

Research Study Series
Number 71

P.N. 17096

**Kanpur Municipal Corporation
A Study of its Finances**

(Prepared for the State Finance Commission, Uttar Pradesh)

State Finance Commissions Cell
National Institute of Urban Affairs
New Delhi

August, 1996

**Research Study Series
Number 71**

**Kanpur Municipal Corporation
A Study of its Finances**

(Prepared for the State Finance Commission, Uttar Pradesh)

State Finance Commissions Cell
National Institute of Urban Affairs
New Delhi

August, 1996

Kanpur Municipal Corporation
A Study of its Finances

Research Study Series

Number 71

(Prepared for the State Finance Commission, Uttar Pradesh)

State Finance Commissions Cell
National Institute of Urban Affairs
New Delhi

August, 1996

Kanpur Municipal Corporation
A Study of its Finances
Research Study Series
Number 71

(Prepared for the State Finance Commission, Uttar Pradesh)

State Finance Commissions Cell
National Institute of Urban Affairs
New Delhi

August, 1996

PREFACE

Under the Constitution (74th Amendment) Act, 1992, State Governments are required to devolve responsibilities, powers, and authority to municipalities to empower them to function as a third tier of government. The Act provides for constitution of Finance Commission by the states once in every five years to recommend their legislators, measures to improve the financial health of municipalities of the state. The measures relate to: (i) assignment of taxes, duties, tolls and fees; (ii) sharing of state revenues; and (iii) grants-in-aid.

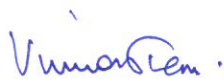
When the State Finance Commission of Uttar Pradesh was constituted in 1994, detailed information on municipal finances and tax administration was not available with the Commission. The fiscal capacity of urban local authorities i.e. their ability to raise resources on their own, and their fiscal needs to maintain and operate essential services also were not known to the Commission. In the absence of information on fiscal capacity, tax administration system and fiscal needs of the municipalities, it was difficult for the Finance Commission to suggest measures for improving the financial health of municipal bodies in the state.

The Commission, therefore, sponsored this study on **Finances of Kanpur Municipal Corporation** with the following objectives: (i) to study the municipal tax administration system in the Kanpur Municipal corporation, (ii) to analyse the trends in revenue incomes and expenditure in the corporation, and (iii)

to assess the financial requirements of the corporation for upgrading core municipal services. In addition to a review of finances of Kanpur Municipal Corporation and its tax administration system, the study provided a set of resource mobilization/ generation strategies to the Finance Commission for strengthening finances of the Kanpur Municipal Corporation in particular and municipal bodies of the state in general.

Dr. Mukesh P. Mathur, Associate Professor at the Institute Coordinated and conducted this study. He was supported by Shri Satpal Singh, Research Analyst and other professional staff of the Institute. Dr. Dinesh B. Mehta, Director of the Institute during the period of this study, provided valuable advice to the project team for the conduct of the study.

19 April 1999


Vinod Tewari
Director

CONTENT

	Page no.
I Introduction	1-3
II Financial Trends	4-11
III Resource Structure	12-24
IV Municipal Taxation : Procedures and Administration	25-48
V Upgrading Core Urban Services: Financial Implications	49-54
VI Performance of KMC: A Summary	55-60
VII Resource Mobilisation/Generation Strategies: Some Suggestions	61-68
Annexure Documents/Tables	69-96
Appendix	
I Summary of Discussions with KMC officials	97-104
II Property Tax Reforms in India: Selected examples	105-130
III Summary and Recommendations of Working Group III on Expenditure Norms	131-144
IV Property Tax System in Case Study Cities: An Analysis	145-160

STUDY TEAM

Project Coordinator

Dr. M.P. Mathur

Research Support

Shri Satpal Singh

Data Processing and Design

Shri R.K. Dahiya
Ms. Sangeeta Vijn
Ms. Indu Senan
Ms. Aradhana S. Baghel

Shri H.P. Pandey
Shri Gusai Ram

Secretarial Assistance

Ms. Kamla Arora

I

INTRODUCTION

Uttar Pradesh is the most populous state of the country. According to 1991 census, the state has a population of about 139 million, which constitute more than 16 per cent of the country's total population. Of the total population, urban population accounts for roughly one-fifth, and it grew at an annual growth of about 4 per cent. A major share of the increase in urban population has been in the big cities like Kanpur, Agra, Lucknow, Allahabad, Meerut, Ghaziabad, etc.

Increasing population in the state has direct implications for augmentation of municipal services. The present level of municipal services is inadequate. This is reflected in a much lower per capita expenditure on operations & maintenance of core municipal services in the state (Rs. 90) as compared to the national level average of Rs.143 annually, at 1986-87 prices.

NIUA studies¹ conducted for the Eighth and Ninth Finance Commissions suggest increasing dependence on external sources of funding in many municipal bodies of the State. Obviously, the enhanced functional responsibility of urban local governments in the light of 74th Constitutional Amendment Act, would require more resources to finance municipal infrastructure and services.

Objectives & Scope of the Study:

Under the Constitution (74th Amendment) Act, 1992 urban local bodies are to be devolved responsibilities, powers, and authority by State Government to enable them to function as a third tier of government. This Act specifies roles of local bodies to prepare and implement plans for economic development and social justice. These Local Bodies are expected to perform functions listed under the Twelfth Schedule of the Act. This functional devolution to local bodies needs to be matched by appropriate financial devolution. State Finance Commissions (SFCs) constituted under Article 243 I and 243 Y, have an enormous task of recommending modalities and extent of financial devolution to enable local bodies to perform their tasks adequately and efficiently.

1. NIUA; Financial Resources of Urban Local Bodies in India and the Level of Services Provided, 1983.
NIUA; Upgrading Municipal Services : Norms & Financial Implications, 1989.

A detailed information on municipal finances and tax administration is, however, not available with the State Finance Commission of U.P. The fiscal capacity of urban local authority i.e. its ability to raise resources on its own is not known. The fiscal needs of the local government to maintain and operate essential services is also not known. In the absence of information on fiscal capacity, tax administration system and fiscal needs of the municipalities, it would become difficult for the State Finance Commission to suggest measures for improving the financial health of municipal bodies in the state.

The present study on Finances of Municipal bodies in Uttar Pradesh is aimed to analyse the sources of municipal bodies, their expenditure patterns, tax administration system, etc. with a view to suggest ways and means for improving the financial health of municipal governments in the state.

The study has attempted to analyse :

- ▶ Trends in revenue receipts and expenditure in the last five years;
- ▶ Municipal Tax administration system; and
- ▶ Fiscal resource gap.

This study is confined to only one urban local body of the state i.e., Kanpur Municipal Corporation (KMC). The city profile of Kanpur is as follows :

Table 1.1
City Profile of Kanpur

Year	Population		ACGR 1981-91 (%)	Area in Municipal jurisdiction (Sq.Kms.)	Density (Per sq. km. area)	No. of Households
	U.A	Municipal				
1981 (Census)	16,39,064	14,81,789	-	261.59	5665	276,432
1991 (Census)	24,18,487	18,74,409	2.38	261.59	7165	354,454
1995 (Est.)	28,25,679	20,59,186	2.38	-	-	391,515 (Est.)
2001 (Est.)	35,68,548	23,71,059	2.38	-	-	454,497 (Est.)

Source : Census of India, 1981 and 1991

Data on the following components of the study have been collected from the Kanpur Municipal Corporation (KMC) through structured questionnaire as well as budgets/annual administrative reports, and other documents of the corporation.

- ▶ Resource Structure;
- ▶ Tax components;
- ▶ Tax collection procedure, billing, record keeping, rate structure, etc;
- ▶ Financial and administrative powers; and
- ▶ Pattern of expenditure

Most of the data for the study have been collected for the last five years i.e. from 1990-91 to 1994-95.

NIUA faculty also met city level officials in order to discuss various issues of finances of Kanpur Municipal Corporation. A gist of discussions alongwith the name of officers whom the research team met has been given in Appendix I.

II

FINANCIAL TRENDS

Kanpur Municipal Corporation is constituted as per the provisions of Uttar Pradesh Nagar Mahapalika Adhiniyam, 1959 (amended upto 1994). The corporation is responsible for providing a range of service and is obliged to ensure a healthy environment for the community residing in the area of its jurisdiction. According to Act, the functions of the KMC can broadly be grouped into two categories, namely (i) obligatory and (ii) discretionary. These are given in Table 2.1 and includes the functions like public health, water supply, conservancy and sanitation, public safety, public works, primary education, recreation and a number of regulatory services. Regarding provision of water supply in Kanpur, it may be mentioned that this function has been transferred to the Kanpur Jal Sansthan with effect from July 1979.

Table 2.1

Functions of the Corporation

Obligatory	Discretionary
Refuse collection and disposal, cleaning of drains, sewers etc.	Maintenance of orphanages and rescue homes for women
Watering, scavenging and cleansing of all public streets and places	Provision of milk to expectant, nursing mothers or schools children
Provision of water supply	Construction of public wash houses, swimming pools, bathing places etc.
Street lighting	Maintenance of dairies or farms, drinking fountains or stand-posts, tourist bureau, drinking shed, rest houses, lodging houses, camping grounds, theaters, rest houses, shops or stalls etc.
Construction and maintenance of parking plots, bus stops and public conveniences	Making grants to educational and cultural institutions
Establishing public hospitals, dispensaries and public medical relief	Holding of exhibitions, athletics or games
Naming or numbering of streets and public places	Maintenance of trackless trams or motor transport facilities
Public vaccination	Maintenance of libraries, museums, art galleries, tanks, walls, dams, grazing grounds, breeding stud, gaushalas.
Provision for anti-rabic treatment	The provision of poor relief

Maintenance of ambulance services	Collection & disposal of night soil
Registering births and deaths	Any other functions
Preventing and checking the spread of contagious, infectious and dangerous diseases	
Maintaining maternity homes, child welfare centres etc	
Veterinary hospitals	
Regulating of offensive and dangerous trades	
Reclamation of unhealthy localities, the removal of noxious vegetation	
Construction of Public Markets and Slaughter houses.	
Removal of dangerous buildings and places	
Maintenance of fire brigade, cattle pounds, sub-ways, culverts, causeways and the like public monuments.	
Establishing and maintenance of school for primary education including nursery education	
Constructing of Street Roads	
Regulation of traffic and provision of traffic signs	
Preparation of town planning schemes.	
Any other functions	

Source : U.P. Municipal Corporations Act, 1959.

In addition to laying down the functions, Act also specify the resource raising powers of the corporations for financing various civic activities. However, this issue will be taken up separately in the next section on Resource Structure.

Table 2.2

**Revenue Income - Expenditure Differential in KMC
at Current Prices**

(Rs. in lakhs)

Components	1990-91	1991-92	1992-93	1993-94	1994-95	Average annual growth %
Revenue Income	3995.05	4415.46 (10.52)	4214.61 (-4.55)	4871.62 (15.59)	4694.02 (-3.65)	4.48
Revenue Expenditure	4249.75	4342.49 (2.18)	4185.17 (-3.62)	4455.35 (6.46)	4523.77 (1.54)	1.64
Surplus/Deficit (+)/(-)	-254.70	72.97	29.44	416.28	170.25	-
% to income	-6.38	1.65	0.70	8.54	3.63	-

* Figures in brackets refer to annual percent growth

Source : NIUA Survey, 1995.

Trends in Expenditure

It may be stated at the outset that the municipal spendings have a direct impact on the delivery and maintenance of basic services such as sanitation, public health, public safety, public works, primary health care, primary education, etc. Data presented in Table 2.2 show that expenditure on services in the Kanpur Municipal Corporation (KMC) has not shown any substantial increase over the years. It has gone up at the average annual rate of just 1.64 per cent between the reference years, 1990-91 and 1994-95. A closer look at the trends in revenue expenditure indicates that the expenditure is not growing evenly in all the years under reference, and even has recorded negative growth in between 1991-92 and 1992-93. KMC had spent approximately Rs.4185 lakhs on account of O & M of various services in 1992-93 as against the expenditure of more than Rs.4342 lakhs in 1991-92, registering a decline of about four per cent within a year.

Table 2.3**Trends in Revenue Receipts/Expenditure and
Population (Projected):KMC**

Year	Index Number (Base : 1990-91)				
	Receipts		Expenditure		Population
	current prices	Constant prices	Current prices	Constant prices	
1990-91	100.00	100.00	100.00	100.00	100.00
1991-92	110.52	97.23	102.18	89.89	102.37
1992-93	105.49	84.08	98.48	78.49	104.81
1993.94	121.94	90.89	104.83	78.14	107.30
1994-95	117.49	79.81	106.44	72.31	109.85

Source : NIUA Survey, 1995

With an exception of marginal decline of four per cent in between 1991-92 and 1992-93 fiscal years, in all the years under reference, expenditure on services is growing, may be marginal, year after year. However, when this adjusted for price and population changes, indicates the declining trends ever since 1990-91. It may be seen from the Table 2.4 that at constant prices which is a better index of trends in real terms, the growth during 1990-91 and 1994-95 is found to be constantly negative. It is important to note that even on current prices, the per capita expenditure on services remained more or less static over the period of time. This suggest that much of the increase in expenditure on current prices has been neutralised by the growth in population. At constant prices, however, per capita expenditure on services has legged behind substantially with the rise in prices. Thus affected the O & M of essential services in a big way which is important in order to maintain the services at barest minimum level.

Table 2.4

Per Capita Revenue Receipts and Expenditure at current and Constant prices : KMC

(Rs.)

Year	Receipts		Expenditures	
	Current	Constant	Current	Constant
1990-91	213.14	213.14	226.73	226.73
1991-92	230.09	202.43	226.29	199.08
1992-93	214.52	170.98	213.03	169.75
1993-94	242.21	180.53	221.51	165.13
1994-95	227.96	154.86	219.69	149.25

Source : NIUA Survey, 1995.

It may be mentioned that the per capita expenditure on operation and maintenance of critical municipal services in KMC is substantially below the O & M expenditure norms proposed by various commissions and committees. For example, Zakaria Committee has suggested Rs.364.13 per capita/annum on O & M of various municipal services at 1994-95 prices.* As against this, KMC spend only approx. Rs.220 per capita on O & M of services annually. It would be of interest to examine the physical performance of services in Kanpur Municipal Corporation. However, data is not available to do it. Further, it is out of the scope of the present study as this study has attempted to analyse the financial trends and tax administration system of KMC.

Pattern of Expenditure

Pattern of expenditure on critical municipal services has been analysed with a view to ascertain the relative importance of core services in the financial outlay of KMC. Whereas the critical municipal services, namely, sanitation, public health, public safety, primary health care, etc. are in the priority list of corporation, the other services which includes commercial activities and recreation have comparatively lower priority in the corporation functional hierarchy as far as community's welfare is concerned.

* Excluding water supply (for details please see Table 5.3 and 5.4)

Table 2.5**Pattern of Expenditure : KMC
(at current prices)**

(Rs. in lakhs)

Components	1990-91	1991-92	1992-93	1993-94	1994-95
General Administration & Collection of Revenue	385.62 (9.07)	324.19 (7.47)	344.47 (8.23)	376.72 (8.46)	382.13 (8.45)
Public Health	55.61 (1.31)	70.21 (1.62)	52.70 (1.26)	63.40 (1.42)	59.57 (1.32)
Sanitation	1480.57 (34.84)	1541.02 (35.49)	1741.61 (41.61)	1887.80 (42.37)	1926.26 (42.58)
Medical & Health Care	209.92 (4.94)	283.70 (6.53)	246.65 (5.89)	245.38 (5.51)	291.52 (6.44)
Public Safety	517.54 (12.18)	468.22 (10.78)	422.16 (10.09)	396.09 (8.89)	366.23 (8.10)
Public Works	1060.76 (24.96)	596.09 (13.73)	562.45 (13.44)	439.90 (9.87)	589.05 (13.02)
Primary Education	229.45 (5.40)	277.15 (6.38)	283.64 (6.78)	319.58 (7.17)	317.28 (7.01)
Others	310.28 (7.30)	781.90 (18.01)	531.51 (12.70)	726.48 (16.31)	591.74 (13.08)
Total Revenue Expenditure	4249.75 (100.00)	4342.49 (100.00)	4185.49 (100.00)	4455.35 (100.00)	4523.77 (100.00)

Source: NIUA Survey, 1995

Note: Figures in brackets shows the percentage the total revenue expenditure)

Table 2.5 indicates that sanitation which includes expenditure on solid waste collection and disposal accounts for the highest share of corporation spendings - more than 40 per cent of the total in 1994-95. It may be mentioned that a significant proportion of this amount is spent on account of administrative back up needed for the routine operation and maintenance of sanitation infrastructure.

Next in order is 'others' service sector (13.08%) which includes commercial activities and recreation, followed by public works (13.02%), general administration (8.45%), public safety (8.10%), primary education (7.01%), medical care (6.44%) and public health (1.32%). It would be desirable to note here that in a majority of services, staff component constitutes more than 50 per cent of the total expenditure, the remaining is being in the shape of material component.²

An increasing trend of expenditure on 'sanitation services' both in terms of scale as well as in proportionate share show the positive attitude of the Corporation in order to maintain city clean and healthy. It may be seen from the Table 2.5 that in absolute terms, the expenditure on sanitation services has gone up from approx. Rs.1481 lakhs in 1990-91 to above Rs.1926 lakhs in 1994-95. In proportionate terms, it increased from roughly 35 per cent of the total spendings in 1990-91 to roughly 43 per cent in 1994-95.

In other service sectors, no definite trend is noticed in the pattern of expenditure both in terms of scale as well as in proportionate share. On public works, for example, corporation had spent approx. Rs. 1061 lakhs in 1990-91 (24.96%), Rs.596 lakhs in 1991-92 (13.73%), Rs.562.45 lakhs in 1992-93 (13.44%), Rs.440 lakhs in 1993-94 (9.87%) and Rs. 589 lakhs in 1994-95 (13.02%), showing mixed trend over the years.

