

Reforming Property Tax: The Approach of Municipal Corporation of Hyderabad

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Introduction

Hyderabad is the capital of the State of Andhra Pradesh in India. It comprises of two sub-cities, i.e., Hyderabad and Secunderabad, which are together known as the Twin Cities. In the process of transition to a vibrant international metropolis, Hyderabad is fast emerging as a centre of commerce, education, bio-medical research and information technology—an ultramodern “knowledge” hub in the country. The fifth largest urban habitation in India in 2001 with a population of about 5.8 million, Hyderabad has been one of the fast-growing urban agglomerations in the country. Hyderabad City, which is a part of Hyderabad UA, has a population of about 3.7 million. The Municipal Corporation of Hyderabad (MCH), constituted under the Hyderabad Municipal Corporation Act, 1955 is the statutory civic body entrusted with civic affairs in the Twin Cities.

During the recent past, Hyderabad has undertaken a series of strategic reforms with the objective of improving civic governance and providing infrastructure and basic amenities to its citizens. These reforms have enabled the city to bag the Clean City Award at the national level for 3 consecutive years – a unique distinction for any city in the country. The city has also been able to receive a very high rating for its proposed Municipal Bond issue of Rs.1000 million (Rs.100 crores): AA+(SO) from CRISIL and LAA+(SO) from ICRA. Among the several measures of municipal reforms, the city has undertaken steps to revamp its system of property tax to make it simple and a buoyant source of municipal revenues.

Vision 2020

Vision 2020, the forward-thinking reform plans document prepared by the State, envisages that Andhra Pradesh would become the foremost State in the country in terms of growth, equity and quality of life by 2020. **Vision 2020** enumerates the potential and resources of the State and recognises the opportunities opened up by the liberalisation and globalisation processes and the information revolution. It also identifies select growth engines to ‘leverage’ the strengths and advantages in various sectors and regions. Drawing upon best practices from within and outside the country, the document outlines the development profile of the State in the first two decades of the 21st Century. It advocates a strategy of leapfrogging growth with equity and sustainable improvements in the living standards of all sections of the people. It identifies growth engines based on an evaluation of potential to build on accumulated strength, to make a significant impact, and to exploit opportunities created by global trends.

In line with this vision, the Mission of the State of Andhra Pradesh is to:

- Eradicate poverty and take care of the old, infirm and genuinely needy;
- Enable people to learn, earn and lead healthy and productive lives;
- Promote small families for a healthy and wealthy society;

- Give children a happy childhood and every opportunity to achieve their full potential;
- Empower and support women and girls to fulfil their roles as equal partners with men;
- Create resources that the people need, such as capital and infrastructure, to transform their own future;
- Enable farmers, entrepreneurs and professionals to make agriculture flourish and build thriving industries and services business;
- Embrace innovation and the latest know-how to grow crops, produce goods and provide high quality services;
- Safeguard environment and make cities and villages clean, green and safe to live in;
- Make government simple, transparent, accountable and responsive;
- Ensure that people continue to have a strong voice and role in governance.

Vision 2020 emphasises the need for the State to transform itself and quickly adopt a new role from being primarily a controller of the economy to a facilitator and a catalyst of growth. The envisaged role of the Government includes:

- Providing specialised infrastructure;
- Deregulating or creating regulation that fosters investment and facilitates business;
- Accelerating the development of skills; and
- Conducting focused and effective promotion to market the opportunities that Andhra Pradesh has to offer to investors.

The agenda set by the State for growth-oriented and people-oriented governance include:

- Refocusing Government priorities and shifting spending from unproductive areas towards achieving high priority developmental goals;
- Decentralising governance and making it participatory with the involvement of the people;
- Introducing ‘electronic government’, i.e., using IT-based services to demystify procedures and improving Citizen-Government interface;
- Becoming a SMART (Simple, Moral, Accountable, Responsive and Transparent) Government by improving transparency and accountability at all levels and ensuring effective and responsive services;
- Building the administration’s capabilities, strengthening policy-making and improving performance; and
- Taking a lead role in persuading the Central Government and initiating regulatory and other reforms.

Vision 2020 envisages that by 2020, the State will have well-planned, economically productive, socially just, environmentally sustainable, culturally vibrant, friendly and safe cities and towns. It is stipulated that the State will play a pivotal role to:

- Ensure balanced urban development by promoting alternative urban centres as counter magnets;

- Anticipate and provide for urban infrastructure requirements through comprehensive, integrated planning;
- Operate municipal services on a competitive basis to provide adequate, high quality services at affordable costs;
- Develop urban services and infrastructure by involving the private sector and fostering public-private partnerships;
- Ensure that local services are run through local management and control; and
- Mitigate urban problems by providing shelter and basic services for all.

The proposed urban reforms in **Vision 2020** calls for a management approach to urban growth so as to have clean, green, comfortable, safe and livable cities. This is to be achieved through an integrated approach that blends urban development and infrastructure planning, sound fiscal policy and systems to manage and deliver urban services effectively. It is envisaged that the State will focus on creation of basic infrastructure, environmental conservation and management, and provision of quality services such as water supply, sanitation, waste management, street lighting, housing and public transport to all. Participatory, responsive and people-oriented civic governance will be promoted.

The Vision for Hyderabad City is to make it a productive, “knowledge” city, a planned, clean and green city, a garden city, and a cultured and caring society with concern for equity. It is envisaged that the City will emerge as the medical and health, education and information technology capital of the country and an international transit hub. Hyderabad will also be a well-managed and responsive city with efficient and accountable delivery of civic services to all residents including the poor. In consonance with the City Vision and the historic Constitution (74th Amendment) Act, 1992, the Municipal Corporation of Hyderabad has initiated several reforms in the recent past.

Constitution (74th Amendment) Act, 1992

The 74th Amendment to the Constitution of India, enacted in 1992, marks the beginning of a historic reform to decentralise power to the people. It provides a constitutional form to the structure and mandate of urban local bodies to enable them to function as effective institutions of self-government. The Constitution (74th Amendment) Act provides for three types of municipal bodies: Nagar Panchayats for transitional areas (in transition from rural to urban), Municipal Councils for smaller towns, and Municipal Corporations for larger urban areas (Article 243Q). As regards the functional domain of these local bodies, the Act inserted the Twelfth Schedule (Article 243W) to the Constitution of India providing an illustrative list of municipal functions. These functions include:

- Urban planning including town planning;
- Regulation of land-use and construction of buildings;
- Planning for economic and social development;
- Roads and bridges;
- Water supply for domestic, industrial and commercial purposes;
- Public health, sanitation, conservancy and solid waste management;
- Fire services;
- Urban forestry, protection of the environment and promotion of ecological aspects;

- Safeguarding the interests of weaker sections of society, including the handicapped and the mentally retarded;
- Slum improvement and upgradation;
- Urban poverty alleviation;
- Provision of urban amenities and facilities such as parks, gardens, playgrounds;
- Promotion of cultural, educational and aesthetic aspects;
- Burials and burial grounds; cremations, cremation ghats/grounds and electric crematoria;
- Cattle pounds; prevention of cruelty to animals;
- Vital statistics including registration of births and deaths;
- Public amenities including street lighting, parking lots, bus stops and public conveniences;
- Regulation of slaughter houses and tanneries.

To strengthen the urban local bodies with adequate sources of revenues, the Constitution (74th Amendment) Act, 1992 inserted Article 243X, which provides that a State Legislature may, by law,

- a. Authorise a Municipality to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limit;
- b. Assign to a Municipality such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits;
- c. Provide for making such grants-in-aid to the Municipalities from the Consolidated Fund of the State; and
- d. Provide for the constitution of such Funds for crediting all monies received, respectively, by or on behalf of the Municipalities and also for the withdrawal of such monies therefrom, as may be prescribed by law.

Through Article 243Y, the 74th Amendment Act made it is mandatory for the constitution of State Finance Commissions to review:

- a. The principles which should govern –
 - 1 The distribution between the State and the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them and the allocation between the Municipalities at all levels of their respective shares of such proceeds;
 - 2 The determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by the Municipalities; and
 - 3 The grants-in-aid to the Municipalities from the Consolidated Fund of the State.
- b. The measures needed to improve the financial position of the Municipalities; and
- c. Any other matter referred to the Finance Commission by the Governor in the interest of sound finance of the Municipalities.

Defining the functional domain of urban local bodies is the starting point for municipal reforms. Only after a clear delineation of the responsibilities of municipal government vis-a-vis other governments is achieved can any meaningful decision be taken regarding how to finance them. The areas of financial reforms include the devolution of tax and

non-tax revenue sources, including user charges, sharing of State revenues, grants-in-aid, borrowing, etc., and effective tapping of the revenue sources assigned. The Constitution (74th Amendment) Act 1992 provides broad directions for taking up municipal reforms.

