is no point in keeping CCTV in their work spot. The deal for bribe can be decided and taken anywhere. Recently there are many cases when this tax was hiked even 10 times and people were asked to give a representation and an amount as bribe after which the tax was reduced. There are no standard rate and much subjectivity in fixing the tax provides ample chances for corruption – **Savithri Mahesh**

6. May I suggest that a third party is introduced, under the auspices of the C&AG in every state to verify the collection as compared to the value and rates so that corruption can be reduced? Harsh penalties can be envisaged even for this private third party if he is found wanting in his services – **Krishnan VC**
7. I have been paying my property tax regularly but I don't what happens to my money, I don't see even single paise being spent on development of the locality not even a single penny spent on providing a hygienic and liveable environment – **Debasish Das**
8. Paying property tax should be made easy. An invoice should be raised before due date and sent to payer like any other bill. Online payment should be simplified – **Rajeev Jain**
9. We see that 2 buildings side by side have different tax based on different valuation. And that difference is very substantial. An old building is paying almost nil tax. Whereas a new building has to pay too much tax. Furthermore the process of calculation of property tax is much unorganized and all depends upon how much bribe can you offer to the concerned officers to get your valuation assessed as low as possible. A property in an area should have same valuation whether it is old or new – **Vikas Julka**
10. Property tax rates need to be rationalised. In Kolkata Municipal Corporation (KMC) property tax for commercial use of a property is 60% of the rent collected. This is ridiculous. How an owner will maintain the property by doling out 60% of his income without any additional benefit? KMC incentivise the owner to manipulate – **Anjan Mandal**