It is worth mentioning that growth in expenditure on different services is influenced by variety of factors including technological changes, general increase in the cost of materials, inevitable increase in the strength and cost of establishment; besides priority given to a particular service at the national/state and local level.

Trends of Revenue

In the reference years 1990-91 and 1994-95, the current revenue income of the KMC increased at an average annual rate of 4.48 per cent which is significantly higher than the increase in expenditure. In a year, between 1990-91 and 1991-92, the revenue is seen to have a quantum jump by about Rs.417 lakhs. This is explained by the transfer of payment of arrears by the state government to the KMC on account of compensatory grant in lieu of octroi. Significantly, octroi was abolished in U.P. in August 1990, and it has been replaced with the surcharge on sales tax. Recently this surcharge on sales tax was replaced with the trade tax.

The trends in revenue income at constant prices and in per capita terms are quite disturbing. Though the per capita revenue at current prices increased by about 7 per cent in the past four years, the growth is constantly negative at constant prices as is evident from the Table 2.4. The per capita revenue at constant prices is found to be declining ever since 1991-92, without any definite trend in it.

2. A note on the Finances of Municipalities and Panchayats - An Approach, SFC, U.P.,1995

A sudden increase in per capita revenue in 1993-94 compared to 1992-93, is attributable to the high collection of advertisement tax by the corporation in 1993-94. During this year, the corporation intensified its efforts in collecting advertisement tax by way of raising advertisement fee and also panalising unauthorised hoardings placed at various locations.

Income-Expenditure Differentials

Having analysed the overall trends in the expenditure and revenue income, let us look into the relationship between the two during the period under reference. A look at the Table 2.2 show that revenue income of KMC (including state transfers) is slightly higher than its revenue expenditure in all the years under reference except in 1990-91 where the expenditure is higher by 6.38 per cent than the income of that year. It may be recall that in August 1990, octroi was abolished in U.P., resulting less income to the corporation in the fiscal year 1990-91. As explained earlier, during 1990-91, the State Government has not paid compensatory grant (for about seven months) to the local bodies of the state in lieu of octroi. This was paid later in 1992-93.

While prima facie evidence show that incomes are not a constraints for the Kanpur Municipal Corporation in order to finance the critical services, the fact is that under U.P. Municipal Corporations Act, 1959, local bodies are barred from preparing and presenting 'deficit budgets'. According to Section 146 (e) of the Act, the Corporation shall allow for a cash balance at the end of the said year of not less than such sum as may be prescribed by the State government. The marginal surplus balance in the reference years is, therefore, illusory as it is maintained to satisfy the statutory provisions only. Further, any surplus at low levels of services are hardly a dependable indicator (Table 2.2)

III

RESOURCE STRUCTURE

The Kanpur Municipal Corporation (KMC) derives its revenue income mainly from two sources, namely (i) internal sources and (ii) external sources. Whereas internal sources consist of Taxes and Non-Tax income, the Assigned Taxes and Grants-in-Aid form part of the external sources. Besides these sources, the KMC is also raising loans and assistance from the government and other financial institutions such as LIC, World Bank, HUDCO and so on to finance capital (plan) projects. The present analysis is confined to the non-plan receipts of KMC; funding of capital investments has been excluded from it as it is difficult to analyse the variations in the plan funding without having adequate data on different components of capital nature projects.

The following chart shows the distribution of revenue income of KMC by major components and sub-components:

Components	Sub-components
INTERNAL SOURCES	
Taxes	General tax (Property tax), Theatre tax/ Show tax, Advertisement tax, tax on Vehicles etc.
Non-taxes	Fee, Fines, Rents and Prices from the services rendered, etc.
Miscellaneous	Any other source of income excluding above.
EXTERNAL SOURCES	
Grants-in-aid	General purpose, specific purpose, in lieu of octroi, etc.

Source: NIUA Survey, 1995.

The revenue income of KMC from internal (own) sources and external sources is given in Table 3.1 and 3.2. It indicates that where as KMC's income from own sources of revenues, comprising taxes and non-tax revenue has been constantly declining in the last four years, its dependence on state government in the form of grants (external sources) has been increasing over the years. This has increased from nearly 68 per cent of the total revenue receipts in 1990-91 to over 82 per cent of the total revenue receipts in 1994-95. From the viewpoint of financial and

operational autonomy, this can be seen as a negative trend in KMC finances. Conceptually, larger dependence on external sources of funding makes the local bodies vulnerable to external controls generally applied by the funding agencies.

Table 3.1

Revenue Income of KMC from Internal and External Sources at Current Prices

Year	Total income (Rs. in lakhs)	Internal sources		External Sources	
		% to total income	Growth index	% to total income	Growth index
1990-91	3995.05	31.75	100.00	68.25	100.00
1991-92	4415.46	19.44	67.65	80.56	130.47
1992-93	4214.61	22.91	76.12	77.09	119.16
1993-94	4871.62	21.21	81.44	78.79	140.79
1994-95	4694.02	17.47	64.65	82.53	142.09

Source: NIUA Survey, 1995.

It may be mentioned that in 1990-91, the share of internal sources in the overall revenues of the Corporation was more than 31 per cent. The reason was that during 1990-91, Corporation had received a substantial amount of Rs. 533 lakhs on account of octroi levy which was not the case for subsequent years as octroi was abolished in the state with effect from August, 1990. From 1991-92, onwards KMC is receiving a compensatory grant in lieu of octroi, as a part of its external sources of funding.

Table 3.2

**Present Growth in Revenue Income from Different Sources: KMC
(at current prices)**

Component	1990-91 to 1991-92	1991-92 to 1992-93	1992-93 to 1993-94	1993-94 to 1994-95	ACGR90-94**
A. INTERNAL SOURCES					
Taxes: General tax	-10.72	24.23	3.39	-21.32	-2.54
Vehicle tax	-7.05	-10.52	26.11	-3.92	0.20
Octroi	0.00	0.00	0.00	0.00	0.00
Advertisement tax	-38.11	-35.62	3070.48	-61.05	48.94
Other taxes	48.22	178.47	-17.63	-3.70	34.52
Total tax revenue	-51.69	23.80	9.98	-23.16	-15.68
Non tax revenue	174.16	-8.70	-0.65	-13.42	21.14
Sub-Total (Internal)	-32.35	12.52	6.99	-20.62	-10.33
B.EXTERNAL SOURCES					
Compensatory grant in lieu of octroi	65.00*	10.00	10.00	9.75	21.66
General purpose grant	91.69	-42.32	27.57	-5.42	7.47
Specific purpose grant	-43.99	-3.29	33.02	-23.10	-13.72
Miscellaneous	95.65	-72.85	114.15	-2.56	2.61
Sub-total (External)	30.47	-8.67	18.15	0.92	9.18
Total revenue income	10.52	-4.55	15.59	-3.65	4.11

* Octroi collection upto August, 1990.

** Annual Compound Growth Rate (%)

Source: NIUA Survey, 1995.

It is striking to note that own sources' of income of KMC are grossly inadequate for meeting its expenditure needs. The gap between what they are able to raise by their own and what they are spending is growing year after year, particularly after the demise of octroi in the state. It has increased from nearly 235 per cent of the own revenue receipts in 1990-91 to over 450 per cent of the own receipts in 1994-95. In absolute terms, KMC's revenue deficit has increased from about Rs.2981 lakhs in 1990-91 to above Rs.3700 lakhs in 1994-95 (Table 3.3)

Table 3.3

Own Sources of Revenues and Expenditure Needs of KMC

(Rs. in lakhs)

Year	Income from own sources	Revenue expenditure	Own Income-expenditure differential	
			Amount	% to own income
1990-91	1268.62	4249.75	-2981.13	234.99
1991-92	858.20	4342.49	-3484.29	406.00
1992-93	965.68	4185.17	-3219.49	333.39
1993-94	1033.13	4455.35	-3422.22	331.25
1994-95	820.14	4523.77	-3703.63	451.59

Source: NIUA Survey, 1995.

Own Sources of KMC vis-a-vis Other Corporations: An Analysis

It would be of interest to compare the own sources (internal) of KMC with the other corporations of the country. A look at the Table 3.4 suggest that the proportion of KMC internal sources does not compare favourable with the other corporations of the country. The dependence of KMC on external sources of funding is much higher than any of the corporations under reference. In 1991-92, for example, KMC has raised more than 80 percent of its revenue income from external sources. As against this, more than 47 percent of Lucknow Municipal Corporations' (belongs to the same state) total revenue income has been derived only from internal sources. Lucknow Municipal Corporation is thus in a much better position as compared to Kanpur Municipal Corporation as far as its financial autonomy is concerned (Table 3.4).

Table 3.4

**Revenue Income of the Selected Municipal Corporations from
Internal and External Sources, 1991-92**

Selected municipal corporations		Total income (Rs. in lakhs)	Internal sources (% to total revenue income)	External sources (% to total revenue income)
Non Octroi	Delhi	21480.63	65.44	35.56
	Kanpur	4415.46	19.44	80.56
	Lucknow	1979.04	47.92	52.08
	Bangalore	11984.05	55.13	44.87
	Bhopal	1892.05	41.50	58.50
Octroi	Ahmedabad	17747.84	81.81	18.19
	Bombay	73704.39	91.02	8.98
	Jaipur	3214.55	92.58	7.42

Source: NIUA Survey, 1995.

It may be mentioned that presence or absence of octroi plays a significant role in municipal finances. Financial dependence of municipal bodies on the state government is much larger in non-octroi cities as compared to octroi cities. In non-octroi cities of Kanpur and Lucknow, for example, state transfers constitute more than 50 per cent of the total revenue. In octroi cities of Ahmedabad, Bombay and Jaipur, the dependence on state transfers is only to the extent of 7-19 per cent. Abolition of octroi in UP thus has increased the dependence of municipal bodies on state finances for financing of critical urban services.

Internal Sources:

As mentioned earlier, the internal sources consist of taxes, non-taxes and other sundry municipal revenues. The analysis of KMC revenues indicates that KMC derives only one-fourth of its total revenue income from internal sources which is not a healthy trend. Thus it would be

important to examine the components of domestic municipal incomes to find out their elasticity under various heads.

Table 3.5 show that the revenues from tax sources continued to maintain their dominant position in the internal revenue structure of the KMC with contributions from non-tax sources such as fees & fines, rents and prices, and so on being comparatively less. The proportionate share of tax revenues in the total internal revenues of KMC, however, shows a mixed trend. The share of tax revenue has declined from roughly 91 per cent in 1990-91 to less than 72 per cent in 1994-95. The contribution from this source of domestic income is found to have suddenly declined from 91 per cent in 1990-91 to approx 65 per cent in 1991-92 owing to the fact that in August 1990, Government of U.P. had abolished octroi in the state. As a result, the receipts on account of 'Taxes' which was over Rs. 1159 lakhs in 1990-91 dipped to about Rs.560 lakhs in 1991-92 which marks an decline of over 77 per cent within a gap of just one year.

Table 3.5

**Composition of Revenue Income from Internal Sources
at Current Prices: KMC**

Components	Receipts (Rs. in lakhs)					Percent variation, from 1990-91 to 1994-95
	1990-91	1991-92	1992-93	1993-94	1994-95	
Taxes	1159.99 (91.44)	560.40 (65.30)	693.77 (71.84)	763.00 (73.85)	586.25 (71.48)	-49.46
Non-tax revenue	108.63 (8.56)	297.80 (34.70)	271.90 (28.16)	270.13 (26.15)	233.89 (28.52)	115.31
Total	1268.62 (100.00)	858.20 (100.00)	965.68 (100.00)	1033.13 (100.00)	820.14 (100.00)	-35.35

Source: NIUA Survey, 1995.

The tax income in absolute terms as well as in proportionate terms has gone up substantially during the year 1991-92 and 1993-94. A sudden jump in the tax income from Rs.560.40 lakhs in 1991-92 to approx. Rs. 763 lakhs in 1993-94, was mainly due to high collection of revenue from advertisement tax. In this year KMC has revised the advertisement fee rates and also put a penalty on unauthorised hoardings. For instance, the advertisement fee which was Rs.2,000/= for the hoarding size of 20'X10' prior to 1993-94, increased to Rs.5000/- with effect from 1993-94.

At constant prices (adjusted at 1990-91 prices), the income of KMC from Taxes has gone down substantially during the reference period owing to various reasons including non-elastic character of tax income components, in efficient tax administration and abolition of octroi in the state. In non-tax sector however, receipts has gone up substantially (46 per cent) during the reference years 1990-91 and 1994-95 even on constant prices, reflecting a growing awareness of the corporation towards enlargements of its revenue base from non-tax sector (Table 3.6).

Table 3.6

Composition of Revenue Income of KMC from Internal Sources at Constant Prices

Components	Receipts (Rs. in lakhs)		Percent variation, from 1990-91 to 1994-95
	1990-91	1994-95	
Taxes	1159.99	398.25	-65.67
Non-taxes	108.63	158.89	46.27
Total	1268.62	557.14	-56.08

Source: NIUA survey, 1995.

Composition of Tax Income

Among various components of tax income of KMC, general tax which is a tax on properties is found to be most important tax source. Even prior to abolition of octroi in U.P., it occupied first position in the tax structure of KMC by way of sharing more than 50 per cent of the total tax revenue of the corporation. The share of octroi was in the range of 40-46 per cent of the total income prior to its abolition in 1990. It can be seen from the Table 3.7 that from general tax alone, KMC receive more than 90 per cent of the total tax income. The other important taxes are: advertisement tax and tax on vehicles. The study reveals that besides the above taxes, no other taxes make significant contribution to the revenues of corporation. It is important that Kanpur Corporation is not levying a tax on dogs; a betterment levy; tax on trade, callings and professions; tax on animals; and tax on deeds of transfer of immovable properties despite provisions in the Act.

Table 3.7

**Composition of Tax Income of KMC,
(at Current Prices)**

(Rs. in lakhs)

Tax components	1990-91*	1991-92	1992-93	1993-94	1994-95
General tax	604.96 96.50	540.12 96.38	670.98 96.71	693.72 90.92	545.79 93.10
Vehicle tax	16.44 2.62	15.28 2.73	13.67 1.97	17.24 2.26	16.56 2.83
Advertisement tax	3.62 0.58	2.24 0.40	1.44 0.21	45.71 5.99	17.80 3.04
Other taxes**	1.86 0.30	2.76 0.49	7.69 1.11	6.33 0.83	6.10 1.04
Total tax revenue	626.87 100.00	560.40 100.00	693.77 100.00	763.00 100.00	586.25 100.00

* Excluding octroi

** Including theatre/show tax

Source: NIUA survey, 1995.

It is important that per capita income from property tax (general tax) and tax on vehicles declining over the years both at current as well as on constant prices. The decline is, however, more on constant prices. This suggest that the revenues from the above taxes have not increased in relation to inflation and population trends. Had the tax yield increased in proper proportion to these two variables, the finances of KMC would have been in much better shape than what they are now? (Table 3.8)

Table 3.8**Per Capita Tax Income from Various Sources at
Current and Constant Prices**

(Rs.)

Tax components	Current Prices		Constant Prices		% decline
	1990-91	1994-95	1990-91	1994-95	
General tax	32.27	26.51	32.27	18.01	-44.2
Vehicle tax	0.88	0.80	0.88	0.55	-37.5
Advertisement tax	0.19	0.86	0.19	0.59	+210.5
Others	0.10	0.30	0.10	0.20	+100.0
All	33.44	28.47	33.44	19.34	-42.2

Source: NIUA Survey, 1995.

Efficiency in Tax Collection:

An important indicator of the efficiency of a municipal body is the proportion of tax collected to the total tax demand. Inefficiency in tax collection efforts by the KMC can be judged from the fact that uncollected amount of property taxes accounts for roughly 34-37 per cent of the total tax demand of the corporation during the years 1991-92, 1992-93 and 1993-94. In other words, recovery of tax dues is only to the extent of 62-66 per cent in most of the years. It may be mentioned that efficiency in tax collection efforts has a direct impact on the financial resources of the municipal bodies, which in turn, affects the physical performance of the municipal body in different ways. While asking a question on law collection ratios of property taxes in KMC, officials pointed out that many cloth mills including National Textile Corporation, Victoria Mills, etc. are not paying their property tax dues regularly to the Corporation, resulting substantial loss of income to the KMC.

Table 3.9

Demand and Collection of Property Taxes in KMC

(Rs. in lakh)

Year	Total demand*	Total collection*	% collection to demand
1991-92	811.05	502.96	62.01
1992-93	856.96	550.47	64.24
1993-94	896.30	593.32	66.20

* Including Arrears

Source: NIUA Survey, 1995

It would be worth to mention that there are three chief reasons for low collection ratios in most of the cases. These are:

- i. In the absense of punitive powers with the municipal authorities, no tax payers is inclined to pay the tax when it falls due;
- ii. The assessee, especially those liable to pay large sums as property tax gain time by filing appeals against the valuations by municipal authorities; and
- iii. Lack of motivation on part of the municipal administration for effective realisation of tax dues.

External Sources:

In case of KMC finances, it includes only (i) General purpose grants; (ii) specific purpose grants and (iii) grants in lieu of octroi. Grants play a critical role in the functioning of local governments in India, and constitute an important component of the total revenues of local bodies. Usually, they account for approximately 30-35 per cent of the total revenues of municipal bodies.

As mentioned earlier, more than 75 per cent of the total revenue of KMC have been derived only from grants from state government. Among various components of grants, the share of compensatory grants in lieu of octroi is highest in all the years under reference. (Table 3.10).