Municipal Fiscal Problem

Many Municipalities all over the world suffer from the problems of scarcity of municipal revenues to discharge their obligatory functions. An analytical approach to study the municipal fiscal problem is to consider the following simplistic expressions that broadly apply to individual as well as total municipal services:

Required Expenditures	=	Unit Cost X Quantity of Service required to be provided per capita as per adopted Norms X Population
Municipal Revenues	=	Own Taxes + User Charges and Fees + Transfers (Shared or Assigned Revenues & Grants) + Loans
Own Taxes	=	Collection Rate X Legal Tax Rate X Base-to-Income Ratio X Per Capita Income X Population
Legal Tax Rate	=	Legal Liability of Tax/Base of Tax
User Charges	=	Unit User Charge for Service X Quantity of Service provided per capita X Population
Shared Revenues	=	Rate of Sharing X State Taxes
Grants	=	Per capita Grant available X Population
Municipal Fiscal Gap	=	Required Expenditure - Municipal Revenues

Budget deficit is the difference between budgeted expenditures and budgeted revenues. The ratio, ‘actual revenues : potential revenues’ represents the municipal collection efficiency. A measure of municipal autonomy can be defined as, ‘municipal ‘own’ revenues : total municipal expenditures’. A measure of inter-governmental control is, ‘total municipal revenues : total government expenditures’ (in case of India, the appropriate denominator is Municipal + State expenditures).

As may be seen from the above analytical framework, the expenditures required to be met by a municipality depend on service cost, service norm and population parameters. This applies to all categories of services. Revenues raised depend on the size of revenue base, extent of access to the base, the rates and the collection efficiency. This is true for all collectible resources. The municipal fiscal gap can be redressed in the following broad ways:

- a. Reducing municipal responsibilities;
- b. Scaling down municipal service norms;
- c. Cutting costs and unnecessary expenditures;
- d. Enhancing municipal power to raise revenues;
- e. Increasing transfers from higher levels of government; and/or
- f. Stepping up local effort to raise revenues.

Reforms to correct the municipal fiscal gap will need to address all or some of these factors. Revenues from a tax source can be enhanced by several measures as can be seen from the following formula:

$$T = r \times t \times (B - L)$$

Where T = Total Tax Collection, r = Collection Efficiency or the Collection Rate, t = Tax Rate, B = Potential Tax Base and L = Leakages that are part of Tax Base, which have not been brought to Tax Net. The above formula applies to all Taxes including Property Tax.

Municipal Tax Reforms

Municipal tax reforms are complex and depend on a number of factors, most of which are specific to the situations existing in the Municipalities concerned. However, some general lessons can be drawn from tax reforms in developed and developing countries. These include:

- a. There is no optimal tax structure. What is optimal from the point of view of one level of government may be sub-optimal for the other levels. However, useful principles can guide tax reforms in a given situation.
- b. Broadening the tax base or tax net should be given a high priority so as to avoid reliance on relatively high tax rates.
- c. Tax preferences and exemptions in order to promote specific economic and social objectives - the so-called tax expenditures - need to be eliminated or reduced.
- d. Tax rates should be moderate to ensure better tax compliance and to prevent tax evasion.
- e. A systematic view of taxes and their institutional and political contexts is important.
- f. Reforms in the tax structure and tax administration should go together.
- g. Involvement in and ownership of tax reforms by the public in general and taxpayers in particular are essential for the success of tax reforms.

Assignment of Revenues

The public finance literature provides some desirable principles to guide the assignment of revenue sources between different levels of government in a federal structure. The Congruence Principle suggests that the less mobile a tax base and the stronger the spatial concentration of the tax base and ownership, the lower the level of government to which those taxes should be assigned. Using the criteria of equity (consistency of revenue sources with expenditure needs) and efficiency (minimising resource costs), Musgrave (1984) suggests the following broad principles of revenue assignment:

1. Taxes suitable for economic stabilisation should be central;
2. Progressive redistributive taxes should be assigned to central governments;
3. Tax bases distributed highly unequally between jurisdictions should be centralised;
4. Taxes on mobile factors of production are best handled centrally;
5. Residence-based taxes such as sales of consumption goods to consumers or excises are suited to States;
6. Taxes on completely immobile factors of production are best suited for local levels;
7. Taxes of lower levels of government should be cyclically stable so that during downswings of the trade cycle the provision of services to the citizens can be maintained;
8. Benefit taxes and user charges are to be used appropriately at all levels and linked to services;
9. Resource taxes are appropriate for sharing between governments.

Choice of Municipal Taxes

Strictly speaking, a 'municipal' tax is one on which the municipal governments have full control in terms of the determination of tax rate, assessment, collection, and appropriation of tax proceeds. The choice of municipal taxes depends on a number of factors, the most fundamental being their suitability to meet the civic obligations. The municipal governments provide many essential services which cannot wait till the revenue ends are tied up. Hence, the municipal taxes should be such that they ensure the smooth discharge of the core municipal functions. The local public finance literature provides the following guidelines for the choice of municipal taxes:

1. The tax base should be immobile, to allow the local authorities some freedom to vary the tax rates without the tax base vanishing;
2. The tax yield should be adequate to meet local needs and be sufficiently buoyant (i.e., expand, at least, as fast as expenditures over a period of time);
3. The tax yield should be stable and predictable and it should not be susceptible to cyclical fluctuations;
4. The tax should be perceived to be reasonably fair (in terms of progressivity) by taxpayers;
5. The tax should be easy to administer efficiently (at minimum resource costs) and effectively;
6. It should not be possible to export much, if any, of the tax burden to non residents;
7. The tax base should be visible, to ensure accountability on the part of the municipal government.

Table 1 [based on Bird (1994)] compares the major types of taxes in terms of the above criteria to facilitate the choice of a municipal tax. It may be noted that there is no perfect municipal tax. Moreover, the ideal taxes from the point of view of municipal and higher levels of government are not necessarily compatible. The criteria described in Table 1 can, however, be useful as screening devices.

Table 1
Suitability in terms of Criteria for a Municipal Tax

	Property Tax	Income Tax	Sales Tax	Business Tax
Immobility	+	-	-	-
Adequacy	-	+	+	?
Buoyancy	-	+	+	+
Stability	+	-	-	-
Non-Exportability	+/-	+/-	+	-
Visibility	+	+	+	-
Fairness	+	+	?	-
Acceptability	-	-	?	+
Administrative Ease	?	+	?	+

Source: Bird (1994)

(A '+' means that the tax is good, a '-' that it is bad, and a '?' that it is indeterminate. A '+/-' means that the tax is good to the extent it falls on residents and bad to the extent it

falls on non residents. It may be noted that the table may not fully apply to the Indian situation.)

Property Tax Reforms

In terms of the desirable criteria for choice of municipal tax, property taxes, being taxes on immobile land and buildings, are ideally suited for assignment to and administration by the Municipalities. Further they belong to the class of general benefit taxes. They are indirect user charges for municipal services whose benefits are collective and not confined to identifiable individuals. Sometimes, property taxes are decomposed into components such as water tax, drainage tax, conservancy tax, lighting tax, fire tax, street tax, and general tax. For example, the Greater Mumbai Municipal Corporation levies the following types of property taxes: (i) General tax, (ii) Fire tax, (iii) Water tax, (iv) Water benefit tax, (v) Sewerage tax, (vi) Sewerage benefit tax, (vii) Education cess, (viii) Street tax, and (ix) Tree cess. The Municipal Corporation of Hyderabad collects property tax under the following components: (a) General Tax, (b) Conservancy Tax, (c) Drainage Tax, (d) Lighting Tax and (e) Library Cess. When property taxes collected under various components are linked to or earmarked for the services for which they are collected, they serve as indirect market prices of those services.

Starting with a seminal article by the Nobel Laureate, James Buchanan (1963), a number of research papers have viewed 'earmarking' as a 'first best' operational way of dealing with the fundamental normative problem of public economics: how to provide public services that match people's preferences [Buchanan (1967), Goetz (1968), Brennan and Buchanan (1980) and Oakland (1985, 1989)]. To quote Musgrave (1992), "The principle of earmarking applies in its full sense of linking tax and expenditure determination for each program." Earmarking aims at the introduction of market prices into the budgetary process. The strongest economic case for earmarking exists where there are clear benefit linkages between the taxes or charges levied and the expenditures financed. Earmarked taxes constitute indirect forms of user charges or prices for services. Through the linking of user charges and specific benefit taxes to certain public services, earmarking facilitates a rational choice by taxpayers. 'Earmarking' tries to introduce a system of accountability in the public service delivery through surrogate market prices for public services.