Table 3.10

Components of State Transfers: KMC (at current prices)

(Rs. in lakhs)

Components	1990-91	1991-92	1992-93	1993-94	1994-95	
					Amount	% to total
General purpose grants	410.43	786.76	453.81	578.92	547.52	14.59
Specific purpose grants	995.19	557.45	539.12	717.13	551.45	14.70
Compensatory grants in lieu of octroi	1210.80*	1997.82	2197.56	2417.28	2652.96	70.71
All types	2616.42	3342.02	3190.49	3713.33	3751.93	100.00

* Compensatory grants in lieu of octroi received after August, 1990.

Source: NIUA survey, 1995.

Tables 3.10 to 3.12 suggest no definite pattern in the distribution of state resources to the local bodies in the form of grants for various purposes. The grants-in-aid system even for general purpose grants is found to be confusing and largely as on adhoc basis. This has resulted in budgatory suspense, lack of capital formation and neglect of maintenance of basic municipal services. The observations of Working Group on 'Transfers of Local Bodies' are important in this regard.³

3. NIPFP; Report of the Working Group on Transfers to Local Bodies, State Finance Commission Cell, October, 1995.

Table 3.11**Percent Growth of Grants: KMC (at Current Prices)**

(Rs. in lakhs)

Components	1990-91 to 1991-92	1991-92 to 1992-93	1992-93 to 1993-94	1993-94 to 1994-95
General purpose grants	91.69	-42.32	27.57	-5.42
Specific purpose grants	-43.99	-3.29	33.02	-23.10
Grants in lieu of octroi	65.00	10.00	10.00	9.75
All types	27.73	-4.53	16.39	1.04

Source: NIUA Survey, 1995.

According to Group, the purpose of transfers (Grants and shared taxes) is to permit the local governments to provide a satisfactory level of service to the community. However, the evidence points to the inability of local bodies to meet this objective. The present system of transfers has also created a situation of dependency of local bodies on State governments as there is no provision of automatic transfers of resources. Several studies has pointed out that there is no coherent system of State transfers to local bodies. There is a confusion of responsibility and lack of accountability. The Group observed that the present system of transfers has contributed little towards solving the fiscal problems of the distressed local bodies and is no longer in tune with the evolving needs of local governments.

The Group reviewed the existing practices of States transfers, be it the sharing of State taxes or the grants, should be designed in such a way that they lead to a fully transparent and predictable system of inter governmental finance in which all levels of government understand the rules of revenue sharing and grants and their entitlements under the systems.⁴

4. Ibid.

Table 3.12

**Per Capita Grants: KMC
(at Current Prices)**

(Rs.)

Components	1990-91	1991-92	1992-93	1993-94	1994-95
General purpose grants	21.90	40.99	23.09	28.78	26.59
Specific purpose grants	53.10	29.04	27.43	35.66	26.78
Grants in lieu of octroi	64.61	104.10	111.83	120.20	128.84
All types	139.61	174.15	162.36	184.65	182.22

Source: NIUA Survey, 1995.

IV

MUNICIPAL TAXATION: PROCEDURES AND ADMINISTRATION

As mentioned earlier, Kanpur Municipal Corporation derives its non-plan revenue income from three sources viz. (i) Taxes (ii) Non-tax revenues, and (iii) Government Grants including compensatory grant-in-lieu of octroi . The taxes which the KMC is presently levying are as under :

- i. Property Tax/General tax;
- ii. Theater Tax/show tax;
- iii. Advertisement Tax; and
- iv. Tax on vehicles.

These taxes are to be assessed and levied in accordance with the provisions of the U.P. Municipal Corporations Act, (Uttar Pradesh Nagar Mahapalika Adhiniyam), 1959 and rules and bye-laws framed thereunder. When a Corporation desires to impose a tax, it directs the Executive Committee⁵ to frame proposals. If the proposal are to be modified, the Mukhya Nagar Adhikari (Chief Executive/Municipal Commissioner) publishes the modified proposals, and the State Government may approve the proposed tax or reject it. It can also be returned for further modifications. The Corporation by a special resolution, directs the imposition of the tax from a specified date. The procedure for altering taxes is the same as for imposition. The State Government has the power to amend or abolish any tax and may even direct the Corporation to impose a tax. Thus corporation has no autonomy in this regard.

Preparation of Administrative Report and Financial Statements

Section 145 of the U.P. Municipal Corporations Act, 1959 provides for the preparation of Annual Administrative Report, Statement of Receipts and Expenditure and Annual Budget of the Corporation for each fiscal year. The Mukhya Nagar Adhikari is responsible for preparation

5. The Act provides for constitution of two committees. These are (i) Executive Committee, and (ii) Development Committee. The Executive Committee consists of (a) the Nagar Pramukh who is ex-officio Chairman, and (b) twelve persons to be elected by the Corporation out of Sabhasads. Development Committee consists of (a) the Up-Nagar Pramukh who is ex-officio Chairman; and (b) ten persons to be co opted by the members from amongst the members who have experience of municipal administration of matters pertaining to development and planning. The term of the members is one year. It may be mentioned that presently (at the timed survey - May/June, 1995) no such committee is functioning in the KMC due to its superseded status.

of these records in order to place them before the Executive Committee of the Corporation. Corporation is required to take the approval from the state government prior to adoption of budget for the next fiscal year.

Financial Powers:

As per the Act, Financial powers of Chief Executive, Administrator, etc. are as follows :

Chief Executive	:	Upto Rs. 10,000/-
Administrator	:	Upto Rs. 1,00,000/-
Executive Committee	:	Upto Rs.5,00,000/-
General Body/House	:	More than Rs.5,00,000/-

Imposition of Taxes :

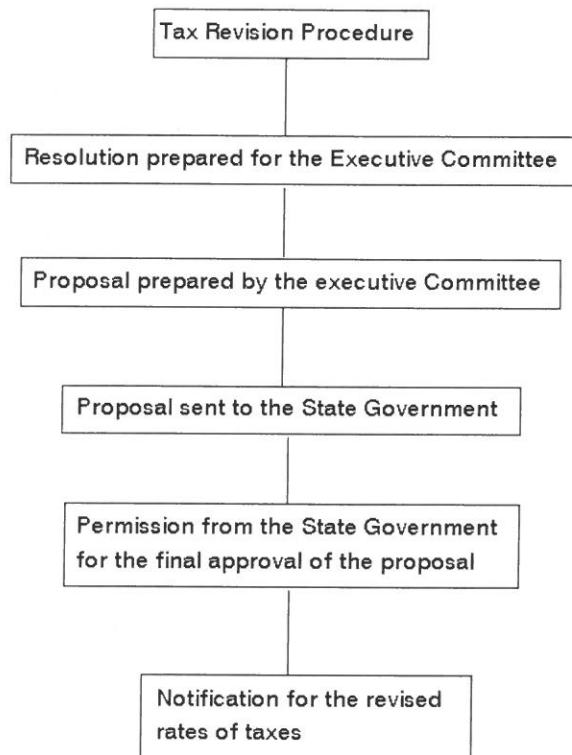
Framing of the preliminary proposals regarding imposition of a tax within an area of the Corporation, involved many stages it includes :-

- Resolution of Corporation to impose a tax;
- Person or class of persons made liable and description of property or other taxable entities;
- Amount or rate leviable on each person or class of persons;
- Framing of the proposal by the Executive Committee after resolution; and
- Publication of the proposal in the manner prescribed.

Even if the Corporation desires to change the prevailing tax structure then it has to prepare a resolution for it and the same is to be forwarded to the Executive Committee. The Executive Committee is to frame the proposal indicating the name of a tax which they wish to modify and also the proposed rates and reasons for the alternation in the existing tax or rate structure.

The Executive Committee then send its proposal to the State Government for its final approval. After receiving approval from the State Government, Corporation issues a notification on revised tax structure for the tax payers. (Chart I)

Chart 1



Tax Assessment Procedure:

I. PROPERTY TAX

The Kanpur Municipal Corporation (KMC) is empowered to impose property tax under Section 173 of the Act. It is a tax on 'lands and buildings' lies within the jurisdiction of KMC, and comprises a General Tax, Water tax, Drainage tax, and a Conservancy tax.⁶ Whereas general tax is being collected by the KMC, water tax and drainage is collected by the Kanpur Jal Sansthan as they are responsible for provision of water supply in the areas of KMC jurisdiction. It may be mentioned that KMC receive more than 90 per cent of its total tax revenue income from General tax only.

Records for Property taxes:

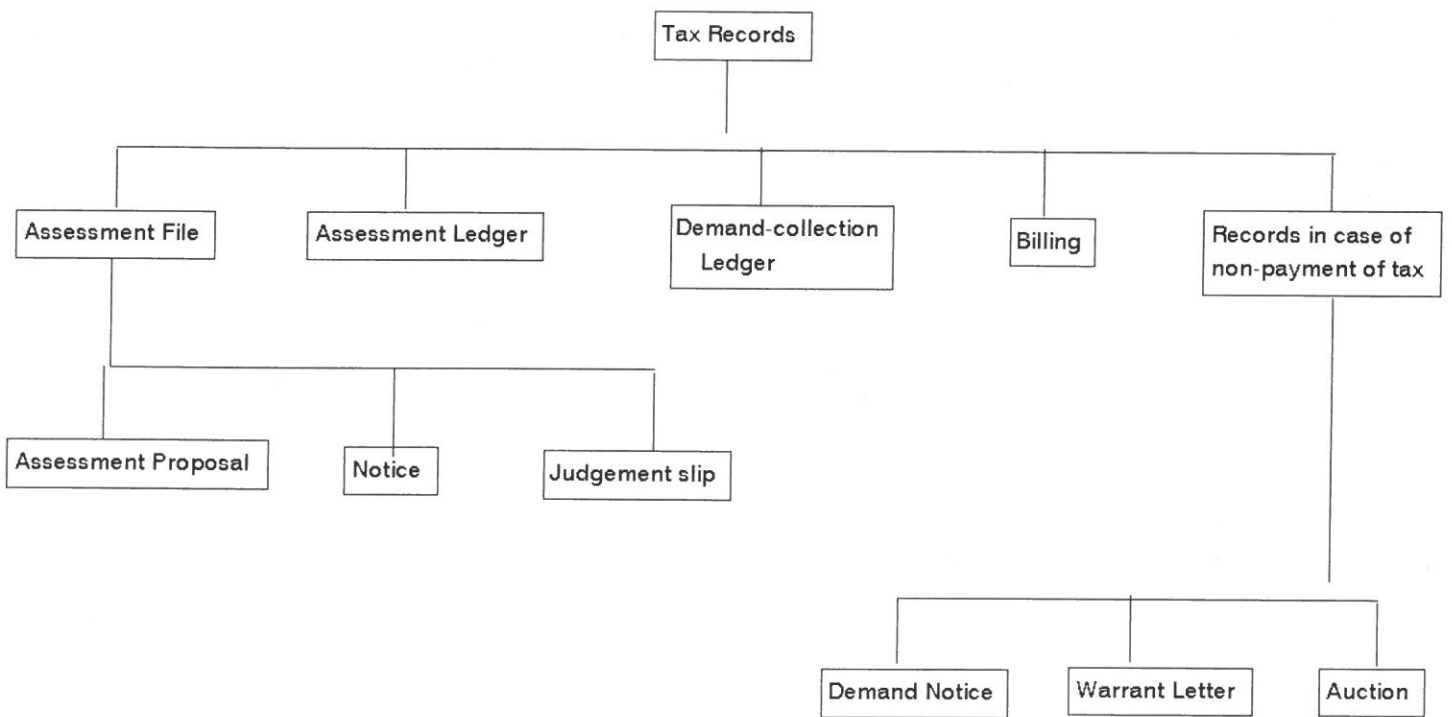
The Corporation prepares various records on account of property tax. These records can be viewed as under (Chart 2):

a. Assessment Proposal

In order to determine the tax on properties, an assessment proposal of the building is to be prepared by the Corporation. This proposal contains the description of the building like the covered area of the building, how many floors in the building, how many rooms in each floors, etc. (Annex.I). The re-assessment proposal may be prepared if there have been any modification, alteration etc. made in the old building. In this case, the tax may be high as compared to previous assessed tax. This proposal is to be authenticated by the competent authority and is then be deposited in the tax department of the Corporation for inspection purpose. It may be mentioned that as per the provisions of various Municipal Acts, including U.P. Municipal Corporations Act, urban local bodies are required to undertake an assessment survey of their properties at the internal of every five years in order to update their tax records. However, in most municipal bodies the ground level realities are different. They are not undertaking proper surveys of their properties at the regular intervals in order to determine their growth, values, physical conditions, etc; causing considerable loss of revenue to them on account of taxation on land and buildings.

6. As per Section 172 of the Act, Property taxes comprises (i) a general tax levied on a graduated scale; (ii) a water tax; (iii) drainage tax leviable in areas provided with sewerage system by the corporation, (iv) a conservancy tax in areas which the corporation undertakes the collection, removal and disposal of excrementitious and polluted matter from privies, urinals, etc.

Chart 2



As per the provisions of Section 213(1) of the Act, after every assessment survey, Corporation issues a notice to the owners, lessee or occupier of any land or building in the Corporation area, whose name is included in the assessment list in order to invite them for inspection, objections, etc. This list also displayed on the zonal offices of the KMC.

There are six zonal tax offices of the KMC, each of them is being headed by Deputy Executive Officer (Up Nagar Adhikary). They are responsible for tax collection, issue of demand notice and if need be to sign on the distress warrant and auction letter in case of non-payment of tax in their respective zones.

A copy of the hearing notice is given in Annex-II. Objections on valuation of properties could be filed by the property owner within 30 days from the date of publication or issuing assessment hearing notice in the prescribed proforma to the concerned office of KMC. If assessee does not raise any objection against the valuation of his property then corporation assumed that the proposed value is acceptable to the owner.

In order to hear the objections on assessment of properties the corporation has set up a Committee headed by a Deputy Executive Officer (DEO) of the KMC. The committee issue a notice to the petitioner in order to plead his case before committee.

The committee is empowered to take the decisions on all the matters pertaining to house tax valuation/assessment. They will hear the case properly and give their final verdict in writing on the judgementship to the petitioner. It may be mentioned that the judgement of the committee could be challenged by the petitioner at the higher levels (Annex.III).

b. Assessment Ledger :

After the objections are disposed off and the resulting amendments, if any, have been made in the assessment proposal, the final amount is transferred in the assessment ledger. This Ledger contains several particulars including the annual rent in case of rental value and annual value in case of self-occupied property. It also shows the total value of property. Separate ledgers are being maintained for separate tax administration zones. It may be mentioned that entry in the assessment ledger is not a document of property title. This essentially be prepared by the property tax department to recover house tax from the owner/occupier (Annex IV).

c. Demand-collection Ledger:

The proforma of demand and collection ledger of KMC is given in Annex V. It has columns like name and address of tax payers, rate of tax, demand for current year, arrears for last years, receipt no. etc.

On the basis of demand and collection, register, Corporation prepare a bill on payment of House Tax (General Tax) at individual level. The bill show the details as under :

- a. Arrears; from _____ to _____ = Rs. _____
- b. Demand for the current year = Rs. _____
- c. Total House tax demand - = Rs. _____
(including arrears)

The bill must be paid within 15 days of its presentation (Annex VI), otherwise Corporation may take action against the defaulters, as per the provisions of U.P. Municipal Corporation Act of 1959 (sections 506 & 507). On the other hand, if tax payer pays his bill on time he will get 10 per cent rebate on the current demand of property tax. No rebate is admissible in case of arrears.

d. Action in Case of Non Payment of Tax Dues

This stage arrived if the tax payer fails to pay tax on or before due date as mentioned in the general tax collection bill of the KMC. The procedure is as follows :-

e. Demand Notice

If the tax payer fails to pay tax on or before due date which is mentioned in the bill, then the KMC issues a demand notice against the non-payment of tax under section 506 of the U.P. Municipal Corporations Act, 1959 (Annex VII). In practice, the Corporation send a demand notice to the defaulters at individual level. In case person concerned not available at home, then the revenue staff makes two or three visits at his residence. After then, the authority concerned take necessary action against him.

f. Distress Warrant :

If a person liable for the payment of the tax dues, does not pay it within 15 days from the service of the demand notice then the Corporation issues a distress warrant to the defaulter under Section 507 of the Act (Annex VIII). The Corporation charges a fine @ 1.50 per day against the non-payment of such dues.

g. Recovery by attachment and sale of defaulter's immovable property:

If the amount recoverable has not been recovered in whole or part from the defaulter then the Corporation issues a warrant for the attachment and sale of the defaulter's immovable property under Section 512 of the Act. The defaulter has to make the payment within 5 days from the date of such warrant. Otherwise, the authority can attach the rent alongwith the total amount of tax payable in case of rental property and can attach property in other case.

h. Auction:

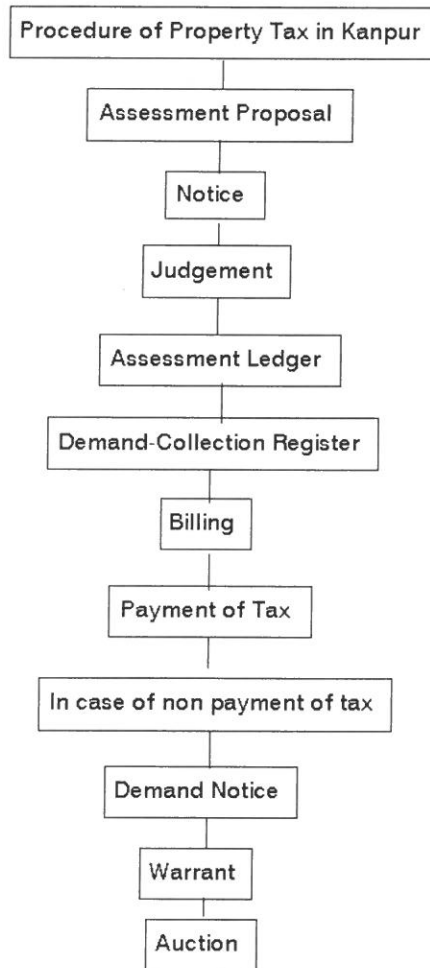
Auction is the last stage of recovery of dues. If the amount due has not been recovered under the warrant of attachment of immovable property, then the Corporation is bound to issue a notice for auction to the defaulter and he has to pay dues within 5 days from date of notice. If the said amount has not been paid within the specified time then the authority is liable to take action against him. With the consent of the court, the authority is liable to sale all the immovable properties of the defaulter by public auction. The sum of the notice includes the amount dues and the expenditure incurred on serving the number of notices (Annex.IX), (Chart 3).

P.T. Base:

The UPMC Act, 1959, specifies that property taxes are to be levied on the basis of annual value of any buildings or land assessable to taxation. The annual value means the annual rent for which such land or building might reasonably be expected to let from year to year.

The annual ratable value (ARV) is the basis for property taxation in most legislation in India dealing with municipal government. In practice, estimation of the annual letting value, or the rents is quite complicated because the legislation provides for 'reasonable expectation'. If the property is rented, then the actual annual rent received do provide evidence of expectations, but in case of owners occupied properties, there have to be determined on the basis of a hypothetical tenancy, for a property.

Chart 3



The municipal authorities can either resort to comparable rents, i.e. rental values of similar properties in the neighbourhood, or determine the capital value of the property on the basis of contractor's test method. In computing the effective capital value of the buildings, the structural value depreciated on the basis of age and life of the building and the market value of land is taken into account. The annual value is then assumed to be some fixed percentage of this effective capital value, and the tax is levied on this rateable value.

For assessment of annual value, the KMC distinguishes properties by the land uses i.e. Residential and non-residential. Whereas for residential properties rental value is taken as the base, for non-residential properties a fixed percentage - 7 per cent of capital value of the buildings forms the base. For the purpose of assessment of residential properties, it also differentiates owner occupied properties and rented properties.

For the owner occupied properties, as no rent is received, assessment of annual rental values being carried out by the assessor on the basis of prevailing rental values for similar type of accommodation in 'The neighbour hood'. A deduction of 25 per cent is made for owner occupied properties to arrive at net rateable value.

For rented buildings, the total annual rent received is considered as the annual rateable value.

The rate schedule of the property tax in KMC is as follows. As mentioned earlier, the assessment is made on the annual rent and the taxes are levied on the assessment value. It is important to note that no revision has been taken place in the rate structure of property tax in KMC since 1982 despite fast growth of economic activities and growing value of properties in this metropolis.

RATE STRUCTURE OF PROPERTY TAX, KMC : 1995-96

ARV(Rs.)	Rate(% to ARV)
Upto Rs.360/-	No tax
Rs.361/- to Rs.5000/-	12.50
Rs.5001/- to Rs.10000/-	16.50
Rs.10001/- to Rs.20000/-	17.50
Rs.20001/- and above	18.75

Source : KMC

There has been a wide spread misunderstanding that central government properties are exempted from property taxes in Kanpur. However, this is not true. The Central Government vide its circular no.14(1)p/52-1(Dept. of Economic Affairs) dated 10 May 1954 allowed the imposition of PT at a concessional rate by way of payment of service charges. But the manner in which this tax is to be fixed was not defined properly. In 1967, the central government (Dept. of coordination: Ministry of Finance) issued a circular No.4(7)-p/65 dated 29 March, 1967 whereby the basis of the fixation of PT at a concessional rate has been clearly defined. Service charges on central government buildings in Kanpur are as follows:

- Where all municipal services are provided - 75 per cent of the property tax levied on private properties;
- In case of properties that are self-sufficient in most services, the service charge is restricted to one-third of normal rate of property taxation and for partial use of municipal services, the charges are one-half of the normal tax.

The above resolution also prescribes the basis of taxation. It stated that for assessment purposes the net rateable value/annual value would be 9 per cent of the capital value of the property.

Number of Properties in Kanpur

There has been a steady increase in the number of properties in Kanpur during the last one decade. However, no detailed survey of properties has been carried out by the KMC in recent years. As per the KMC records, there are 1,11,136 assessed properties in Kanpur. Nearly 18 per cent of these have been assessed below Rs.361 a.r.v., are exempted from payment of general tax. However, within this limit it is not possible to hire even a hut in Kanpur at the existing market rates. According to municipal experts, the low values properties are exempted from the purview of the PT owing to low net returns from taxation. The cost of the collection of taxes from such properties may turn out to be much higher than the revenue collected therefrom.

KMC has no records on unassessed properties. The last assessment of properties was done in 1982. Since then, many properties developed by the KDA and Awas Vikas Nigam have been added in the housing stock of Kanpur. As per the census record (1991), there are 2,97,100 houses in Kanpur which implies that another 1,85,964 houses are unassessed. However, a significant number of these will fall in the exempt limit of Rs.0-360 a.r.v.

Real Life Situation : An Analysis

With a view to examine the real life situation of property tax administration in KMC, we have studied four cases, representing both residential as well as commercial properties of the Corporation. These are located at different locations of the city and present the views of both self occupied and rental property owners. The following observations has been made on the basis of discussions with the selected owners/occupiers of properties in the Kanpur city :

- ▶ Property are not being assessed scientifically and periodically in order to levy a tax on it by the KMC. It is emerged from the discussions with the targeted group that Corporation does not undertake assessment survey at regular intervals with regard to value of properties. Therefore, the assessment is subjective and quite often, arbitrary. There are cases where property owners found wrong assessment of their properties, which generated a feeling among many of them that assessors used their own estimates in order to prepare assessment proposal of properties. As a result of this, objections on account of over valuation/assessment are many with the KMC, consuming a lot of time of their taxation people in order to settle disputes.
- ▶ To give an illustration, there was a case in which an assessee received a notice from the KMC for payment of property tax amounting to Rs. 6,750 for the assessment year 1993-94 (residential property). The tax payer raised objections on account of over valuation of his property and received a hearing notice from the zonal office of KMC in order to place his case before the competent authority. After a long waiting time of about a year, the case was finally settled on Rs.5064 - approximately 25 per cent less than the demanded amount of Rs.6750/-. In another case, the Corporation put a demand of Rs.62,482 (commercial property) and settled the case at Rs.39,724 which is about 64 per cent of the demanded amount. Thus the variations are large on account of assessment of properties by the KMC. There is no proper and timely billing of property tax in the KMC area. In many cases, assesses are not receiving their bills for payment of property tax from the tax department of the KMC.
- ▶ Even the important documents such as demand notice, warrant notice, etc., are not being served on time to the defaulters, causing unnecessary harassment and delay in payment of tax to the corporation. In cases, the gap was so wide that it took more than 20 months time in order to settled the dues. In this regard, tax payer has to visit concerned office at several times. It may be mentioned that usually Corporation took more time to settle the objections/cases of commercial properties as compared to residential properties.

- ▶ Though the Act envisaged the revision of rates of Property tax after the interval of every five years, the ground level realities are different and no revision has been taken place in the rate structure of property tax since 1982. Prior to this, the rates were revised in 1978. Thus there is a wide gap in between percept and practice with regard to periodical revision of tax rates.
- ▶ The KMC claimed that there property tax records are fully computerized. But this is not the case in practice. It is observed that KMC has only one computer unit placed in the central office of the Corporation. They do not have full computerization of their tax records at zonal level and for all properties. Moreover, the staff of the KMC is required proper training on account of computerization of tax records.

Computerization of all kind of tax records would improve the tax administration of corporation by many fold. It will increase the efficiency in the collection system, provide up-to-date information to the authorities concerned in order to take decisions, increase productivity of the staff engaged in the task, prepare various statements quickly, provide accessibility to and from other agencies, etc.

Duties and Responsibilities of the Property Tax Staff :

The Corporation provides the following staff for the purpose of the property tax administration.

1. Up Nagar Adhikari (Deputy Executive Officer);
2. Sahayak Up Nagar Adhikari (Associate Deputy Executive Officer);
3. Section Officer;
4. Tax Superintendent;
5. Revenue Inspector; and
6. Clerks

Up Nagar Adhikari:

The city is divided into six zones for PT administration purposes. The Mukhya Nagar Adhikari has the power to depute any officer as incharge of their respective Zones. There are six Up Nagar Adhikaris who are Incharge of these zones. Duties of these Up Nagar Adhikaries are : (i) to sign on the distress warrant and (ii) to sign auction letter in case of non-payment of the tax (with the prior permission of the Mukhya Nagar Adhikari). They are also empowered to constitute a committee for the settlement of disputed cases with regard to valuation of properties and to give judgement on such cases after proper hearing.

Sahayak Up Nagar Adhikari:

He perform the duties of Up Nagar Adhikari in his absence.

Section Officer:

He has to send the notice of the valuation of the building to the owner and invite objections against the valuation. He has to inform date and time of the committee in which the decision of the disputed case is to be taken to the owner of the building.

Tax Superintendent:

The duties of the tax superintendent are to verify the survey report which is prepared by the Revenue Inspector and also sign the assessment report of the building. If he wishes, he can go personally to check the said building for which the assessment report is prepared.

Revenue Inspector:

The duty of the Revenue Inspector is to check each and every buildings in the area specified for him. If he finds any new buildings or any modification or renovation or alternation in the old buildings in his area then he should inform the tax superintendent and prepare the assessment proposal (survey report) of these buildings. In the Assessment report, he writes the type of construction in case of new building, and type of renovation or alteration in the old building and prepares assessment report accordingly.

Clerk:

The duties of the clerk are-

- to maintain the records properly ;
- to write the description of the newly constructed building;
- To write the description of modification or alteration or renovation in the old building due to this the tax may be increased ;
- to prepare the accounts of the tax in terms of demand and collection and find the arrear, if any;
- to prepare the bill of the tax and send it to the tax payer; and
- to send the demand notice, warrant and auction letter to the defaulter, if any.

II. THEATER/SHOW TAX

It is a tax which is imposed on any entertainment, performance, amusement to which persons are admitted on payment. Theater tax is also imposed on magic show, Nautanki and circus. It is being collected by the Central Tax Office of the KMC (CTO). The Corporation prepares the following tax records on account of Theater tax :-

- i. Weekly Statement; and
- ii. Tax Collection Register

a. Weekly Statement:

It is a statement in which the exhibitor writes the total number of shows in a week and submits the same to the CTO of KMC every week.(annex X)

b. Tax Collection Register:

It is a document which shows the total collection from show tax or theater tax. It is prepared by the Central Tax Office on the basis of weekly statement. The specimen of the statement is shown in Annex XI. The main contents are as under:-

- Name of the owner of the Cinema Hall or exhibitor (other than Cinema Hall);
- Address;
- No. of shows in a week (with full details); and
- Amount for the tax etc.;

c. Staff Members:

The following staff members are engaged for the collection of theater tax:-

- (i) Revenue Inspector; and
- (ii) Clerk

Revenue Inspector:

He is the incharge of Central Tax Office. He has to check the records of tax collection. If he finds any error in the tax collection system with regard to non-payment of tax or arrears, then he is required to send the remainder to the defaulter.

Clerk:

He has to maintain the records according to the tax collection register. He also collects the weekly statements from the exhibitor.

d. Method for Measuring Tax:

The tax is collected on the basis of weekly statement. The weekly Statement is prepared and deposited by the exhibitor or owner of the cinema hall at the end of every week. If ARV of the approved theater is upto Rs.10,000 then Rs.10/- will be charged per show and if it is more than Rs.10,000 then Rs.20/- will be charged per show.

e. Procedure for Collection:

As discussed above, the exhibitor or the owner of the Cinema Hall has to prepare the weekly statement in which he writes the number of Shows in a week and submits the same to the Central Tax Office on every week end. He has to inform the office in case of closing of Cinema hall due to some reasons like repairing of the cinema hall, non-availability of picture, riots, curfew in the city, etc.

f. In case of Non-payment of Tax:

If the exhibitor or the owner of the cinema hall does not pay tax in time, other than the case mentioned above, then the Revenue Inspector send the remainder letter to the tax payer in which he gives enough time to pay the tax with penalty. The amount of penalty is not specified by the authority.

III. A TAX ON VEHICLE:

It is a tax which is imposed on non-mechanical vehicles like Carts, tongas, cycles, cycle-rickshaws, etc. kept within the municipal limits. The tax is collected by the Central Tax Office (CTO) of KMC. CTO prepares the following records for the tax collection (chart 4).

- Registration Form;
- Registration Receipt;
- License Receipts;
- Rickshaw Driving License; and
- Seizor Memorandum
(in case of non-payment of tax)

a. Registration Form:

Registration form is issued after receiving the application from the owner of the vehicle. He has to write the application in the name of the Revenue Inspector and deposit nominal charges for it.(Annex XII)

b. Registration Receipt:

Registration Receipt is issued after depositing the Registration fee and after paying the license fee. Thereafter, the Corporation issues license for the said vehicle. (Annex XIII)

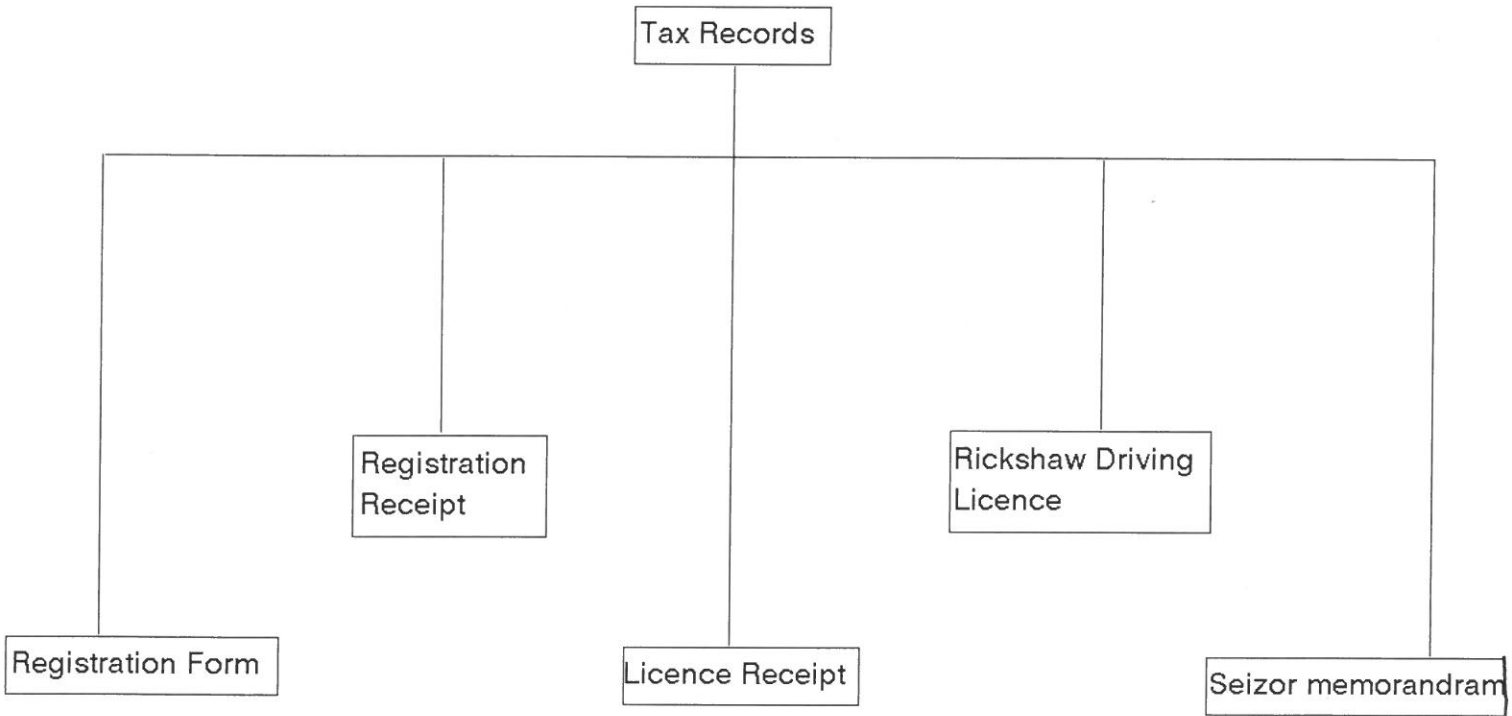
c. License Receipts:

The Central Tax Office issues a receipt against the payment of License fee of the vehicle.(Annex XIV)

d. Rickshaw Driving License:

The Licensing officer of CTO issues Driving License to the owner of the vehicle against the payment of the License fee.(Annex XV)

Chart 4



e. Seizor Memorandum:

The Central Tax Office issues such notice if the Revenue Inspector finds that the vehicle is not passed by the authority.

f. Staff

- Revenue Inspector: He is to inspect the vehicle and submit his report to the Licensing Officer.
- Cashier : He is to collect the registration fees and send the same with his signature to the Licensing Officer.
- Licensing Officer: He is the incharge of the department. He is to issue license to the owner of the vehicle after inspecting the vehicle.
- Clerk: He prepares register in which he writes all the details of the owner of the vehicle i.e Name, Address, Rickshaw Number etc. and issues the license to him.
- Gang: It is a group of 4 to 5 members of class IV employees help the Revenue Inspector to check the defaulter vehicle on the road. The duty of the gang is to catch the vehicle which is not passed and take it in their custody.

g. Procedure for Collection of Tax :

The owner of vehicle should apply for registration through the application form which is available in the Central Tax Office. For this purpose, he is responsible to produce the vehicle physically before the Revenue Inspector. He checks the vehicle and if he satisfy with the condition of vehicle in all respects such as break, light, bell, seat, life of the rickshaw, etc. then he guides him to deposit the license fee. The cashier receives the money and send the receipt to the Licensing Officer. The Licensing Officer signs the receipt and that receipt itself is the Driving License and hangover to the owner of the vehicle. After then, the License Number will be given to the owner of the vehicle which is printed on the body of the said vehicle. The total amount paid by the owner includes vehicle tax, token fee and license fee.