Theoretically, the effectiveness of earmarking depends on the following three conditions:

- a. Expenditure specificity, i.e., the expenditures to be financed by earmarked revenues are well-defined and specific, in the sense that, taxpayers can identify their obvious benefits;
- b. Tight earmarking, i.e., the linkage between earmarked revenues and expenditures is tight at the margin. When the amount earmarked is substantially less than the amount spent on the designated functions, earmarking will have no effect on the margin and will be meaningless.
- c. Strong benefit linkage, i.e., revenues are in the form of direct user charges such as payments for use and indirect user charges such as specific benefit taxes.

When earmarked revenues fully or substantially finance specific public expenditures and the taxpayers perceive a clear benefit linkage between the expenditures and services

(e.g., drainage tax being spent on drainage maintenance), they act as market prices for these services. Viewed in this perspective, direct user charges and indirect benefit taxes offer the most logical and potential cases for earmarking.

In spite of the fact that property taxes are “ideal” local taxes in terms of the Congruence Principle and their benefit linkages, because of problems in tax administration and non-earmarking of revenues, empirically, property taxes are seen to suffer from lack of adequacy, buoyancy and acceptability. They are also frequently subject to administrative difficulties including court litigations. Heavy reliance on property taxes is seen to lead to heavy dependence on inter-governmental grants. Residential property taxes are politically unpopular owing to their high visibility and not being related to the current incomes of the taxpayers. In fact, in many cities in India, property tax-payers are property-rich but cash-poor. There may be a case for placing limits on non-residential property tax rates on the ground that such taxes are ‘exported’ to consumers. However, both the benefit and ability-to-pay principles of taxation justify their levy by local bodies.

Property taxes in India suffer from the same problems as prevalent in most of the developing countries. However, there is no doubt that their yield can be considerably improved through suitable reforms. The discussions regarding ‘earmarking’ would suggest that the decomposition of the generic property taxes into specific service taxes such as scavenging tax, water tax, drainage tax, lighting tax, fire tax, etc., would be a desirable line of reform. International experiences also indicate that vacant land tax, which is grossly under-exploited in India, can be a major source of municipal revenues. In many countries, especially in Latin America, vacant land is taxed at a rate higher than that for built-up property. This is driven by the desire to curb speculation in land and promote housing. A tax rate of 1 to 2% on the capital value of vacant land appears to be the normal practice in Latin American countries.

Public finance theory and empirical experience suggest that simplification of property tax and involvement of the tax-payers in the fixation of tax and the provision of services go a long way in improving the yield from the tax. Some of the lessons from property tax reforms carried out by cities include the following:

- a. The tax system must be simple and easily understandable to the public;
- b. Fixation of tax should not be arbitrary; the tax rate must be linked to the tax base by a formulae pre-determined by law and not subject to the discretion of any bureaucrat;
- c. The tax rate should be reasonably low so that compliance would be high;
- d. The tax system should not only be fair, but also be perceived to be fair by the taxpayers;
- e. The system of levy and collection should be transparent and not prone to manipulation for graft or corruption;
- f. The taxpayers should be involved in the decisions regarding tax reforms; tax education is critically important for the success of property tax reforms;
- g. The taxpayers need to be made aware that what they pay translate into services; visibility in the provision of services in the tax-paying areas enhances the willingness to pay; and
- h. Tax reforms should be well-timed and not be unnecessarily linked to time-consuming processes as opportune times do not last long.

Self-Assessment of Property Tax: Hyderabad

Keeping in view the lessons from successful tax reform exercises elsewhere, the Municipal Corporation of Hyderabad (MCH) introduced the scheme of Self-Assessment of Property Tax during 1999-2000. General revision of property tax as contemplated under the Hyderabad Municipal Corporation Act, 1955 was not done in various Tax Circles of the Municipal Corporation of Hyderabad for the past few decades on account of several reasons:

Circle	Period for which tax was not revised (in years)
Circle 1	19
Circle 2	19
Circle 3	23
Circle 4	21
Circle 5	21
Circle 6	17
Circle 7	20

Non-revision of tax for a long time had made the property tax system in Hyderabad became iniquitous, with large vertical and horizontal imbalances. The property owners continued to pay taxes levied decades ago, causing heavy financial loss to the Corporation. The total number of assessments in the Twin Cities was only about 410,000 in 1998-1999 with total current demand of about Rs. 490 million as against an estimated number of about 600,000 taxpayers.

Attempts made earlier to rationalise and improve the property tax base in Hyderabad were caught in legal problems. Slab rates of tax per square foot of plinth area were fixed during 1992-93 for broad types of properties located in different zones and devoted to different uses. But the scheme could not be implemented for 7 years due to ongoing litigation. After the court case was over, it was thought that the earlier litigation on the slab rates was fixed, but the possibilities of new litigation on case by case basis could not be ruled out. Fears of prolonged litigation and the locking up of potential taxes left the Corporation with no alternative but to go in for the scheme of Self-Assessment of Property Tax by tax-payers.

Amendments to law take time and go into debates and litigations. Keeping this fact in mind, the Self-Assessment of Property Tax scheme was introduced by the Hyderabad Municipal Corporation during 1999-2000, taking advantage of the existing legal provisions under the Hyderabad Municipal Corporation Act, 1955. Section 213 of the Hyderabad Municipal Corporation Act, 1955 stipulates:

“Commissioner may call for information or returns from owner or occupier or enter and inspect assessable premises:-

(1) To enable the determination of rateable value of any building or land and the person primarily liable for the payment of any property tax leviable in respect thereof, the Commissioner may require the owner or occupier of such building or land, or of any portion thereof, to furnish him, within such reasonable period as the Commissioner specifies in his behalf, with information or with a written return signed by such owner or occupier-

(a) as to the name and place of abode of the owner or occupier, or of both the owner and occupier of such building or land; and

(b) as to the dimensions of such building or land, or of portion thereof, and rent, if any, obtained for such building, or land, or any portion thereof.

(2) Every owner or occupier on whom any such requisition is made shall be bound to comply with the same and to give true information or to make a true return to the best of his knowledge or belief.

(3) The Commissioner may also for the purposes aforesaid make an inspection of any such building or land.”

While calling for mandatory information under Section 213, the tax-payers were given the opportunity of calculating their own tax under the Self-Assessment Scheme, keeping in view the relevant legal provisions.

Self-Assessment: Rationale

The objectives behind the introduction of Self-Assessment of Property Tax scheme are:

- To ensure complete transparency and openness in the levy and collection of Property Tax and to enable citizens/tax-payers to understand the basis of taxation so as to calculate the tax by themselves;
- To build a computerised property tax database with each property in the Twin Cities being assigned a unique Property Tax Identification Number (PTIN) so as to eliminate discretion in the levy and collection of tax, minimise inconvenience to the public, prevent any complaints of harassment and raise resources for city development;
- To promote equity in tax payment (similar properties devoted to similar use in same or similar areas with similar rent-earning capacity to pay similar taxes);
- To link services with tax payment so that tax-payers get value for money (quality services) and also feel proud of contributing their mite to the development of their own City and also assisting their fellow citizens, living in slums and poor localities, to gain access to basic minimum services;
- To minimise prolonged disputes between tax-payers and MCH running into years and to establish a healthy relationship between MCH and Tax-payers/ Resident Welfare Associations.

Filing Requirement

The Self-Assessment Scheme required the filing of Self-Assessment Form/Return by all property owners/occupiers (owners/tenants/lessees, etc.) in the prescribed form--

- Whose properties were assessed by MCH before 1.4.1991 (Date of 1991 Census);
- Whose properties were assessed after 1.4.1991, but who feel that they are not paying adequately given the legal provisions;
- Whose building/property has not been fully assessed (some part of Plinth Area yet to be assessed);

- Who have completed their buildings in the recent or distant past but who have not informed MCH regarding the same as required under Section 210 of the HMC Act, 1955 and/or who have not applied for assessment;
- Who have made additions or alterations to their buildings or have reconstructed their buildings fully or partly but have not applied to MCH for assessment/ reassessment of added/altered/reconstructed portions;
- Who have fully or partly converted their buildings from residential into non-residential use (commercial/institutional/industrial, etc.) after last assessment but have not applied for assessment/reassessment of converted portions; and
- Who have been exempted from payment of tax in the past. The filing of return is necessary to enable MCH to renew the exemption granted (to the extent of what is legally permissible).

The notification issued in newspapers to introduce the Self-Assessment Scheme and the Form prescribed for filing of Self-Assessment is appended to this paper. The restriction to the scope of self-assessment being limited to 1.4.1991 was based on the principle that tax reforms must be incremental so that one tackles the defaulters in a phased manner.

The Self-Assessment Scheme prescribed the following list of individuals who could file self-assessment of property tax returns as follows:

- (1) In case of Owner-occupied individual building/flat : By the Owner
- (2) In case of Rented building/flat : By the Owner and/or
Tenant/Occupier
- (3) In case of Company : By the Secretary
- (4) In the case of Partnership Firm : By the Managing Partner
- (5) In the case of Public Body (Corporation or Society) : By the Secretary or
Principal Officer
- (6) In any Other Case : By the Owner and/or
Person who has taken the
Premises on Rent.