After paying the tax, the CTO prints vehicle with the colour which keep on changing every year for the purpose of identification of vehicle whether it is passed or not from the CTO during the current year. They also writes the year in which the vehicle is passed.

h. Rate Schedule of Vehicle Tax

Name of the vehicle	Tax (Rupees per annum)
1. Rickshaw Road Tax	50.00
2. Municipal Rickshaw (ownership)	50.25 + 2.00 (license fee)
3. Private Rickshaw (ownership)	30.25 + 2.00 (License fee)
4. Rickshaw Driver	5.76
5. Rickshaw Trolley	40.25
6. School Vehicle	30.25
7. M.T.(Closed)	40.25
8. M.T.(Open)	30.25
9. Buffalocart (Open)	30.25
10. Buffalocart (Closed)	40.25
11. C.H. (Solid) - Handcraft	20.25
12. C.H.(Open) - Handcart	15.25
13. Bullock cart (Open)	30.25
14. Bullock cart (Closed)	40.25
15. Boat	10.25
16. Tanga	40.25 + 3.25 (License fee)
17. Ekka Private	15.25 + 3.25 "
18. Tanga Private	15.25 + 3.25 "
19. Ekka on Rent	20.25 + 3.25 "
20. Tanga on Rent	15.25 + 3.25 "
21. Charist	40.25

It may be mentioned that no revision has been taken place on account of vehicle tax since 1982.

i. In Case of Non-payment of Tax:

In order to catch the defaulters, the Revenue Inspector stands on the road with the gang to check the defective vehicles. The gang is a group of 4 to 5 members of class IV employees of Corporation. If he finds that the vehicle runs without paying tax for the particular year on the road then he takes it into the custody and send to the godown with the help of a gang member. The Revenue Inspector issues a seizer memorandum in duplicate to the owner of the vehicle. After receiving the memorandum, he submits the application to the CTO requesting him to realise the vehicle after paying the due tax including license fee, token fee, penalty (compounded fee), labour charges and storage charges. After then, the Tax Inspector passes the order of realising the said vehicle.

IV. ADVERTISEMENT TAX :

The tax is imposed on advertisement on public land, building, wall, hoarding, frame posters, structures both illuminated and non-illuminated, advertisements carried on vehicles and lantern slides exhibited in cinema houses and other public places. The tax is exempted from public meetings or from the election to any legislative body or the municipal body or from the candidate in respect of such an election.

Prior to 1994 the KMC had decentralised system to collect advertisement tax/charges from the tax payers. It is reported that collection was quite low in this system as corporation found many records missing from the zonal offices due to variety of reasons. Keeping in view the difficulties in collection of tax in the above system, KMC introduced centralized tax administration system of advertisement tax with effect from April, 1994. Since then, the department started intensifying its tax collection efforts in collecting more and more revenue from advertisement tax. In this process, they removed more than 350 authorised hoardings and revised the rate structure of the tax.

a. Application for the Registration of the Advertising Agency:

It is necessary for every advertising agency to obtain his registration number from the Corporation in order to display various advertisements in the city limits. For this purpose, the

agency concerned should submit his application to the Corporation in the prescribed proforma. (Annex XVI to XVIII).

The owner of agency concerned is required to submit the earnest money along with the application form in the Corporation office. After scrutiny of application, the advertisement department of KMC entered the following information in the tax register :-

- name of the agency;
- address;
- location of the hoarding;
- size of the hoarding; and
- total amount (advertisement tax + arrear, if any)

The details of Security Money to be deposited with the Corporation are as Under :

Category	Security Money (Rs.)
101' & above hoarding	25,000
51' - 100'	15,000
26' - 50'	10,000
11' - 25'	5,000
Below 10'	2,000

The department has the following staff :-

- Junior Engineer;
- Supervisor; and
- Clerk

Junior Engineer:

He is the incharge of the department. He has to look after the functions of the department and issues notice in case of non-payment of tax to the defaulters.

Supervisor:

He supervise the types of hoardings at the different locations of the city. He has to check the advertisement boards whether they are properly placed in the manner in which they prescribed in the application form. If he does not find them accordingly, then he reports the matter to the head of his department for taking necessary action.

Clerk:

The duties of the clerk is to collect tax from the owner, check the application properly, preparing the necessary records and is to send notices to the defaulters,

b. Method for measuring tax:

The tax is charged according to size of hoardings, painting, banners, posters etc. The tax charges for different sizes is given in the following table. It is important that the rate of Advertisement tax has been revised with effect from April, 1994.

c. Rate Schedule of Advertisement Tax

Hoarding size	Prior to 1.4.1994	w.e.f. 1.4.1994
20' x 10'	2000.00	5000.00
12' x 18'	1000.00	2500.00
Wall Painting	5.25	5.25
Banners on Road	25.00	25.00
One or more than one banner at the Business Organisations	per banner 2.25	per banner 2.25
Poster advertisement	per copy 0.31	per copy 0.31
Glow Sign	per sq.ft. 2.70	per sq.ft. 2.70

d. Procedure for Collection of Tax:

Advertisement tax is to be paid personally by the concerned agency/person(s) at the cash counter of the KMC Central Office. There is no arrangement of billing for the tax. However,

KMC maintains tax collection register in which they enter the details of the advertising agency along with the amount paid on account of tax. If any arrear is shown in the tax register against a particular agency then officer concerned issues a notice to the defaulter. If the defaulter does not pay the tax in time then the Corporation is authorised to remove the hoarding from the area allotted to him.

Besides above, if any officer of advertisement department of KMC notices any changes, alterations and modifications in the approved hoardings then the competent authority is empowered to take action against such advertisement agencies by imposing a heavy penalty on them. The owner has to take permission from the advertisement department in respect of the above mentioned cases.

Further, if the period of the hoardings is expired or become void, then the Mukhya Nagar Adhikari of the Corporation by notice in writing, is empowered to take down or remove such hoardings from the roads.

CONCLUSION

To sum up, the foregoing analysis suggests that KMC has a weak tax administration system which leads to low income generation from the taxes. The situation is particularly bad in property tax (PT) administration which is the most important source of revenue for the corporation after demise of octroi in the state.

Study suggests that yield from property tax is not increasing with the city growth and prices of properties thus showing an inelastic character of a tax. Weakness in property tax administration could also be explained by a host of factors which include the depressed base, not-so-rational a tax structure, a poor collection and behavioural factors like corrupt practices and an attitude to avoid tax.

V

UPGRADING CORE URBAN SERVICES: FINANCIAL IMPLICATIONS

Population projections for the Kanpur Urban Centre shows that its population is estimated to increase from about 21 lakhs in 1995 to above 23 lakhs in 2001. This will require investments in provision of basic municipal services. In addition to huge financial investments required to be made towards these, it will also entail recurring expenditure on year to year basis for the operations and maintenance (O & M) of the services. What in the quantum of estimated investment and O & M expenditure needed for this?

Provision of Services

Table 5.1 given below presents the financial requirements of Kanpur urban centre (municipal area) for provision (additional) of core services by the year 2001. The estimates worked out by using Zakaria Committee norms, adjusted at 1994-95 prices. Investment requirements provide the incremental investments needed for provision of services at the levels exists in 1995.⁷ A backlog of 30 percent is added to these estimates to account for deficient in services in 1995.

Table 5.1

Estimated Financial Requirements for Investment and Operation & Maintenance (O&M) of Core Services in the Kanpur Urban Centre at 1994-95 Prices.

(As per Zakaria Committee Norms)

Component	1995	1996	2001
a. Projected population	2059186	2108159	2371059
b. Investment* Norm (Rs./capita)	2920.68	-	-
c. Investment requirements (Rs. lakh)	-	19451.73	27133.12

* Service Coverage: Water supply, Sewerage, drainage, roads and street lighting for 'A' class cities (population 10-20 lakhs).

Source: NIUA

-
7. Services Covered: Water supply, sewerage, drainage, roads and street lighting. In case of water supply, sewerage & drainage, it is the responsibility of Jal Sansthan. Norms for provision and O & M of above services is given in Table 5.3. Table also presents the investment needs and O & M requirements for these services by the year 2001.

It has been estimated that by the year 2001, civic authorities of Kanpur⁸ would require an investment in basic infrastructure and services of about Rs.27,133 lakhs if the deficiencies in the existing level of services are to be eliminated and all sections of population of the city have to be provided an access to a modicum of core services.

Operation & Maintenance of Services:

In the absence of accepted norms for reasonable level of services and per capita O & M expenditure needs for rendering optimum core municipal services, an estimate of the additional financial requirements at 1994-95 prices has been worked out by using the following three approaches.

- Zakaria Committee Norms;
- NIPFP - Better off cities norms; and
- NIUA - State Averages Level.

It may be mentioned that NIUA had done extensive work for the Ninth Finance Commission, for estimating the O & M requirements and resource gaps for core municipal services. One of the methods (norm) used in this study, was that of the average per capita expenditure on a range of services by municipalities in various states. These average expenditure norms have been updated to 1994-95 prices (from 1986-87 level) and presented in Table 5.2.

It is estimated that civic bodies of Kanpur would require on amount of approximately Rs. 66,179 lakhs (at 1994-95 prices) over a period of next six years i.e. 1996 to 2001, in order to be able to operate and maintain the core services at levels proposed by the Zakaria Committee. According to NIPFP and NIUA norms, the cumulative O & M needs would be Rs.55,100 lakhs and Rs.40,073 lakhs respectively.

The financial requirements for O. & M. of core services from 1996 to 2001 (cumulative) have been estimated by multiplying the O & M expenditure norms with the projected population of the Kanpur urban centre in the reference year.

8. KMC as well as Jal Sansthan.

Table 5.2

Estimated Resource Gap for Operation & Maintenance of Core Municipal Services, from 1996 to 2001 at 1994-95 Prices: KMC

Components	Zakaria Committee ¹⁾ Norms (population : 5-20 lakhs)	NIPFP ²⁾ Better of Cities norms (population : above 5 lakhs)	NIUA ³⁾ State Averages level (population : above 1 lakh)
a. O & M Norms (Rs./capita/ annum)	492.95	410.42	298.49
b. O & M Requirements (lakh Rs.)	66178.54	55100.11	40073.18
c. Average O & M per annum (lakh Rs.)	11029.76	9183.35	6678.86
d. Self Resource generation @ Rs.39.83 per capita/annum (c) (lakh Rs.)	5347.29	5347.29	5347.29
e. Resource generation as a % to O & M requirements	8.08	9.70	13.34
f. Resource Gap* (lakh Rs.)	60831.25	49752.82	34725.89
g. Average Resource gap per annum (lakh Rs.)	10138.54	8292.14	5787.65
h. Resource gap as a % to O & M requirements	91.92	90.30	86.66

* Refers to cumulative amount, from 1996 to 2001.

- 1) Augmentation of Financial Resources of urban local bodies (Zakaria Committee Report) Constituted by the central council of local self govt; November 1963.
- 2) NIPFP : Redefining state - Municipal Fiscal Relations - options and perspectives for State Finance Commission, Vol I (main report), 1995, pp.88-92.
- 3) NIUA; Upgrading Municipal Services; Norms and Financial Implications, 1989.

Resource Gap :

In order to compute the fiscal resource gap, estimates of resource generation from own sources of corporation have been worked out by using 1994-95 data of the KMC.⁹ The per capita revenue generated by the KMC from its own sources (tax and non-tax) has been used as the desirable level of resource generation in the present context. This level is expected to be achievable by the corporation, is, therefore, realistic for computing resource generation. The resource generation is estimated by multiplying the average per capita revenue from own sources with the projected population of the KMC in the reference year(s). The following method has been used for computing the resource gap by using different methods:

$$RGr = (Pr \times N) - PIr$$

Where,

RGr = Revenue or Resource gap in the reference year at 1994-95 prices.

Pr = Projected population of reference year.

N = Suggested O & M expenditure norms, adjusted at 1994-95 prices.

PIr = Projected Resource Generation (own sources) in the reference year, at 1994-95 prices.

Data presented in Table 5.2 show that at the present rate of municipal taxation, user charges and efficiency, it is expected that roughly 8-13 percent of total O & M requirements will be generated by KMC themselves, having a huge recurrent resource gap of approx Rs. 5787 lakhs to over Rs.10,138 lakhs per annum¹⁰. It may be mentioned that these estimates are to be used as indicator of the magnitude of resource gap as it does not include the resource generation on account of water tax/charges etc., collected by the Jal Sansthan.

9. Revenue receipts on account of water tax/ charges of Jal Sansthan is not available. Hence, the above analysis is based upon the per capita revenue generation from own sources by KMC only.

10. Resource gap varies significantly from one method to another method.

Table 5.3

Estimated Per Capita Expenditure needs for KMC according to Zakaria Committee Norms, at 1994-95 Prices

(Rs./Capita/Annum)

Services	Suggested O & M Expenditure Norms*	Actual expenditure on the services	Gap	
			Amount	% to O & M norms
General Administration & collection of revenue	50.52	18.56	-31.96	63.26
Medical & health care	25.26	14.16	-11.10	43.94
Public safety**	41.04	17.79	-23.25	56.65
Public works	27.78	28.61	0.83	2.99
Education	63.15	15.41	-47.74	75.60

* For the class A cities in the population size of 5-20 lakhs.

** Public safety includes street lighting, electric distribution and fire services.

Source: NIUA

Estimated per capita O & M expenditure needs for various services in KMC according to Zakaria Committee norms has been given in Table 5.3. In the absence of data on recoveries from each service sector through taxes, user charges, levies, etc. in KMC, it would not be possible for us to compute the resource gaps at individual service level.

However, to facilitate the work of SFC, for computing the fiscal requirements at individual service level, the following information have been provided in the Table 5.4 and Appendix III.

Table 5.4 Zakaria Committee O & M expenditure norms, according to size-class of cities and functions, at 1960-61 and 1994-95 prices.

Appendix III Summary and Recommendations of Working Group III on 'Expenditure Norms'.

Table 5.4

**Zakaria Committee (O & M) Expenditure Norms according
to Size-Class of Cities and Functions**

(Rs./Capita/annum)

Services/Population size	At 1960-61 prices					At 1994-95 prices*						
	>20 lakhs	5-20 lakhs	1-5 lakhs	50000-1 lakhs	20-50 thousand	< 20 thousand	>20 lakhs	5-20 lakhs	1-5 lakhs	50000-1 lakh	20-50 thousand	< 20 thousand
Water supply (treatment storage and distribution)	10.80	10.20	9.80	8.64	7.56	7.42	136.40	128.82	123.77	109.12	95.48	93.71
Sewerage and sewerage disposal and storm water drainage	12.20	11.90	10.80	9.30	8.70	8.20	154.08	150.29	136.40	117.46	109.88	103.57
Construction of roads and paths	2.50	2.20	1.80	1.35	1.20	1.10	31.57	27.78	22.73	17.05	15.16	13.89
Street lighting and electric distribution	3.00	2.85	2.50	2.30	2.15	2.00	37.89	35.99	31.58	29.05	27.15	25.26
Education	6.00	5.00	4.00	3.00	2.00	1.00	75.78	63.15	50.52	37.89	25.26	12.63
Medical and Health Services	3.00	2.00	1.00	0.75	0.50	0.25	37.89	25.26	12.63	9.47	6.32	3.16
Fire Services	0.50	0.40	0.30	0.20	0.10	0.05	6.31	5.05	3.79	2.53	1.26	0.63
Horticulture operations	0.50	0.38	0.20	0.08	0.06	0.05	6.31	4.80	2.53	1.01	0.76	0.63
General Municipal Administration**	5.00	4.00	3.00	2.00	2.00	1.00	63.15	50.52	37.89	25.26	25.26	12.63
All services	43.50	39.03	33.40	27.62	24.27	21.07	549.40	492.95	421.84	348.84	306.53	266.11

* Adjusted at 1994-95 prices by using consumer price Index for Urban Non-manual Workers.

** (including gen. admn., tax admn., pounds, debt services for purposes not accounted for else where and miscellaneous)

Source : NIUA.

VI

PERFORMANCE OF KMC: A SUMMARY

Financial Indicators:

- KMC's financial health is extremely poor. 'Own Sources' of income of corporation are grossly inadequate for meeting its expenditure needs. The gap between what they are able to raise by their own and what they are spending on O & M of services is growing every year. The revenue deficit - a gap between the own income and O & M expenditure, has increased from about Rs.2981 lakhs in 1990-91 to above Rs.3700 lakhs in 1994-95.
- The abolition of octroi in the state has increased the KMC's dependency on state transfers substantially for financing municipal services. The total transfers from the state in the form of grants and compensation to the KMC in 1990-91 was nearly 68 per cent of the total receipts (Rs.2727 lakhs). This has increased to above 82 per cent in 1994-95. (Rs. 3874 lakhs).
- KMC's per capita revenue receipts and expenditure (including state transfers) in 1990-91 was Rs.213 and Rs.227 respectively, this is much lower than Bombay (Rs.920/715), Vadodara (Rs.556/534), Ahmedabad (Rs.532/573) and Rajkot (Rs.488/345).
- Total tax revenue of KMC was more than 90 per cent of the total receipts in 1990-91. This has declined sharply to about 72 per cent in 1994-95. Significantly actual tax income of KMC in 1994-95 has reduced both in quantum as well as in proportion than the previous year receipts.
- Receipts from non-tax sector increased substantially during the last four years. It increased from nearly Rs.109 lakhs in 1990-91 to Rs.234 lakhs in 1994-95.
- Among the various taxes, property tax is most important source of income to the KMC. Of the total receipts of Rs.4694 lakhs in 1994-95, it accounted for about 12 percent. The other taxes currently being levied by KMC are on advertisements, theaters, and vehicles. However, contribution from these taxes is not significant (0.86 per cent of the total receipts in 1994-95).
- An analysis of capital account of KMC indicates that corporation had received about Rs. 820 lakhs from different sources in the form of loans and grants, from 1990-91 to 1992-

93, to undertake various developmental works. As against this, KMC had incurred an expenditure of Rs.1703 lakhs till 1.4.1995 on account of water supply, slum improvement, compost plant, Ganga action plan and Development Plan. Capital account of KMC has not shown any receipts in the years 1993-94 and 1994-95. KMC had spent much more on capital works than what they had received during the last five years. However, details are not available to examine how they have managed this gap. Infact, a five years data is not sufficient to analyse the capital nature finances.

- It has been estimated that by the year 2001, civic authorities of Kanpur Urban Centre would require an investment in basic infrastructure and services of about 27, 133 lakhs if the deficiencies in the existing level of services are to be eliminated and all sections of population of the city have to be provided an access to a modicum of core services.
- In addition to the above additional investment requirements, civic bodies of Kanpur would also require approximately Rs.66,000 lakhs (at 1994-95 prices) over a period of next six years i.e. 1996 to 2001, in order to be able to operate and maintain the core services at level proposed by the Zakaria Committee According to NIPFP and NIUA norms, the cumulative O & M needs would be Rs.55,000 lakhs and Rs.40,000 lakhs respectively.

At the present rate of municipal taxation, user charges and efficiency, it is expected that roughly 8-13 percent of total O & M needs will be generated by KMC themselves, having a huge recurrent gap of about Rs.5700 to Rs.10000 lakhs per annum. However, these estimates are to be used as indicator of the magnitude of resource gap as it does not include the resource generation on account of water tax, drainage tax, water charges, etc., collected by the Kanpur Jal Sansthan.

Tax Administration: Procedural & Administrative Issues

The foregoing analysis suggests that KMC has a weak tax administration system which leads to low income generation from the taxes. The situation is particularly bad in property tax (PT) administration which is the most important source of revenue for the corporation after demise of octroi in the state.

The low level of yield from this tax source in Kanpur is hardly reflective of the fast escalation in the real estate prices and housing market that has occurred over the past one decade in the city. It becomes imperative to examine the causes of low revenue from PT. These issues examined here in the light of discussions with the KMC officials and the empirical evidences collected from the corporation records.

There are two major constraints in the PT administration in Kanpur:

- (i) Assessment constraints; and
- (ii) Collection constraints.

I. Assessment Constraints

The most widely discussed aspect as regards the constraints in assessment procedure is the implication of the Rent Control Act. KMC has suffers from a virtual freeze imposed by the courts on the method of valuation. Other factors are:

- 1. Court litigations;
- 2. Under assessment/valuation;
- 3. Valuation cycle; and
- 4. Communication gap.

Court Litigations

Court litigations form the biggest part of arrears in Kanpur. The information system with regard to property tax administration is utterly inadequate in the sense of providing a detailed breakup of demand as well as collections from the each tax payer specially cases under litigations or in appeal. Although the exact position with regard to civil litigation at Kanpur is not available; but it is estimated that a substantial amount of revenue demand in respect of property tax is not collected owing to court cases. The court cases are found to be of two kinds:

- i. The suits filed for a revision of the tax demand raised by the KMC, and
- ii. Cases where the ownership of properties is in dispute.

Under Assessment

Under assessment or under valuation as observed in Kanpur is of three fold. Firstly, there is the very process of valuation leading to an over/under assessment due to corrupt practices being followed by the assesseees and assessors. The second is the revision of demand by the assessment committee as a result of appeals against the initial assessment while the third is the implication of distortions in the housing market created by Rent Control Act, etc. such as the practice of pugree and advances.

Owing to the constraints of the information system in KMC it has not been possible to exactly quantify the underassessment or modifications made in the initial demand by the assessment committee. However, as per the crude estimates, if the re-assessment of the current properties (assessed) will be undertaken as per the prevailing market rate, the PT income of the KMC would increase at least by ten times from the current level.

In case of modification in the assessment value by the assessment committee, it is observed that the objections raised normally get a substantial reduction of initial demand.

The third type of underassessment is in the housing market transactions in particular is the practice of pugree and advance. Under this practice a lump sum amount known as pugree or an advance towards the rent is paid by the prospective tenant to the land lord. In lieu of this, the rent charged is substantially reduced. At this stage, the rent shown by the landlord even with the signed receipt does not reflect the real rental value. This amount is much less than the market rent. Thus the property tax demand raised in these cases does not reflect the real potential and the valuation done on this basis amounts to drastic under assessment.

Another category of under assessment in Kanpur is where properties meant for residential use are being converted into commercial use. This phenomenon is wide spread in the core city area. This conversion leads to a relatively very high yield on account of new rent, pugree and advances rather than the prevailing or notional rent. However, this increase does not get reflected in the respective assessment because the receipt show a nominal rent.

Valuation Cycle:

KMC has been losing a considerable amount of revenue due to non revision of valuation according to the valuation cycle provided for in the UPMC Act. According to Act, the properties is supposed to be reassessed every five years. However, the last assessment was made in 1982. Incidentally, the prices of essential commodities increased by more than 125 per cent in the last one decade. In the real estate market, the increase is expected to be at much higher rate due to fast development in the housing market in Kanpur during the last one decade.

It is also observed that vacant land/plots are not covered under the purview of property tax in Kanpur. Vacant land or plots are being taxed only if they are put to use and are yielding some rental income. Thus the present a.r.v. method overlooks the appreciation in the capital value of land.

Besides the court litigations, under assessment and valuation cycle; another constraint that is noticed in the Kanpur is the communication gap between the departments responsible for giving building permission and the property tax assessment wing. As a result of this gap, it is normally seen that the additions and alterations in the existing properties are not adequately recorded and assessed for the purpose of raising property tax demand.

II. Collection Constraints:

It is observed that the KMC has a large backlog of arrears of property tax. The major constraints noticed in the collection procedure are:

- Information with regard to demand and collection of property tax is not properly documented. It becomes almost impossible to know how much of the collections can be attributed to current year's demand and to arrears separately. The question pertaining to the further distribution of demand and collection comprising the rateable value, uses (including exempted properties) and so on, does not arise at all.
- Proper incentives are not being given to the collecting staff in general and the fonctionnaires at middle and lower levels in particular. In the absence of attractive incentives, many of these functionaries very often indulge in improper practices.
- Efforts are not being made to resolve the court cases on a mutually satisfactory basis. This is preferable to waiting and fighting for a judgement which is a time consuming process.
- Penalties on defaulters/delayed payments as prescribed by the UPMC Act are not being effectively enforced. Even no interest is being charged on the arrears from the tax defaulters. As a result of this, arrears multiply several times leading to poor recovery.
- It has been observed that recoveries from government properties are extremely poor, where the property taxes better known as service charges. Non compliance of departments concerned and non-availability of well defined guidelines from the government seem to be the major causes for poor recovery of service charges from government departments. In this context, it is suggested that Govt. of India should issue a comprehensive guidelines with regard to the following three services categories:

- a. Full service coverage;
- b. partial service coverage; and
- c. no services coverage.

In each of the above categories, services should be defined in order to impose property tax on the government buildings. Most of the departments presently, would like to pay the services charges in the lowest slab of $33 \frac{1}{3}$ per cent of the normal rate of property tax without considering the accessibility of municipal services to them.

VII

RESOURCE MOBILIZATION/GENERATION STRATEGIES: SOME SUGGESTIONS

An analysis of KMC suggests that 'own sources' of municipal governments are inadequate for meeting their expenditure needs. The gap between what they are able to raise by their own and what they need is often large which needs to be bridged by various fiscal mechanisms including state transfers. It is broadly in this context that the SFC of Uttar Pradesh is expected to evolve the 'Principles'. The principles have necessarily to be such that municipal bodies are able to meet out not only the existing expenditure responsibilities but also, those that the state government may assign to them, in accordance with the 12th Schedule of the Constitution (Seventy-Fourth) Amendment. The principles have also to pass other 'tests' - such as the financial autonomy which is implicit in the spirit of the Constitutional Amendment.

Following are some of the suggestions for resource mobilization/generation for the municipal bodies of U.P. in general and KMC in particular.

I. Refurbishing Property Tax:

a. Assessment Method

The present method of assessment of property tax (PT) is defective and unrealistic. It suffers from the problems of narrow base, persistent under valuation, high tax rates, poor collection efficiency, etc. Rateable value (RV) of properties is usually defined as the rental value which the property would fetch if it were to be rented out. In practice, however, the RV is estimated not through market mechanism but through administrative procedures. The tax is not considered to be a buoyant source of revenue and hardly reflective of the large scale escalation in the real estate prices that has occurred over the last one decade or even more.

Property tax reforms have been a matter of debate in the country for a very long time.¹¹ However, there are differences of opinion among the tax experts regarding the approach to be adopted for these reforms. One group has suggested an area-based tax assessment where by rental values are standardized per unit area of properties for a given zone, use, type of building,

¹¹ Chetan Vaidya; 'Property Tax Innovation in India', background paper prepared for the policy seminar on Property Tax Innovations in India, organised by the NIUA, NIPFP, USAID and CCI from August 29-30, 1996 at New Delhi.

age, etc. Another group has suggested reforms in the rent control acts, followed by rationalisation of ARV assessment procedures. Both group generally agreed that the ARV assessment should be delinked from 'standard rent' concepts of rent control acts. In the past, most discussion of PT reforms has concentrated on assessment procedures. It is also felt that improvement in tax administration in terms of identification, assessment, record management and collection is necessary.

Area Based Method of ARV Assessment:

This approach primarily consists of developing an operational framework for evolving a method of computing property tax on simple and measurable criteria of property which is classified by location, type of construction, use, etc. The Andhra Pradesh Government has replaced the concept of reasonable rent by the introduction of the area based method in its municipal acts. As per the amended acts, the annual rental value of land and buildings shall be deemed to be the gross annual rent at which they may reasonably be expected to be let with reference to location, type of construction, plinth area, age and nature of use. This has been done by dividing the city into zones and sub-zones, each having differential pre-determined rental values per sq. mt. of plinth area for the different types of construction. Self assessment system has been followed to determine the ARV. It may be however, mentioned that the Municipal Corporation of Hyderabad, Vijaywada and Vishakhapatnam, have not been able to restructure their PT assessment on the area based method as the Andhra Pradesh High Court has stayed its implementation in the corporation cities.¹² Details of Andhra Pradesh system is given in Appendix II.

Recently, Patna Municipal Corporation (PMC) of Bihar State has revised its rules for assessment of property taxes (for details, please see Appendix II). According to modified rules, the concept of 'reasonable rent' has been specified with reference to its situation, use and type of construction. Following are the salient features of revised assessment of ARV:

- I. Situation of the holding:
 - a. Principal main road;
 - b. Main road; and
 - c. other roads excluding above.

¹² Ibid

II. use of the holding:

- a. Purely residential;
- b. Purely commercial;
- c. Partly residential partly commercial; and
- d. other holding excluding above.

III. Type of construction:

- a. Pucca with RCC roof;
- b. Pucca with asbestos/corrugated sheet roof; and
- c. others, excluding above.

For assessment of ARV, Patna city has been divided into three categories, based upon the situation of properties. Twenty four roads have been identified as 'Principal main roads', eighty eight have been identified as main roads and the rest of the roads, streets, lanes, etc. are placed in the third category. They also notified the rates of rental value per square foot of carpet area depending upon the situation, use and the nature of construction of the buildings. To mention a few, the rental value of a pucca building used for residential use and situated on a principal main road was fixed at Rs.18 per sq. feet, whereas a building meant for commercial use situated on the same location, the annual rental value was fixed Rs.54 per sq. feet - three times higher than the residential building. The other values are as follows:

Category	Use of the building	Annual value per sq. feet of carpet area
Main Road	a. Residential	Rs. 12
	b. Commercial	Rs. 36
Other roads excluding principal and main roads	a. Residential	Rs. 6
	b. Commercial	Rs. 18

Significantly, the above system of PMC was challenged in the Patna High Court and the court had stayed its implementation. In the recent past, Bihar State Government had filed an appeal in the supreme court against the Patna High Court decision, and supreme court has set aside the High Court Judgment.¹³

The area based PT assessment system has variety of advantages. Some of these are:

- This is simple and straight forward method as it does not involve details for valuation of each property;
- It reduces the scope for under assessment and corrupt practices considerably due to elimination of discretionary powers of valuation officer;
- The owner can himself work out the tax liability of PT by using the unit value rates and return furnished by him. This may help in reducing the complaints on over valuation properties. It reduces the scope of arbitration by Courts/Appellate Authority; and
- It is uniform tax assessment of similar buildings in a particular locality.

In case of Kanpur, we recommend the area based system for assessment of PT as adopted in Andhra Pradesh and recently in Patna. Suitable modification may be made in the above systems, keeping in view the peculiar requirements of the city.

b. Administration:

It calls for initiating suitable administrative processes for objective valuation, identification, frequent periodical updating of valuation, efficient record management system, and enhancing collection efficiency.

The Problem of identifying the properties in time is perhaps a major constraint for efficient administration of the tax. The last assessment of properties in KMC was done in 1982 and no survey has been undertaken since a long time in Kanpur to estimate the number of

13. AIR, 1995 (Supreme Court, 885 (from Patna) Civil Appeal No. 772 of 1995 (arising out of SLP (C) No. 10003 of 1994) D/-16-1-1995.

unassessed properties. Proper enumeration of all properties with mapping will be very useful for taxing authorities to identify all the properties in an area. Services of private sector consultants and surveyors can be obtained by the KMC on contract basis to undertake mapping and enumerations exercise.

Inadequate property tax records is a large problem for the tax administration in KMC. The records are not designed properly and often poorly updated. The staff has limited skills and has no incentive to improve their efficiency. These problems can be dealt with by improvement in record formats and linkages to among different zonal offices and departments through cross-referencing and computerisation of records.

Poor collection is a major constraint to increase revenue from the PT. The total collection to total demand in KMC is about 60-65 percent. Both legal and administrative measures will be required to improve collections. These measures could include incentives for prompt payment, charging market rate on interest on arrears, providing a large network of decentralized collection centres, publishing names of defaulters in local newspapers, focusing collection efforts on large defaulters and selectively apply legal actions against them. Banks may be authorised to accept PT payments in Kanpur. This will make the payment of taxes easier on the property owners. These types of innovative schemes will go a long way in improving the finances of KMC.

Ahmedabad and Hyderabad Municipal Corporations have shown the way for improved tax collection through improved administration. Their PT collections have increased by 70 and 50 percent respectively over the last two years (Appendix II).

Increasing use of non-tax resources including land

The traditional known sources of local revenue are becoming increasingly exhaustive and do not seem to be adequate to yield sufficient revenue. The non-tax sources like remunerative and commercial projects are promising areas for revenue generation. Keeping in view the increasing demand of commercial space in Kanpur, it would be advisable for the KMC to develop schemes like parking space, office blocks, shopping complexes, hotels, etc. for giving them to private parties on lease. Shopping complexes and office complexes can also be given on rent by the KMC to various departments and individuals. Apart from the monthly rent recoverable from these properties, the advances received from the prospective occupiers of such properties would also generate a revolving fund for the KMC. Delhi has already generated substantial revenue on this account.

License fee is yet another instrument for resource generation. This will need to be related to the type of business and commercial establishment on a graduated basis rather than the existing fixed rate across the board.

Increasing Devolution

New taxes with broad base like the Tax on Consumption of electricity, vacant land tax, which are already popular in other States need to be devolved to the municipal authorities. Tax on Profession, Stamp Duty, cable tax and a Surcharge on the sale of Petroleum products will also need to be devolved to them.

Fiscal Transfers:

The system of fiscal transfers from the state to the urban local bodies needs to be rationalised by the SFC, as it should be designed to achieve the objectives of equalization and equity which are the prime concern of fiscal transfers. Tax assignment of local based taxes such as Entertainment tax, Motor vehicle tax, Professional tax, etc., is advisable because it goes with local autonomy, it provides an independent source of revenue, rates could be varied according to needs and local control over tax improves predictability of revenue. Alternatively, an enhanced block grant could be given as a general purpose grant by relating the quantum of transfers with the needs and resources and also relating it with a few key indicators of economy in expenditure and tax efforts.

It may be mentioned that an innovative grant system has been evolved in Sri Lanka which links the efficiency in tax collection with disbursement of grants. Similarly, a system of grants has been evolved in our own country by the West Bengal Government for the municipal bodies in the Calcutta Metropolitan District. The revised grants system has built into it the incentives and penalties for rewarding better performance and penalising inefficiencies. A similar system of grants needs to be evolved in U.P. for disbursing the general purpose grant. The grants should be given as general purpose grants in addition to the specific purpose grants that may vary from year to year depending upon actual needs.

Municipal Functional Domain:

The 74th Constitutional Amendment Act requires that the State should develop appropriate procedures and rules for the municipal authorities: In this regard, the municipal authorities have

to get rid of such functions which are in the nature of State functions like setting up and maintenance of hospitals, and even primary/secondary education as these are either financially not viable or are pretty expensive functions. If these are not transferred to the State, however, the entire financial expenditure incurred on these will have to be borne by the State Government. The municipal legislation will therefore, have to be amended so that the functional domain includes only some key areas in the spheres of development and maintenance like water supply, sewerage, public health, roads, street lighting, solid waste collection and disposal and slum improvement. Transfer of additional functions under the proposed Constitutional Amendment will require the transfer of functions to the local bodies along with the funds presently associated with such functions.