The above prescriptions take into account Section 204 of the Hyderabad Municipal Corporation Act, 1955 which stipulates:

“Primary responsibility for property taxes on whom to rest:-

- (1) Property taxes shall be leviable primarily from the actual occupier of the premises upon which the said taxes are assessed if such occupier holds the said premises immediately from the Government or from the Corporation.
- (2) Otherwise the said taxes shall be primarily leviable as follows, namely:-
 - (a) if the premises are let, from the lessor;
 - (b) if the premises are sub-let, from the superior lessor; and
 - (c) if the premises are unlet, from the person in whom the right to let the same vests.
- (3) But if any land has been let for any term exceeding one year to a tenant, and such tenant has build upon the land, the property taxes assessed upon the said land and upon the building erected thereon shall be primarily

leviable from the said tenant or his legal representative, whether the premises be in the occupation of the said tenant or of his legal representative, or of sub-tenant”.

Benchmarks for Acceptance

Under the Hyderabad Municipal Corporation Act, the taxpayer is required to pay three and half months’ rental value as tax. However, in practice, citizens have been paying less than a month’s rent in a large number of cases and there have been thousands of court cases when attempts were made to increase tax. Accordingly, under the Self-Assessment Scheme, no stipulation was made by the Corporation as to at what rates tax-payers should file returns. However, meetings with resident welfare associations were facilitated by the Municipal Corporation. The resident welfare associations were educated regarding the legal provisions and were also informed that ignorance of law is no excuse while ignorance of fact can be excused. The Corporation facilitated the process of formation of groups of resident welfare associations into federations and a proposal was mooted to form a confederation of resident welfare associations for the city as a whole. One of the resident welfare associations, namely, Resident Welfare Association of Madhuranagar came with suggestions regarding benchmarks for acceptance of tax returns during 1999-2000. The Association resolved that properties could broadly be divided into three categories: (a) high rent areas, (b) middle rent areas and (c) low rent areas. The benchmark Monthly Rental Values for acceptance of tax returns for the above categories were adopted by the Association at Rs.1/-, 0.60 Paise and 0.40 Paise respectively. These rates were accepted by many Resident Welfare Associations. Instead of the Municipal Corporation of Hyderabad formally declaring these rates, the facts of resident welfare associations adopting these rates were published in print and electronic media and newspapers. Once the MRVs were published, other resident welfare associations adopted the rates and filed self-assessment returns.

The only moot point in the fixation of three slab rates was whether a property owner, who/which is supposed to adopt a higher slab, escapes with a lower one. However, this was not a matter of great concern as tax-payers have been paying at so low rates and taking recourse to law suits so frequently that MCH wanted to ensure that reforms take place in stages and that initial efforts do not bounce back. Successful experiences of tax reforms suggest that major reforms need to be incremental. Accordingly, MCH was content with the position that at least one month’s honest rent would accrue as tax and that there is adequate temptation for tax-payers to file returns without taking the risk of being caught and being subject to regular process of valuation with the risk of paying 3½ months’ rent as tax. MCH did not accept the systems of slab rates adopted by Corporations like Patna, Bangalore and Chennai as slab rates are averages and averages are affected by extreme items. Averages are representative only when the data is homogeneous. Thus, in case of residential properties, slab rates could be adopted but for heterogeneous properties such as those belonging to commercial and institutional categories, averages have the tendency of under-taxing the properties at the upper end of the real estate market and over-taxing those at the lower rung. Thus fixing slab rates with a mix of heterogeneous commercial properties turns out to be regressive. Moreover, for most commercial properties rental data are now available. Especially in Hyderabad, all rental deeds need to be compulsorily registered for the purpose of payment of stamp duty. Thus, when market information is available, there is no need for approximation by a round-

about and regressive method in the name of eliminating discretion on the part of tax assessors.

Verification of Returns

The Self-Assessment Notification informed citizens that MCH will take up random verification of Self-Assessment Forms as in the case of Income Tax Assessment. However, during 1999-2000, MCH proposed to undertake field verification of about 25% of the Returns filed by Residential Property Owners/Occupiers. Those properties concealing measurements and/or rent and adopting unbelievably low Tax Rate per Square Feet in their Returns will be taken up for detailed field verification and assessment following the legal process. Further, those property owners/occupiers who do not file the returns by the date fixed will be dealt with in accordance with the penal provisions of the HMC Act, 1955 and other Acts.

Tax Education Campaign

Tax education is very important for the success of tax reforms. Accordingly, the Municipal Corporation of Hyderabad resorted to systematic publicity campaigns, covering the following aspects:

Municipal Act Provisions

It was made clear that it is mandatory under Section 213 of the HMC Act to furnish property and rent information. Once such information was filed, it was only a clerical effort to arrive at the tax payable. However, by not indicating taxes in the Self-Assessment returns, the taxpayer was losing a golden opportunity of paying a lower tax and also taking the risk of being harassed by assessors through the cumbersome process prescribed under the law. The following Sections of law were listed out:

Section 197:	MCH to levy property tax on lands and buildings.
Section 198:	MCH to fix or alter the rate of taxation.
Section 199:	MCH to levy tax up to 30% of the Annual Rental Value (ARV) of the building (ARV = 12 X MRV. MRV is the Monthly Rent expected if the property is let out under normal market conditions)
Section 204:	The primary responsibility for levy and payment of property tax is the actual occupier (it could be the owner or tenant or lessee).
Section 212:	Vacant land tax shall be levied at 1% of the capital value of land.
Section 213:	The Commissioner may call for information or returns from owner or occupier of any property or enter and inspect assessable premises.
Section 217:	When the name of the person liable (occupier) for property tax is not ascertainable, the tax may be levied on 'the holder' of the property. If the person in occupation refuses to give details of ownership, he himself would be liable for payment of property tax.
Section 220:	Where a building is constructed, or re-constructed, or some structures are raised unauthorisedly, property tax on the same

- shall be levied with a penalty of 10% on the property tax till such unauthorised building is demolished or regularised.
- Section 238: The Corporation can collect Property Tax arrears under the provisions of the Revenue Recovery Act.
- Section 264: Property tax is payable in advance in April and October of every year.
- Section 269: When a person liable for property tax does not pay the same in time, the Corporation shall collect the same with an interest of 2% per month or the Corporation may disconnect the essential services or confiscate the movable articles of the defaulter of property tax.
- Section 455: Every person shall within One Month after completion of the building deliver a notice to the Commissioner in writing and obtain permission to occupy the building.

Low Property Tax Rates

It was brought to the notice of the taxpayers that the property taxes paid by citizens for similar properties in cities like Bangalore, Chennai, Ahmedabad, etc., were far higher and MCH intended to keep tax rates low and concentrated attention on compliance and correction of inequities prevailing in the tax system. The benchmark of one month's honest rent as tax is the lowest in the country among large Municipal Corporations.

City Development Plan

The development plan for Hyderabad to make it a "Clean City", a "Green City", a "Knowledge City", a "Hitech City", a "Liveable City" and a "Model City", an "Exemplary City" was widely publicised. It was highlighted that MCH planned widening of 100 roads, development of 100 link roads, installation of 80 traffic signals, 35 stretches of modern lighting, development of all major drains, development of more than 500 open spaces, complete modernisation of Solid Waste Management, etc. Citizens' support was solicited for a simple, transparent, honest and hassle-free way for contributing to the development of the city and for a Fair System of taxation based on procedures similar to that adopted for Income Tax. The Corporation's slogan was "MCH trusts you for the future of your city and your children."

Tax-Service Linkages

During the year of self-assessment, resident welfare associations were informed that it was the Corporation's policy that in a middle income locality, all the taxes collected would be spent on works of the choice of the resident welfare association provided the residents file tax returns in bulk. For low income areas, the property owners could expect expenditure on works to the tune of two or three times the taxes paid. The taxpayers of rich localities were lured by the assurance that part of the taxes collected would be spent on the services of their choice in their localities and the remaining on general city development works and slum upgradation that enhance their land values and house rentals. Those colonies which filed Self-Assessment Returns in bulk were sanctioned works of their choice and works were started to give the impression that the tax paid translated into services.

Tax-Turnover Linkages

The taxpayers were informed through newspapers that better civic infrastructure and services are certainly important for better business opportunities and profits. With the development of Hyderabad, land values and business turnovers in the city have gone up phenomenally. For example, the turnover of Appolo Hospital at Jubilee Hills in Hyderabad, which revolutionised healthcare delivery system in the country, increased from Rs.5.00 crores in 1989 to Rs.49 crores in 1998-99.