Service tax on low income properties:

A substantial proportion of municipal expenditure is used to finance the maintenance of services in the low income areas and for low income properties such as in slums, squatter settlements, relocation colonies and unauthorised colonies. In addition, the low income groups also use other city-wide infrastructure such as roads, street lighting, recreation and public conveniences. They do not however, pay for the financing of these services as the structures in which they are living are within the exemption limits of the property tax (Rs.360 a.r.v.).

It is therefore, desirable to make them pay at least the service taxes. The Ahmedabad Municipal Corporation has adopted an innovative approach in this regard. It levies water and conservancy taxes on the properties with a rental value of up to Rs.300 per annum at the rate of Rs.36 p.a. and Rs.24 p.a. respectively. KMC should likewise levies a service tax on properties belonging to all groups of people including the low income groups. However, it is proposed to impose a consolidated service tax on a flat rate basis (say in terms of per capita). The added advantage of per capita is that it can easily be collected as compared to a rate on the rental or capital value of the properties. The incorporation of such a provision will however, require an amendment to the UPMC, Act.

Autonomy for determining user charges and tax rates:

One of the basic thrust area of democratic local self governance is financial autonomy. For public goods which benefit specific households and to which the exclusion principles can be applied in pricing, user charges are most efficient.

Presently, the municipal bodies need approval from the state government to increase user charges. There should be provision in the UPMC Act, as in Madhya Pradesh, that the state government approval would be necessary only in case of reduction in user charges and tax rates. The municipal governments should be authorised to increase its rates as much as required and accepted by the population.

Privatisation:

Privatisation and contracting out of some of the municipal functions is yet another way to reduce the functional burden on municipal bodies. Collection of garbage, maintenance of vehicles could be entrusted to non-government agencies. Even the maintenance of street lighting and parks could be contracted out to private sector in lieu of advertising rights. The State Government and the local authorities, however, would need to be "prepared" to adopt appropriate forms of privatisation such as, contracting out, diverting ownership, franchise, etc.

ANNEXURE DOCUMENTS

LIST OF ANNEXURES DOCUMENTS/TABLES

Annexure Documents

Annex I	:	Assessment Proposal
Annex II	:	Notice
Annex III	:	Judgement Slip
Annex IV	:	Assessment Ledger
Annex V	:	Demand Collection Register
Annex VI	:	Bill for Property Tax
Annex VII	:	Demand Notice
Annex VIII	:	Warrant Notice
Annex IX	:	Auction Notice
Annex X	:	Weekly Statement of the Theatre Tax
Annex XI	:	A Receipt of Theatre Tax Collection
Annex XII	:	Registration Form
Annex XIII	:	A Receipt of Vehicle Tax Collection
Annex XIV	:	Licence Receipts
Annex XV	:	Rickshaw Driving Licence
Annex XVI	:	Application Form for Registration/ Renewal of the Advertising Agency
Annex XVII	:	List of Documents and Earnest Money (Security Money) for the Registration / Renewal of the Advertising Agency
Annex XVIII	:	Rules and Regulation for the Registration

Annexure Tables

Annex XIX	:	Population Estimates by 2001
Annex XX	:	Capital Income and Expenditure of KMC
Annex XXI	:	Per Capita Capital Income and Expenditure of KMC
Annex XXII	:	Survey Report of Selected Properties in Kanpur

Annex I

Assessment Proposal

कार्यालय कर निर्धारण विभाग कानपुर नगर निगम

उ० प्र० नगर निगम अधिनियम की धारा २१३ के अन्तर्गत गृहों एवं भूमियों के वार्षिक मूल्य एवं आय पर सामयिक कर निर्धारण।

क्षेत्र संख्या.....

गृह संख्या.....

निर्धारण सूची में अंकित गृह स्वामी का नाम.....

रेवेन्यू इन्स्पेक्टर/रेवेन्यू इन्स्पेक्टर (घोषी-२)/वास्तु विभाग लिपिक

धारा २१४ के अन्तर्गत १५ दिन के भीतर गृह का विवरण देने के लिए सूचना पत्र प्रेषित किया जाय।

दिनांक.....

उपर्युक्त गृह जिसका पुराना कर निर्धारण..... वार्षिक/मासिक है तथा बनाया गया है/ पुनः बनाया गया है/ परिवर्तित किया है/ बंकाया गया है। जिसका विवरण निम्न प्रकार है-

भूमि खण्ड में.....

प्रथम खण्ड में.....

द्वितीय खण्ड में.....

तृतीय खण्ड में.....

दिनांक.....

रेवेन्यू इन्स्पेक्टर/रेवेन्यू इन्स्पेक्टर (घोषी-२)

कर निर्धारण अधिकारी की विरोधक रिपोर्ट

उपर्युक्त गृह में निर्मांकित नव निर्माण हुआ-

भूमि खण्ड में.....

प्रथम खण्ड में.....

द्वितीय खण्ड में.....

तृतीय खण्ड में.....

उपर्युक्त गृह का कर विवरण..... वार्षिक/मासिक किया गया है।

उप निर्धारण अधिकारी

सूचना-यदि उपरोक्त विवरण वास्तु विभाग द्वारा प्राप्त हो या विभागीय दफ्तर के विद्यमान हो तो पत्र संख्या ओ/उ० न० कार्यावाही की जाती नही जायेगी।

ब० वि० प्र० सं० ५०००० (१५-४)

Annex II

Notice

कानपुर नगर महापालिका

(कर निर्धारण विभाग)

गृहों तथा भूमियों की वार्षिक आय पर सामान्य-कर और जलकर निर्धारण उ० प्र० नगर महापालिका अधिनियम १९५९ की धारा २१३ (१) के प्रतिबन्ध के अन्तर्गत)

श्रीमान्/श्रीमती _____

सूचना

दिनांक

कर निर्धारण उप सभिति की आज्ञानुसार आपको सूचित किया जाता है कि गृह मूल्या की वार्षिक आय परिवर्तित करके रु० _____ निर्धारित व प्रभावित की गई है जिसके अनुसार आपको सामान्य कर _____ जलकर _____ प्रतिवर्ष _____ से देना पड़ेगा

यदि आपको उपर्युक्त निर्धारित आय तथा कर पर किसी प्रकार की आपत्ति है, तो आप अपनी किम्बत आपत्ति मन्तोषजनक प्रमाण सहित नगर महापालिका के कर निर्धारण विभाग में इस सूचना के प्राप्त होने के एक माह के भीतर अवश्य पहुंचा दें।

इस प्रकार आपको भेजी हुई आपत्तियों पर कर निर्धारण उप समिति द्वारा दिनांक _____ को सुबह/शाम _____ बजे महापालिका कार्यालय में विचार होगा। आपसे अनुरोध है कि उपर्युक्त समय व दिनांक को आप स्वयं अथवा आपका कोई प्रतिनिधि उपस्थित रहें।

एक माह के उपरान्त प्राप्त किसी आपत्ति पर कोई विचार नहीं होगा तथा उपर्युक्त निर्धारित कर स्वीकार कर लिया जायगा।

विवरण जिसके कारण आपके ऊपर टैक्स बढ़ाया गया है।

भूमि खण्ड में

प्रथम खण्ड में

द्वितीय खण्ड में

आपने नया माग बनाया है। नुबारा तोड़ कर बनाया है। रद्दोबदल किया है।

अनुभागीय अधिकारी

(कर निर्धारण विभाग)

नगर महापालिका, कानपुर।

महापालिका प्रेस, कानपुर-२०,०००

इस कर निर्धारण से नगर महापालिका का विकास प्राधिकरण कानपुर के अनाधिकृत निर्माण के विरुद्ध जायेवाही करने के अधिकार तथा भूमि के स्वामित्व पर कोई पालतू प्रभाव नहीं पड़ेगा।

नगर महापालिका, कानपुर

एव वर्या
उपरोक्त गृह के कर से सम्बन्धित आपत्ति की
दुनवाई कर-निर्धारण उप समिति के सभस होकर निम्नांकित
कर-निर्धारण निश्चित किया गया।

अध्यक्ष
कर-निर्धारण उप समिति कार्यकारिणी
नगर महापालिका, कानपुर।

नगर महापालिका, कानपुर

एव वर्या
उपरोक्त गृह के कर से सम्बन्धित आपत्ति की
दुनवाई कर-निर्धारण उप समिति के सभस होकर निम्नांकित
कर-निर्धारण निश्चित किया गया।

अध्यक्ष
कर-निर्धारण उप समिति कार्यकारिणी
नगर महापालिका कानपुर।

महो० प्रस, ४०,००० (११-१२)

Annex V

कानपुर नगर

गृहिकर तथा असकर को मांग

Demand Collection Register

क्र.सं.	मांग करने वालों के विषय		असकर		गृह कर		रक. विषय		महापालिका द्वारा वृद्ध		धरा		
	बर्तमान मांग	अवकाश	मांग	अवकाश	गृह कर	असकर	असकर	गृह कर	असकर	गृहिकर		असकर	
9					१०	१२	१२	१४	१६	१८	२०	२२	२४

महापालिका

तथा समूह का रजिस्टर

48:

क्रम संख्या	पूरे कर		क लिये		अनुकर	मग मन्		क लिये	महापालिका द्वारा पूरे		वर्ष						
	वर्तमान मग	अवशेष	मग	वर्तमान मग		वर्तमान मग	अवशेष		मग को मुचता तथा स्तः माधिकाय पर भुज्या का न०	मुह कर		मग को मुचता तथा स्तः माधिकाय पर भुज्या का न०	पूरे कर	अनुकर			
७	८	९	१०	११	१२	१३	१४	१५	१६	१७	१८	१९	२०	२१	२२	२३	

विशेष तथा बाहर का प्रपत्र जिसके द्वारा पूरे करावत की गई हो इत्यादि ।

Annex VI

Bill for Property Tax

Karapur Nagar Mahapalika

To Dr.

Demand No.	Nature and Particulars of Demand	Period	Amount	
			Rs.	P.
	सामान्य कर बकाया वर्ष १६ से १६ तक चांगू वर्ष १६ से १६ तक			
	यह रसीद नहीं है।	Total:		

The amount of this Bill must be paid within 15 days of presentation after the issue of demand shall be issued and if necessary, distress & attachment may be made.

Date

Signature

Designation

Demand Notice

कानपुर नगर महापालिका

[नियम २५ (२) देखें]

प्रपत्र सं० १९

पुस्तक संख्या प्रतिपत्र
 मांग और समाह्वयण बजिस्ट्रार के कम सं०
 मांग का प्रकार
 जारी करने का दिनांक

हस्ताक्षर
 भुगतान का दिनांक
 रसीद सं०
 दिनांक

(१) कर
 (२) नोटिस तथा वारंट शुल्क
 (३) अन्य देय यदि कोई हो

लिपिक के हस्ताक्षर

[नियम २५ (२) देखें]

प्रपत्र सं० १९

कानपुर नगर महापालिका

मांग की नोटिस

पुस्तक संख्या

कम सं०

(उत्तर प्रदेश नगर महापालिका अधिनियम, १९५९ की धारा ५०६ के अधीन)
 आपको यह नोटिस दिया जाता है कि नगर महापालिका आपसे
 के मध्ये देय के बनराशि की मांग करती है जो कि दिनांक
 १९ से आरम्भ होने वाली तथा दिनांक १९९ को समाप्त
 होने वाली अवधि के लिए सरकार द्वारा स्वीकृत नियमों के अधीन उगाड़े जात योग्य है, और
 यह कि यदि इस नोटिस के तामील होने के भीतर उक्त बनराशि का भुगतान नगर
 महापालिका के कार्यालय में न किया गया तो नगर महापालिका के सन्तोषानुसार भुगतान न
 किये जाने का पर्याप्त कारण न बताया गया तो व्ययों सहित उक्त बनराशि की बसूली के लिए
 अभिहरण तथा कुर्की के वारंट जारी किये जायेंगे ।

दिनांक-----१९

क्षेत्रीय अधिकारी
 आज्ञा से
 कानपुर नगर महापालिका

महा० प्र सं ४०,००० (६३९)

Warrant Notice

[See Rule 25 (2)]

NAGAR MAHAPALIKA KANPUR

Counterfoil

Book No. **186**

Serial No. **2**

Serial No. **2**

Book No. **186**

WARRANT

(Under section 507 of the U.P. Nagar Mahapalika Adhiniyam, 1959)

Serial No. in the demand and collection register.

Nature of demand

Date of issue

Signature

Date of payment

Amount received through

Receipt No.

Dated

Name of the officer charged with the execution of warrant.....
 Whereas
 of
 has not paid, and not shown satisfactory cause for the non payment of the sum of Rs. due for the liability mentioned in the margin for the period commencing on the day of 19 .. and ending with the day of 19 .., and leviable under.....
 and whereas fifteen days have elapsed since the service on him of notice of demand for the same.

This is to command you to distrain for sale subject to the provisions of section 509 of the U.P. Nagar Mahapalika Adhiniyam, 1959, the goods and chattels of the said..... to the amount of being the amount due from him as follows:—

On account of the said liability	Rs.	P.
For service of notice	—	—
For warrant fee

and forthwith to certify to me together with this warrant all particulars of the goods seized by you thereunder.

Dated this.....day of.....19

(Signed).....
 Designation.

- (i) Taxes
- (i i) Notice and Warrant Fee
- (i i i) Others, if any

Signature

[See Section 507 (2)]

Note— It shall not be necessary to execute the warrant if the defaulter makes full payment to you before removal of his goods.

Auction Notice

प्रपत्र २१ क

[नियम २५ (२) अख]

कानपुर नगर महापालिका

सेवा में,

श्री.....के निवासी।

आपको नोटिस दिया जाता है कि मैंने आज निम्नलिखित अनुसूची में वर्णित अचल सम्पत्ति यहां पर दायित्व..... से आरम्भ होने वाली तथा..... के समाप्त का विवरण दे। होने वाली अवधि के लिये पार्श्वलिखित दायित्व के मध्ये देय..... रूप्यों के लिये तथा मांग की नोटिस तामील करने के निमित्त देय..... रूप्यों के लिये कुक कर ली है।

यदि इस नोटिस के तामील होने के दिनांक से पांच दिन के भीतर आपने वसूली के व्यय सहित उक्त घनराशि केन्द्रीय कार्यालय में जमा न की तो उक्त अचल सम्पत्ति बेच दी जायेगी।

दिनांक.....-१९९

(वारन्ट को कार्यान्वित करने वाले अधिकारी के हस्ताक्षर)

अनुसूची

☀ (यहां पर कुक की हुई अचल सम्पत्ति का विवरण दे)

Annex X

Weekly Statement of the Theatre Tax

377 कोर - पं.				
निम्न के आर्वाज परन्तु की जाने वाला विवरणों गैंगो रजज या गैंगो गिनौदे, कर्मिन्ग या प्रदर्शन का नाम और स्थान				
दिनांक	दिन	आर्वाज प्राप्त प्रदर्शनों या कर्मिन्गों की संख्या	देसकर की संख्यादि।	अनुसूचित, मादे कोई हो
1	2	3	4	5
	सोमवार			
	मंगलवार			
	बुधवार			
	गुरुवार			
	शुक्रवार			
	शनिवार			
	रविवार			
	सप्ताह में आर्वाज प्रदर्शनों या कर्मिन्गों की कुल संख्या		देसकर की संख्यादि।	
	दिनांक		स्वांगो के हस्ताक्षर	

Annex XI

A Receipt of Theatre Tax Collection

प्रपत्र संख्या-2 (नियम ८ देखें) कानपुर नगर महापालिका

पुस्तक सं. क्रम सं. 9717 01

श्री से प्राप्त हुआ।

बिल संख्या:

जांच रजिस्टर की क्रम संख्या	भूगृहादि का नाम अधवा संख्या	भुगतान का विवरण	अवधि	धराराशि	
				रु.	पै.
			योग		

योग शब्दों में

दिनांक पश्चात्
 रोकड़िया जांच और समाहरण रजिस्टर
 लेखा अधिकारी/ रजिस्टर अधिकारी प्रभारी लिपि:

टिप्पणी अनुज्ञप्ति (लाइसेंस) की दशा में नगर नरीम अज्ञप्ति के स्थान पर प्रयुक्त नहीं की जा सकती और यह नगरपालिका के अनुज्ञप्ति अर्जन कर देने के अधिकार पर कार्य नहीं करती। प्रभाव नहीं डालती।
 अवैधानिक निर्माण के गिरावे या हटाने जाने हेतु महापालिका द्वारा की जाने वाली कार्यवाही पर इसका कोई भी प्रतिफल प्रभाव नहीं पड़ेगा।

सं. ० १३० २००० ६२-२

Registration Form

श्रीमान् केन्द्रीय कर अधिकारी
कानपुर नगर निगम

सहोदय,

नं० _____ का लाइसेंस वर्ष १९ _____ का विया जावे

प्राथी

बल्ब _____ स्थान _____ कानपुर ।

हस्ताक्षर _____

दिनांक _____

Vehicle Tax

Annex XIII

A Receipt of Vehicle Tax Collection

प्रपत्र संख्या-2
(नियम ८ देखें)

कानपुर नगर महापालिका

पुस्तक सं.

क्रम सं.