Falling Value of Rupee

Again and again, the taxpayers were informed through the press how the value of money was falling, how a rupee required for providing service 20 years back has become equivalent to 25 paise and how the costs of civic infrastructure and services are increasing enormously. It was highlighted that Rs.100 deposited in State Bank of Hyderabad with 12% interest per annum would have yielded the following amounts over time:

After 5 Years	Rs.180.61
After 10 Years	Rs.326.20
After 15 Years	Rs.589.16
After 20 Years	Rs.1064.08

Thus, the services provided by MCH with Rs.100 paid as Property Tax in 1980 cannot be provided by Rs.1000 paid in 2000. Further service provision requires money and cannot be created out of vacuum.

Important Tax-payers

Early efforts at obtaining Self-Assessment Returns were made by roping in all major property holders, including bureaucrats, politicians and important citizens. The list of model taxpayers was published and it was threatened in the newspapers that the names of those who are professional litigants and who have been habitually evading taxes would be published in newspapers. This had a remarkable effect on the filing of returns.

Computerisation of Records

All the Self-Assessment returns along with unique PTIN (Property Tax Identification Number) were fed into computers and the rates adopted by resident welfare associations in different areas were made open to the public. The Corporation issued advertisement thanking those taxpayers who came forward to file taxes at correct rates. The correct rates adopted were published, put in the website and made popular; the process led to continuous improvement in the willingness of resident welfare associations to pay property taxes.

Dos & Don'ts:

Through a number of public notifications, the Corporation made the following requests to taxpayers:

- 1 Assist MCH and File Self-Assessment Form;
- 2 In case of doubts, invite the concerned Additional Commissioner to your area to explain you tax laws and make available slab rates worked out by MCH for various areas earlier. Slab Rates of Bangalore and Chennai City Corporations are also available for reference;

- 3 Resident Welfare Associations may adopt similar taxes for similar properties with similar areas devoted to similar uses in same/similar zones;
- 4 Never under-report area as Check Teams, Super Check Teams and Vigilance Teams are overseeing the operations of lower level officials; concealing of area will simply not be possible;
- 5 Do not entertain any middlemen. Always contact the concerned Additional Commissioner for clearance of doubts; Tax Assistance Cell is open in MCH;
- 6 Pay fair taxes and demand better services.

MCH's Guarantee:

MCH provided a guarantee that if correct Self-Assessment information is filed and tax paid at rate not lower than the benchmark rate, no municipal official shall visit the premises of the tax payer for tax enhancement for the next 3 years.

Achievement of Scheme

In response to the Self-Assessment Scheme, about 130,000 filed self-assessment returns within 3 months of the introduction of the same. This led to increase in the property tax collection from Rs.58 crores in 1998-1999 to Rs.82 crores in 1999-2000— in just 3 months (see Table 2 and Figure 1 below), although the effective tax rate went down by almost two-thirds. The rising trend in property tax collections is continuing with the progress in reforms. Figure 2 shows how MCH was able to enhance its capital expenditures due to property tax buoyancy. Figure 3 shows the trends in salaries as percentage of total expenditure by MCH.

Table 2
MUNICIPAL CORPORATION OF HYDERABAD
TRENDS IN PROPERTY TAX COLLECTION: 1991-1992 - 2000-2001

Year	Property Tax Collection in Rs. Lakhs
1991-1992	2415.00
1992-1993	2760.00
1993-1994	3018.00
1994-1995	2916.00
1995-1996	3639.00
1996-1997	4688.00
1997-1998	5694.82
1998-1999	5847.19
1999-2000	8332.00
2000-2001	9271.38
2001-2002	13011.80

Figure 1
MUNICIPAL CORPORATION OF HYDERABAD
GROWTH IN PROPERTY TAX REVENUES: 1991-1992 – 2000-2001

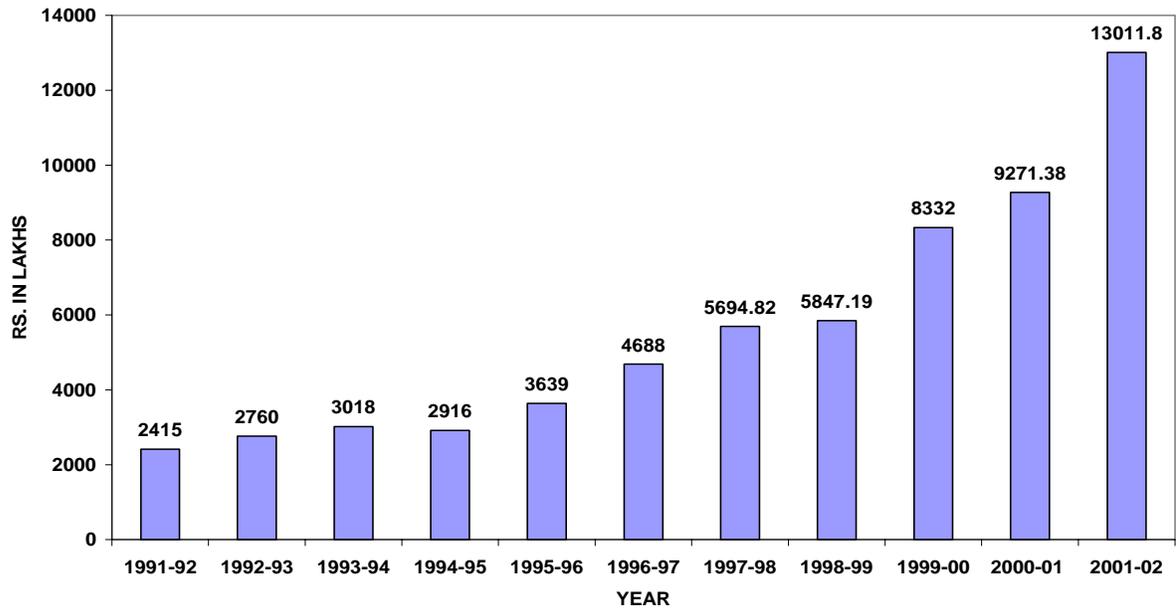


Figure 2
MUNICIPAL CORPORATION OF HYDERABAD
EXPENDITURE ON PUBLIC WORKS: 1994-1995 – 2001-2002

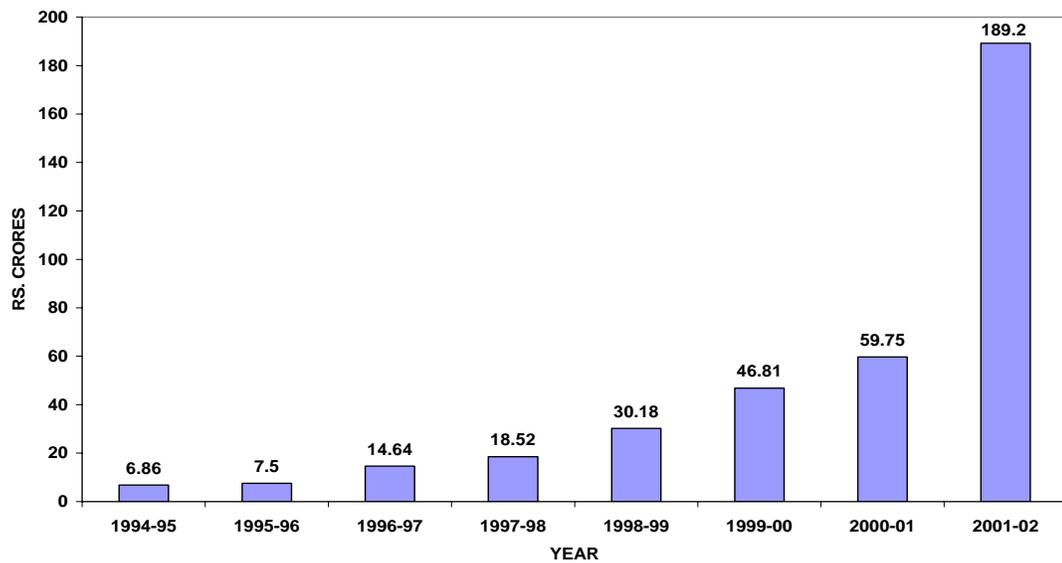
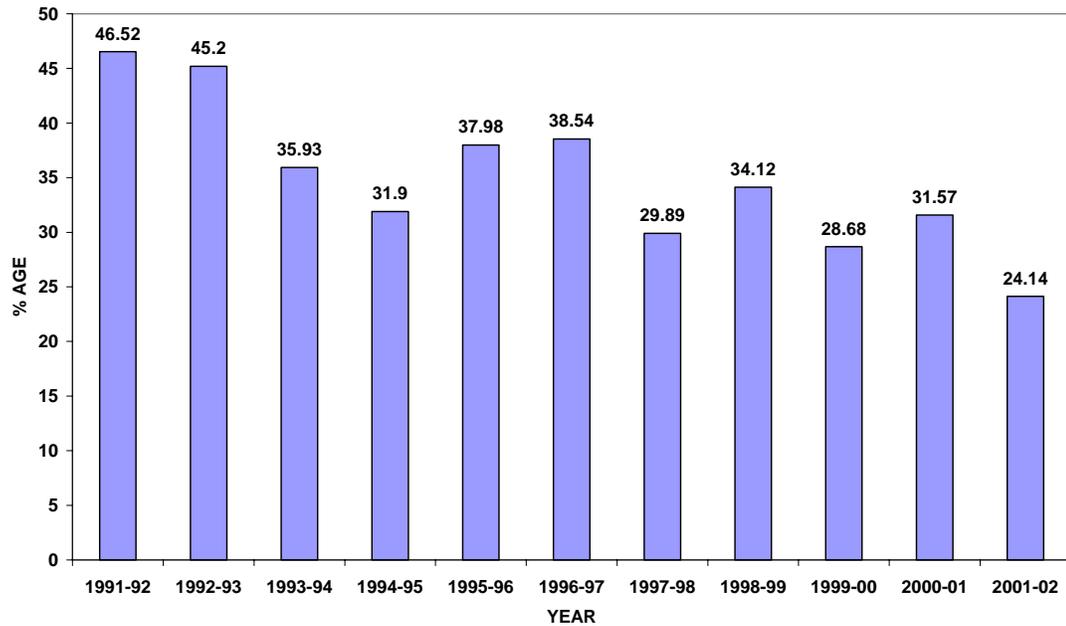


Figure 3
MUNICIPAL CORPORATION OF HYDERABAD
RATIO OF SALARY TO TOTAL EXPENDITURE: 1991-1992 – 2001-2002



The Municipal Corporation of Hyderabad also resorted to the schemes of Self-Assessment in trade licensing fee and advertisement fee. The results from self-assessment of these fees were impressive as may be seen from Figures 4 and 5.

Figure 4
MUNICIPAL CORPORATION OF HYDERABAD
COLLECTION OF TRADE LICENSING FEE: 1991-1992 – 2001-2002

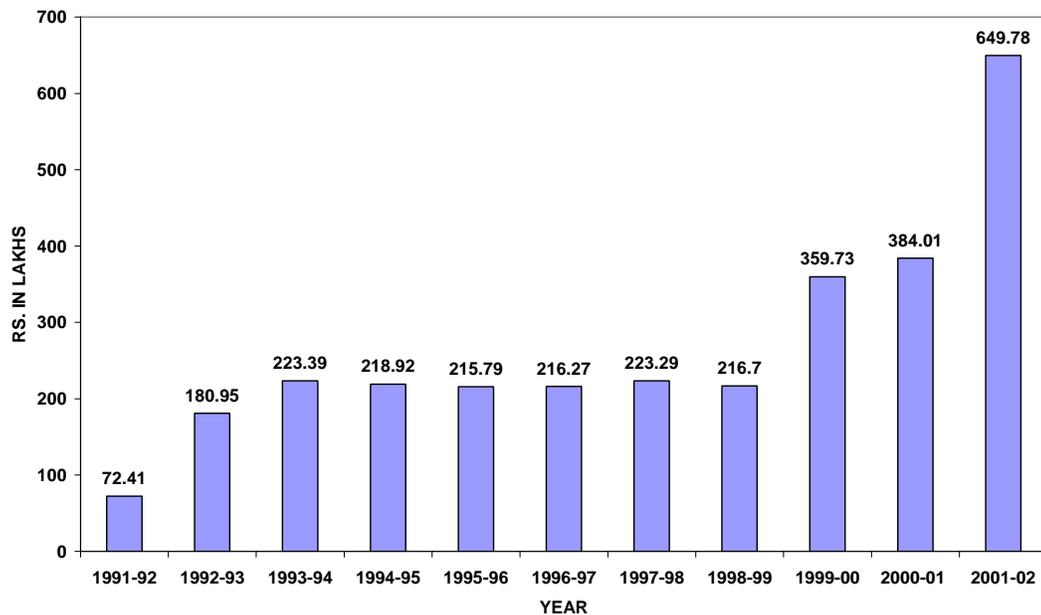
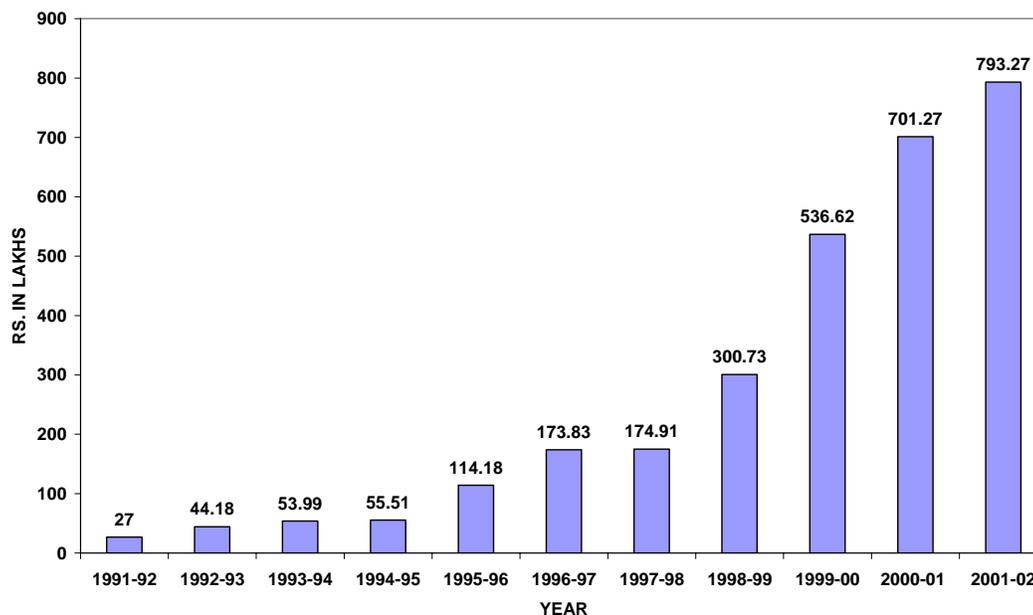


Figure 5

**MUNICIPAL CORPORATION OF HYDERABAD
COLLECTION OF ADVERTISEMENT FEE: 1991-1992 – 2001-2002**



Conclusion

The experience of property tax reforms in Hyderabad provides a number of lessons. These include:

- a. Tax reform strategy depends to a great extent on the pre-conditions; but certain principles such as the close involvement of the tax payer, tax-service linkage, incentives for filing of tax returns, disincentives for non-filing, tax education, etc., are important in the designing of successful reforms.
- b. Arbitrary adoption of slab rates of tax in the name of elimination of discretion in the levy of tax is not desirable. Slab rates are useful in the case of homogeneous properties. But for heterogeneous properties such as commercial and institutional buildings, slab rates tend to be regressive. They over-tax properties with low rentals and under-tax those with high rentals as averages are affected by extreme items. This is against the fundamental principle of tax reforms, i.e., the market orientation of the tax system.
- c. Correction of inequities in the tax system can be an important source of enhanced mobilisation of property tax revenues in most cities. Keeping tax rates low and emphasising on compliance led to significant increases in property tax collection in Hyderabad.
- d. Tax education and organised publicity campaigns to address the psychology of tax-payer are often more important than economic factors such as tax rate and tax base in realising the potential of property tax; people must perceive the tax system to be fair and appreciate the linkage between tax and service provision.
- e. Direct involvement of tax-payers in the provision of civic services is a must for better tax compliance
- f. Tax reforms may need to be pursued in an incremental manner. Elaborate and time-consuming design may lead to the bouncing back of effort to clean a tax system.

The Self-Assessment Scheme of Hyderabad Municipal Corporation has not yet fully realised its potential; yield from property tax is going up as more and more corrections of the 20-year old inequity is taking place. The Scheme will prove that even with very low rate of tax, the revenues from property tax can go up significantly if systemic issues are tackled rather than dealing with traditional economic aspects such as tax rate and tax base.

Appendix 1

MUNICIPAL CORPORATION OF HYDERABAD

PUBLIC NOTIFICATION NO. 1375/CTS/99-CT1 DT. 9.12.99

Filing of Self-Assessment of Property Tax Form/Return

Last Date of Filing Information: 31.1.2000

AN APPEAL TO CITIZENS OF HYDERABAD:

The City of Hyderabad is one of the fastest growing cities in the country. Due to massive population growth and expansion of trade, business and commerce, civic services in the city are gradually becoming inadequate. The Citizens and MCH will need to jointly work out strategies to develop the City and provide critical infrastructure and basic civic services to the citizens. With better infrastructure and services, land and property values and rents will go up and thus the property owners will get benefited. The property occupiers will also benefit due to better civic services. Accordingly, MCH appeals to the Citizens of the Twin Cities to come forward and pay the right amount of Property Tax in accordance with the provisions of the HMC Act, 1955 by filing Self-Assessment Form/Property Tax Return. The information in Self-Assessment Form is called for as a “Written Return” based on “Requisition” made by the Commissioner, MCH under Section 213 of the Hyderabad Municipal Corporation Act, 1955. The Return is to be filed with signature of owner or occupier of property. Corporation of Chennai, Bangalore City Corporation and some other Corporations in the country have already introduced Self-Assessment and the same has proved a success.

WHY SELF-ASSESSMENT?

- (1) To ensure complete Transparency and Openness in Levy and Collection of Property Tax and to enable Citizens/Tax-payers to understand the basis of taxation so as to calculate the tax by themselves;
- (2) To build a Computerised Property Tax Data Base with each Property in the Twin Cities being assigned a unique Property Tax Identification Number (PTIN) so as to eliminate discretion in the levy and collection of tax, minimise inconvenience to the public, prevent any complaints of harassment and raise resources for city development;
- (3) To promote Equity in Tax payment (similar properties devoted to similar use in same or similar areas with similar rent-earning capacity to pay similar taxes);
- (4) To link services with tax payment so that tax-payers get value for money (quality services) and also feel proud of contributing their mite to the development of their own City and also assisting their fellow citizens, living in slums and poor localities, to gain access to Basic Minimum Services;
- (5) To minimise prolonged disputes between tax-payers and MCH running into years and to establish a healthy relationship between MCH and Tax-payers/Resident Welfare Associations.

WHO ARE REQUIRED TO FILE SELF-ASSESSMENT FORM/PROPERTY TAX RETURN?

Self-Assessment Form>Returns may be filed by all Property Owners/Occupiers (Owners/Tenants/Lessees, etc.):

- (1) whose properties were assessed by MCH before 1.4.1991 (1991 Census Date);
- (2) whose properties were assessed after 1.4.1991, but who feel that they are not paying adequately;
- (3) whose building/property has not been fully assessed (some part of Plinth Area yet to be assessed);
- (4) who have completed their buildings in the recent or distant past, but who have not informed MCH regarding the same as required under Section 210 of the HMC Act, 1955 and/or who have not applied for assessment;
- (5) who have made additions or alterations to their buildings or have reconstructed their buildings fully or partly but have not applied to MCH for assessment/reassessment of added/alterred/reconstructed portions;
- (6) who have fully or partly converted their buildings from residential into non-residential use (commercial/institutional/industrial, etc.) after last assessment but have not applied for assessment/reassessment of converted portions;
- (6) who have been exempted from payment of tax in the past. The filing of returns is necessary to enable MCH to renew the exemption granted (to the extent of what is legally permissible).

BY WHOM RETURN TO BE FILED?

- (1) In case of owner-occupied individual building/flat : By the Owner
- (2) In case of rented building/flat : By the Owner and/or
Tenant/ Occupier
- (3) In case of company : By the Secretary
- (4) In the case of partnership firm : By the Managing Partner
- (5) In the case of public body (Corporation or Society) : By the Secretary or
Principal Officer
- (6) In any other case : By the Owner and/or
person who has taken the
premises on rent.

VERIFICATION OF SELF-ASSESSMENT

After the Self-Assessment System gets established, MCH will take up random verification of Self-Assessment Forms as in the case of Income Tax Assessment. However, during 1999-2000, MCH proposes to undertake field verification of about 25% of the Returns filed by Residential Property owners/Occupiers. Those properties concealing measurements and/or rent and adopting unbelievably low Tax Rate per Square Feet in their Returns will be taken up for detailed field verification. The tax-payers are requested to treat filing of Return as an opportunity provided under Section 213 of the HMC Act to pay right taxes and demand quality services from MCH.

FILING RETURN & PAYING TAX

The last date for filing Self-Assessment Form/Property Tax Return is 31.01.2000. Those property owners/occupiers who do not file the returns by that date will be dealt with in accordance with the penal provisions of the HMC Act, 1955 and other Acts. The property owners/occupiers can deposit the property tax assessed by themselves by Cheque or Demand Draft drawn in favour of Commissioner, MCH at Head Office or concerned Circle Offices. MCH will open computerised counters at Branches of State Bank of Hyderabad in due course and initiate action to issue Passbooks to taxpayers to enable them to deposit their taxes.

ASSISTANCE FROM MCH

While making effort to provide better services to citizens, MCH assures that there will not be a single case of harrassment or over-taxation to honest tax-payers who file their Self-Assessment Forms. In case of any problem in assessment/reassessment of property, the following senior officers may be contacted in writing for redressal of grievances:

.....
.....

All Property Owners/Occupiers (Owners/Tenants/Lessees, etc.) and all Resident/Colony/ Flat-owners' Welfare Associations, Rate/Tax Payers' Associations, Traders Associations/Organisations are requested to ensure that Self-assessment Returns are filed for all properties belonging to them/their members individually in accordance with the provisions in the HMC Act, 1955 and assist MCH in the development of our City. Self-Assessment will eliminate the necessity for MCH to go in for time-consuming detailed survey and measurement of property and complicated tax assessment procedures. The Associations are requested to invite the officers mentioned above to Meetings and get their doubts clarified, if any. They are free to request MCH for specific services like roads, street lighting, drains, etc., after making their members file Self-assessment Returns based on a common/uniform understanding and paying the rightful taxes. MCH will make efforts to provide the required services over a period of time, if necessary by going in for Borrowing. Self-Assessment Forms are available in MCH Head Office and Circle Offices and Branches of State Bank of Hyderabad in the Twin Cities. Tax-payers can make Xerox copy of the Form notified, fill up the same and file with MCH.

MUNICIPAL CORPORATION OF HYDERABAD
Self-Assessment of Property Tax Form/Return
FORM A
(Fully Residential Property)
(Information required to be filed by Owner/Occupiers
(Owner/Tenant/Lessee) under Section 213 of the HMC Act, 1955

Property Tax Identification No (PTIN)
 (To be filled up by MCH Office)

I. Location Details

Circle No. Ward No. Block No.

Locality Name Locality No.

Street Name Street No.

House No.

Area Pin Code No.

Name of the Building

II. Land Details:

Land Area in Square Yards

If Own land, state

(a) Name of Owner (s)

(b) Address

If Land is taken on Lease,
 state from whom lease taken

III Building Details:

Type of Building: Roof Code No
 Flooring Code No

Code Numbers:

Roof: RCC	01
Tiled/Asbestos/Other	02
Thatched	03
Flooring: Partly of Fully Marble/Granite	01
Mosaic/Ceramic Tiles/Polished Stone	02
Other	03

If Flat, Floor No. (Ground – G, First – 01, Second – 02, etc.).

If Individual House, No. of Floors

Built-up (Plinth) Area of the Building/Flat in Square Feet

Year of Construction of Building/Flat

Use of the Building Code No. (In case Non-residential)

Code No.

Star Hotels	01
Other Hotels/Lodging Houses/Restaurants	02
Commercial Complexes/Markets/ Shops/Office Complexes/Offices/Banks	03
Cinema Theatres	04
Kalyan Mandapam/Function Halls	05
Hospitals/Nursing Homes/Clinics/Healthcare	
Establishments/Diagnostic Centres	06
Educational Institutions	07
Industries/Factories	08
Religious & Charitable Institutions	09
Other Uses	10

IV. Ownership Details:

Name of the Owner,
Address & Telephone No.

Category of Ownership Code No.

Code Numbers:

Private: Individual	01
Private: Corporate	02
State Govt.	03
Central Govt.	04
State Govt. Undertaking	05
Central Govt. Undertaking	06
Other	07

V. Occupancy Details:

Sl. No.	Name of Occupant(s)	Area Occupied in Square Footage	If Rented, Monthly Rent Paid/Rate per Square Feet	If Self-occupied, Monthly Rent expected if let out/Rate per Square Feet prevailing for similar Property in the Vicinity (MRV)
1				
2				
3				
4				
5				

VI. Existing Tax Details:

Whether assessed to Tax or not: Yes or No

If Yes, Property Tax Assessment/Bill No.

Half-yearly Tax in Rupees

Half-year up to which Tax is paid

VII. Self-Assessment Tax
[Proposed by Occupier (Owner/Tenant/Lessee)]:

Total Plinth Area of Property (PA)

Monthly Rental Value (Prevailing Rent in Local Area per Month) - MRV

Annual Tax payable (In Figures & Words)
(For Guidelines, see Annexure)

Amount already paid for 1999-2000
(In Figures & Words)

Balance to be paid for 1999-2000
(In Figures & Words)

Cheque/Demand Draft by which Tax Paid Now
(Name of Bank, Cheque/Draft No./Amount)

Acknowledgement

Received Self-Assessment Form along with Cheque/Demand Draft
No. _____

Date _____

Drawn on _____ (Name of Bank)
from Shri _____ towards Self-
Assessment Tax for the year _____ for Property on Premises bearing No.
_____ situated at _____

Date:

Receiver's Signature
Name
Designation
Owner/Occupier

VIII. Address for Correspondence

Telephone No.

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DECLARATION

I/We _____ son/daughter/wife of
Sri _____ solemnly declare that I/We am/are
fully aware of the legal provisions contained in Section 213 and other Sections of the
HMC Act, 1955 and other relevant Acts, and the above information is correct to the
best of my/our knowledge and belief.

(SIGNATURE)

NAME OF OCCUPIER/OWNER:

DATE

:

MUNICIPAL CORPORATION OF HYDERABAD
Self-Assessment of Property Tax Form/Return
FORM B
 (Fully Non-Residential or Partly Non-Residential Property)
 (Information required to be filed by Owner/Occupiers
 (Owner/Tenant/Lessee) under Section 213 of the HMC Act, 1955)

Property Tax Identification No. (PTIN)
 (To be filled up by MCH Office)

I. Location Details

Circle No. Ward No. Block No.

Locality Name Locality No.

Street Name Street No.

House No.

Area Pin Code No.

Name of the Building

II. Land Details:

Land Area in Square Yards

If Own land, state

(a) Name of Owner (s)

(b) Address

If Land is taken on Lease,
 state from whom lease taken

III Building Details:

Type of Building: Roof Code No.
 Flooring Code No.

(Code Numbers:

Roof: RCC	01
Tiled/Asbestos/Other	02
Thatched	03
Flooring: Partly of Fully Marble/Granite	01
Mosaic/Ceramic Tiles/Polished Stone	02

Other	03	
If Flat, Floor No. (Ground – G, First – 01, Second – 02, etc.).		
If Individual House, No. of Floors		
Built-up (Plinth) Area of the Building/Flat in Square Feet		
Year of Construction of Building/Flat		
Use of the Building Code No. (In case Non-residential)		
Code No.		
Star Hotels	01	
Other Hotels/Lodging Houses/Restaurants	02	
Commercial Complexes/Markets/ Shops/Office Complexes/Offices/Banks	03	
Cinema Theatres	04	
Kalyan Mandapam/Function Halls	05	
Hospitals/Nursing Homes/Clinics/Healthcare		
Establishments/Diagnostic Centres	06	
Educational Institutions	07	
Industries/Factories	08	
Religious & Charitable Institutions	09	
Other Uses	10	
 IV. Ownership Details:		
Name of the Owner, Address & Telephone No		
Category of Ownership Code No.		
Code Numbers:		
Private: Individual	01	
Private: Corporate	02	
State Govt.	03	
Central Govt.	04	
State Govt. Undertaking	05	
Central Govt. Undertaking	06	
Other	07	

V. Occupancy Details:

Sl. No.	Name of Occupant(s)	Area Occupied in Square Footage	If Rented, Monthly Rent Paid/Rate per Square Feet	If Self-occupied, Monthly Rent expected if let out/Rate per Square Feet prevailing for similar Property in the Vicinity (MRV)
1				
2				
3				
4				
5				

VIII. Existing Tax Details:

Whether assessed to Tax or not: Yes or No

If Yes, Property Tax Assessment/Bill No.

Half-yearly Tax in Rupees

Half-year up to which Tax is paid

IX. Self-Assessment Tax
(Proposed by Occupier (Owner/Tenant/Lessee):

Total Plinth Area of Property (PA)

Monthly Rental Value (Prevailing Rent in Local Area per Month) - MRV

Annual Tax payable (In Figures & Words)
(For Guideline, see Annexure)

Amount already paid for 1999-2000
(In Figures & Words)

Balance to be paid for 1999-2000
(In Figures & Words)

Cheque/Demand Draft by which Tax Paid Now
(Name of Bank, Cheque/Draft No./Amount)

Acknowledgement

Received Self-Assessment Form along with Cheque/Demand Draft
No _____
Date _____
drawn on _____ (Name of Bank)
from Shri _____ towards Self-
Assessment Tax for the year _____ for Property on Premises bearing No.
_____ situated at _____

Date: _____ Receiver's Signature
Name
Designation
Owner/Occupier

VIII. Address for Correspondence

Telephone No.

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DECLARATION

I/We _____ son/daughter/wife of
Sri _____ solemnly declare
that I/We am/are fully aware of the legal provisions contained in Section 213 and
other Sections of the HMC Act, 1955 and other relevant Acts, and the above
information is correct to the best of my/our knowledge and belief.

(SIGNATURE)

NAME OF OCCUPIER/OWNER:

DATE :

GUIDELINES FOR CALCULATING SELF –ASSESSMENT TAX

LEGAL PROVISIONS (HMC ACT, 1955 AS AMENDED):

- Section 197: MCH to levy property tax on lands and buildings.
- Section 198: MCH to fix or alter the rate of taxation.
- Section 199: MCH to levy tax up to 30 % of the Annual Rental Value (ARV) of the building (ARV = 12 X MRV. MRV is the Monthly Rent expected if the property is let out under normal market conditions)
- Section 204: The primary responsibility for levy and payment of property tax is the actual occupier (it could be the owner or tenant or lessee).
- Section 212: Vacant land tax shall be levied at 1% of the capital value of land.
- Section 213: The Commissioner may call for information or returns from owner or occupier of any property or enter and inspect assessable premises.
- Section 217: When the name of the person liable (occupier) for property tax is not ascertainable, the tax may be levied on ‘the holder’ of the property. If the person in occupation refuses to give details of ownership, he himself would be liable for payment of property tax.
- Section 220: Where a building is constructed, or re-constructed, or some structures are raised unauthorisedly, property tax on the same shall be levied with a penalty of 10% on the property tax till such unauthorised building is demolished or regularised.
- Section 238: The Corporation can collect Property Tax arrears under the provisions of the Revenue Recovery Act.
- Section 264: Property tax is payable in advance in April and October of every year.
- Section 269: When a person liable for property tax does not pay the same in time, the Corporation shall collect the same with an interest of 2% per month or the Corporation may disconnect the essential services or confiscate the movable articles of the defaulter of property tax.
- Section 455: Every person shall within One Month after completion of the building deliver a notice to the Commissioner in writing and obtain permission to occupy the building.

SELF-ASSESSMENT TAX CALCULATION

- Step 1: Measure Plinth Area (PA) of your Property /Building. This determines PA.
- Step 2: If Self-occupied, find out prevailing Market Rent per Square Feet per Month for similar Properties in the vicinity. This will give MRV per Sq. ft.
If rented out, state the rent obtained per Sq. ft. per Month (based on Rental Agreement). If the rent obtained is low, you may state the

prevailing Market Rent for similar properties for the purpose of taxation and make the Occupier pay the property tax. This will give MRV per Sq. ft.

Step 3: Property Tax payable may be calculated as follows:

Residential:

No Tax if Monthly Rent expected is less than Rs.50.

$$\begin{aligned} \text{Tax} &= \text{Plinth Area (PA)} \times \text{MRV per Sq. ft.} \times 12 \times 0.17 \text{ if} \\ &\quad \text{Monthly Rent expected is between Rs.51 and Rs.100} - \\ &\quad 10\% \text{ Depreciation} \\ &\quad \text{Add 8\% towards Library Cess} \\ &= \text{Plinth Area (PA)} \times \text{MRV per Sq. ft.} \times 12 \times 0.19 \text{ if} \\ &\quad \text{Monthly Rent expected is between Rs.101 and Rs.200} \\ &\quad - 10\% \text{ Depreciation} \\ &\quad \text{Add 8\% towards Library Cess} \\ &= \text{Plinth Area (PA)} \times \text{MRV per Sq. ft.} \times 12 \times 0.22 \text{ if} \\ &\quad \text{Monthly Rent expected is between Rs.201 and Rs.300} \\ &\quad - 10\% \text{ Depreciation} \\ &\quad \text{Add 8\% towards Library Cess} \\ &= \text{Plinth Area (PA)} \times \text{MRV per Sq. ft.} \times 12 \times 0.30 \text{ if} \\ &\quad \text{Monthly Rent expected is more than Rs.300} - 10\% \\ &\quad \text{Depreciation} \\ &\quad \text{Add 8\% towards Library Cess} \end{aligned}$$

Non-Residential:

$$\begin{aligned} \text{Tax} &= \text{Plinth Area (PA)} \times \text{MRV per Sq. ft.} \times 12 \times 0.30 - 10\% \\ &\quad \text{Depreciation} \\ &\quad \text{Add 8\% towards Library Cess} \end{aligned}$$

The above formulae are guidelines only. The enlightened Tax-payers of the Twin Cities are requested to calculate their own Self-Assessment Tax taking into account the provision of law as appropriate, prevailing rental values, the costs of civic services and the need to contribute to the development of our City.

MCH TRUSTS YOU FOR THE FUTURE OF YOUR CITY AND YOUR CHILDREN

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