9717

01

श्री

से प्राप्त हुआ

बिल संख्या

जांच रजिस्टर की क्रम संख्या	भूगृहादि का नाम अथवा संख्या	भुगतान का विवरण	अवधि	धनराशि	
				रु०	पै०
			योग		

योग शब्दों में

दिनांक

पशासक

रोकड़िया

जांच और समाहरण रजिस्ट्रार

लेखा अधिकारी/राजस्व अधीक्षक

प्रभारी लिपिक

टिप्पणी

अनुज्ञप्ति (लाइसेन्स) की दशा में यदि किसी अनुज्ञप्ति के स्थान पर प्रयुक्त नहीं की जा सकती और यह महापालिका के अनुज्ञप्ति अर्जत कर देने के अधिकार पर कोई नकारात्मक प्रभाव नहीं डालती।
अवैधानिक निर्माण के गिराये या हटाने जाने हेतु महापालिका द्वारा की जाने वाली कार्यवाही पर इसका कोई भी नकारात्मक प्रभाव नहीं पड़ेगा।

सं. १३०/२०००/६५-७

Annex XIV

Licence Receipts

कानपुर नगर महापालिका
 लाइसेंस की रसीद
 क्रम सं 46
 नाम लाइसेंसदार
 पता

लाइसेंस रसीद
 कानपुर नगर महापालिका
 दिनांक १९
 श्री ... ने नगर महापालिका के रकम सादादी मुद्रादिग
 बंधा की है लिहाजा उसको वजरिये इस लाइसेंस के इजाजत दी जाती है कि
 गाडी जिसका प्लेट नम्बर ... है जो अबधि ... से ... तक
 महापालिका सीमा में चलाये।

विवरण गाडी

नम्बर व दर्जा गाडी	तफसील गाडी	तफसील व तादाद व ऊंचाई जानवर	दाइर वन किगा को प्लेट के मबार हाने का इजाजत है	बजन वम असवाव का जो लारा इमिया	व्यवनाय लाइसेंसदार या	पता लाइसेंसदार स्थानी

यह लाइसेंस उन कानून व कायदे की बाबन्दी से मन्जूर किया जाता है जो किराया गाडी के इतकाम व नियरानी से सम्बन्धित है और इसकी एक तकल आज मैंने लाल सेन्सदार के हवाले कर दी है।
 दिनांक ... मास ... वर्ष ...
 हस्ताक्षर लाइसेंस अधिकारी
 उक्त कानून की एक तकल जिले के गारानी से आयन्स मन्जर किया गया है किन्तु ये गाडी मुसकोदी है।

Annex XV

Rickshaw Driving License

पत्र संख्या - 22
(नियम 28 देखें)

कानपुर नगर महापालिका

स्तक सं.

क्रम सं.

6891 - 01

दिनांक

चूंकि ने नगर महापालिका को
भुगतान कर दिया है अतः उन्हें पहली
से तक
नगर के भीतर

के लिये अनुज्ञा दी जाती है।

अनुज्ञा गृहीता का विवरण

नाम	पिता-का नाम	व्यापार	पता	अभियुक्ति

अनुज्ञा देने वाले अधिकारी के हस्ताक्षर

यह अनुज्ञा के विनियम तथा नियंत्रण के नियमों एवं
शर्तों के अधीन रहते हुए प्रदान की गई है जिनकी एक प्रति मैंने आज
अनुज्ञा गृहीता को दे दी है।

दिनांक

अनुज्ञा लेने वाले के हस्ताक्षर
अनुज्ञा गृहीता

टिप्पणी :- स्थान और अनुलेख की प्रविष्टियाँ तभी धरी जानी चाहिए जब
अनुज्ञा संपूर्ण प्रत्यक्ष हो। यदि अनुज्ञा सामान्य प्रकार की
हो तो अवलेख पास किया जाना चाहिये।

Annex XVI

Application Form for Registration/Renewal of
the Advertising Agency

प्रस्ताव/प्रभारि अधिकारी विज्ञापन
कानपुर नगर निगम

विषय: कानपुर नगर निगम में नगर निगम सीमा के अन्तर्गत विज्ञापन कार्य
हेतु एजेन्सी के पंजीकरण/नवीनीकरण हेतु ।

मै/हम नगर निगम कानपुर में विज्ञापन सम्बन्धी निम्नलिखित कार्यों हेतु वर्ष
1995-96 के विषये निम्नानुसार श्रेणी में पंजीकरण/नवीनीकरण कराना चाहता हूँ/चाहते हैं।

कार्य

श्रेणी

॥अ॥ विज्ञापन पट्टे/होर्डिंग/ब्यास्कर/लगाने का कार्य

॥ब॥ वाल पेन्टिंग का कार्य

॥स॥ अन्य विज्ञापन सम्बन्धी कार्य

॥1॥ व्यक्ति / कम्पनी या फर्म का नाम

पता

जोन नं.

राजस्त्रार क्रम की पंजीकरण सं.

॥2॥ हमारी उपरोक्त क्र० सं० ॥1॥ पर लिखित फर्म के जो भी साझेदार/पार्टनर आदि हैं
उनका विवरण नीचे दिया गया है।

नाम

पता

जोन नम्बर

॥अ॥

॥ब॥

॥स॥

॥3॥ मै/हम घोषित करता हूँ/करते हैं कि राजाज्ञा सं० 455/ए०सी०/23 पी०डब्ल्यू०सी०/73
सं०एम०एम०/56 दिनांक 22-11-1963 के अनुसार हमारा कोई निकट वा सम्बन्धी
नगर निगम कानपुर में विस्ती पद पर कार्यरत नहीं है। कार्य करने की दशा में उक्त
नाम, पद सहित पूर्ण विवरण नीचे दे रहा हूँ। निकट सम्बन्धी वा तात्पर्य पिता, माता,
मामा, भाई, बहन, बहनोई, पुत्र, पुत्री, सास, दमाद, स्वयं वा वधेरा भाई, पत्नी पुत्री, दादी
के अतिरिक्त पुत्र वधु व तगा चाचा, मामा आदि ।

॥4॥ मै/हम विविध विज्ञापन पट्टों की स्वीकृति के सापेक्ष विभाग द्वारा अपेक्षित "विज्ञापन
कर" का भुगतान अग्रिम रूप से जमा करवा/करगे जिसका पूर्ण विवरण विभाग वा
दूंगा/देने "विज्ञापन कर" की अदायगी में वितथी होने पर, नगर निगम को यह आश
होगा कि मुझे/हमें सम्बन्धित एजेन्सी के दो रव वर्ष तक की अवधि के लिए विज्ञापन
के कार्य हेतु अयोग्य बरार कर दे एवं सम्बन्धित राजस्व की कसुली मेरे संलग्न
धनराशि/संश्लिष्टकोरिटी मनीं, अथवा चल/अचल संपत्ति या अन्य आय स्रोतों के
नियमानुसार पर ले जिसमें मुझे कोई आपत्ति नहीं होगी।

. 2

- ॥5॥ पंजीकरण हेतु निर्धारित कीमत स्व.....नगर निगम कोष में जमा की जा रही है विवरण संलग्न है।
- ॥6॥ नगर निगम के पंजीकरण प्रपत्र संलग्न "क" के अनुसार समस्त सूचनाएँ संलग्न कर रहा हूँ व प्रोफ़ार्म ॥ख॥ के अनुसार विज्ञापन नियमों प्रतिक्रिया एवं शर्तों से बाध्य रहूँगा/रहेंगे।

भवदीय,

प्रभारी अधिकारी/यातायात

निदेशक/पार्टनर का नाम, हस्ताक्षर
व पता

.....

.....

.....

.....

संलग्न प्रपत्र "क"

संलग्न प्रपत्र "ख"

**List of Documents and Earnest Money (Security Money)
for the Registration/Renewal of the Advertising Agency**

कायदिय आभारी आभारी विज्ञापन
वाकपुर नगर निगम

विज्ञापन पंजीकरण/ नवीनीकरण (संलग्न प्रपत्र "क")

विज्ञापन एजेंटियों के नवीनीकरण/पंजीकरण के साथ संलग्न विवे जाने वाले प्रपत्र

- 1- विज्ञापन एजेंसी/फर्म का नाम एवं रजिस्ट्रार फर्म की पंजीकरण संख्या
आ. पंजीकरण प्रमाण पत्र की सत्यापित प्रतिलिपि संलग्न।
- 2- कम्पनी/फर्म में पार्टनर के नाम/पार्टनरशिप डीड की सत्यापित प्रति वांछित जनरल स्टैम्प पर बनवाकर संलग्न करें।
- 3- प्रथम बेणी मजिस्ट्रेट या पुलिस द्वारा निवास स्थान/स्थाई एवं अस्थाई का वेरीफिकेशन व वॉरन्ट प्रमाण पत्र।
- 4- बेणी एवं जमानती धनराशि निम्नानुसार संलग्न करें।

बेनी	200 वर्ग फिट या उसके समतुल्य विज्ञापन पट्टी की संख्या	जमानती धनराशि
र	101 एवं उसके ऊपर	₹ 25,000=00
डी	51 - 100	₹ 15,000=00
की	26-50	₹ 10,000=00
डी	11-25	₹ 5,000=00
डी	1 - 10	₹ 2,000=00

- 5- सश्रम आभारी द्वारा फर्म के नाम दिया गया सम्पत्ति प्रमाणपत्र/साल्वेन्सी सर्टिफिकेट।
- 6- विक्रीवर विभाग में पंजीकरण संख्या :
- 7- आयकर विभाग का वलीथरेन्स प्रमाण पत्र/वेबल पंजीकरण क्लास 20बी0 व ती के लिये।
- 8- प्रमाण पत्र पट मेरे द्वारा किसी अन्य नाम से कोई पंजीकरण नगर निगम वाकपुर में नहीं है।
- 9- कम्पनी/फर्म के स्वामी/पार्टनर के नाम व नमूने के हस्ताक्षर।
 आ.
 ब.
 स.

10- पार्टनरों की प्रात हस्ताक्षरत तीन-2 पासपोर्ट साइज फोटोग्रफ्स भी संलग्न करें।

ये द्वारा संलग्न उपरोक्त प्रपत्रों में अंकित सभी सूचनाएं सत्य हैं तथा सभी प्रपत्र क्विट रहित एवं सश्रम आभारी द्वारा निर्गत/सत्यापित हैं।

हस्ताक्षर
विज्ञापन एजेंसी/पार्टनर

Annex XVIII

Rules and Regulation for the Registration

काठमाडौं प्रभारी अधिकारी विज्ञापन
काठमाडौं नगर निगम

विज्ञापन हेतु सामान्य शर्तें एवं प्रतिबन्धः प्रपत्र "ख"।

- 1- काठमाडौं नगर निगम सीमा के अन्तर्गत विद्यमान पंजीकृत विज्ञापन रजिस्ट्रारो द्वारा विद्यमान रहे वाते विज्ञापन के कार्य हेतु आवश्यक सामान्य शर्तें एवं प्रतिबन्ध निम्नानुसार है:
 - 1- विज्ञापन के पश्चात् ही विज्ञापन कार्य जनोपयोगी एवं वैध होगा ।
 - 2- विज्ञापन रजिस्ट्री का नगर निगम काठमाडौं में विधिवत पंजीकृत होना अनिवार्य है।
 - 3- विज्ञापन स्वीकृत हेतु विज्ञापन दाता अपना प्रार्थना पत्र, विज्ञापन पट के पूर्ण विवरण प्रदान करेगा। साइज मानकीय इत्यादि सहित, प्रभारी अधिकारी विज्ञापन नगर निगम को प्रेषित करेगा। नगर निगम अपने अधिकारों से आवश्यक परीक्षा कराकर स्वीकृति योग्य/अयोग्य मानेगा एवं तदनुसार कार्यवाही करेगा ।
 - 4- प्रभारी अधिकारी नये विज्ञापन पट की स्वीकृति हेतु यह भी आवश्यक होगा कि सम्बन्धित विज्ञापन रजिस्ट्री उसके पूर्व में विज्ञापन पटों की दर अदायगी में वितथी न हो। वितथी न होना क्लर्क द्वारा होने की स्थिति में प्रभारी अधिकारी विज्ञापन द्वारा स्वीकृति पर रोक लगाई जा सकती है ।
 - 5- स्वीकृत विज्ञापन पट हेतु देय कुल विज्ञापन दर को विज्ञापन रजिस्ट्री द्वारा अग्रिम रूप में नगर निगम कोष में जमा करना होगा। वर्ष के मध्य में स्वीकृत प्राप्त किये गये विज्ञापन पटों हेतु अवशेष भाग का "वर" अग्रिम के रूप में नगर निगम कोष में जमा करना होगा ।
 - 6- विज्ञापन रजिस्ट्री द्वारा विज्ञापन पटों के सापेक्ष, अपेक्षित विज्ञापन दर की अदायगी प्रो. 0-4 के अनुसार अग्रिम रूप से नगद चेक अथवा ड्राफ्ट के रूप में जमा करना होगा। चेक/ड्राफ्ट, लेखाधिकारी नगर निगम काठमाडौं के नाम होना अनिवार्य है। चेक के केष न होने की दशा में सम्बन्धित विज्ञापन रजिस्ट्री पूर्ण रूप से जम्मेदार होगी। एक बार वितथी भी विज्ञापन रजिस्ट्री का चेक केष न होने की दशा में पुनः तमस्त भुगतान नगद/बैंक ड्राफ्ट में ही स्वीकार होगा ।
 - 7- प्रभारी अधिकारी विज्ञापन द्वारा स्वीकृत विज्ञापन पट अनुमति पत्र में निर्दिष्ट स्थान पर ही इत प्रकार लगाये जायें कि इन्हें सदायसि को कोई अज्ञानता न हो एवं कोई महत्वपूर्ण भवन, पार्क, मूर्ति आदि न छिपे। इस हेतु यह आवश्यक है कि प्रत्येक विज्ञापन पट लट्टक के तमानान्तर एवं कुलमाथ वाली छोड़ते हुये कम से कम 7 फुट ऊँचाई पर लगे जायें।
 - 8- प्रभारी अधिकारी विज्ञापन पट पर कोई उत्तेजनात्मक एवं आपत्ति जनक एवं ऐसा कोई भी विज्ञापन नहीं दिया जायेगा जो वाहन चालकों के मानसिक शांति व संतुलन को बिगाड़ने का दुर्घटना या कारण बने।
 - 9- कोई भी विज्ञापन पट इस प्रकार की कृपया बालक बच्चे सनसिद्ध/बालक को नष्ट करने प्रकार की असुरक्षा अथवा अज्ञानता उत्पन्न हो।
- नये विज्ञापन रजिस्ट्री, विज्ञापन पटों पर निम्न लिखित सूचनाएं आवश्यक दर्ज करेंगी:
- अ) काठमाडौं नगर निगम पंजीकरण संख्या
 ब) स्वीकृति अधीन
- ऐसा न होने पर सम्बन्धित विज्ञापन पट अवैध मानते हुये नगर निगम द्वारा हटा दिया जायेगा ।

- 10- उपरोक्त नियमों का पालन न करने वाली विज्ञापन रजेन्सियों के विज्ञापन पटों को नगर निगम उनके हजे खों पर उखाड़ कर विभागीय स्टोर में जमा करा लेगी। विज्ञापन पटों की पुनः प्राप्ति आवश्यक आर्थिक दण्ड एवं विज्ञापन कर अदायगी के उपरान्त ही हो सकेगी।
- 11- बिना विभागीय अनुमति एवं आवश्यक कर अदायगी के पाये जाने वाले विज्ञापन पटों को वित्तीय वर्ष के प्रारम्भ से लगा हुआ मानते हुये "विज्ञापन कर" की वसूली संबंधित रजेन्सी से की जायेगी।
- 12- विभाग द्वारा उखाड़ी गयी अवैध/नियमावली विज्ञापन पटों को विभागीय स्टोर में जमा करा लिया जायेगा जहाँ से विज्ञापन रजेन्सी द्वारा आवश्यक आर्थिक दण्ड/विज्ञापन कर अदायगी के पश्चात् एवं माह के अन्दर वापस लेना होगा। अन्यथा विभाग द्वारा उन्हें लावारिस मानते हुये उनका निस्तारण नीलामी द्वारा कर लिया जायेगा।
- 13- विद्वती भी विज्ञापन रजेन्सी का पंजीकरण नगर निगम द्वारा वित्तीय वर्ष के अन्त में स्वतः समाप्त माना जायेगा इसके नदीनीकरण का अधिकार रजेन्सी द्वारा समस्त देय धनराशि की अदायगी के पश्चात् नगर निगम कानपुर को होगा। इत मध्य विज्ञापन रजेन्सी द्वारा विद्वती भी प्रचार का विज्ञापन कार्य अवैध होगा।
- 14- विद्वती भी स्थल पर विज्ञापन पट हेतु दी गयी स्वीकृत अवधि समाप्त होने के पश्चात् स्वीकृत बिना विद्वती अन्य आदेश स्वतः समाप्त मानी जायेगी। प्रभारी अधिकारी/विज्ञापन को यह अधिकार होगा कि उस विज्ञापन रजेन्सी की पूर्व की कर अदायगी एवं विज्ञापन नियमों के पालन करने का दृष्टि को देखते हुये उस स्थान पर नदीनीकरण करे अथवा विद्वती अन्य रजेन्सी को स्थल आर्बिट्र कर दे। बिना विज्ञापन रजेन्सी का, अवधि समाप्त के पश्चात् कूट स्वीकृत स्थल पर कोई दावा नहीं होगा।
- 15- एक बार में विज्ञापन पट स्वीकृत कम से कम तीन माह व अधिकतम एक वित्तीय वर्ष हेतु ही दी जायेगी। विशेष स्थितियों में प्रशासक/प्रभारी अधिकारी/विज्ञापन इत नगर निगम अधिसूचना की धारा 305 के अनुसार अधिकतम दो वर्षों हेतु दे सकते है।
- 16- विज्ञापन पट अनुमति पत्र में अंकित पट की साइज व स्थल से विद्वती भी प्रचार का पोरबलन बिना प्रभारी अधिकारी/विज्ञापन की स्वीकृत के अवैध माना जायेगा। ऐसे विज्ञापन पट अस्वीकृत एवं अवैध मानते हुये नगर निगम द्वारा नियमानुसार कार्यवाही की जायेगी।
- 17- विज्ञापन रजेन्सी द्वारा कोई भी स्वीकृत विज्ञापन पट बिना प्रभारी अधिकारी/विज्ञापन/नगर निगम, कानपुर की पूर्व स्वीकृत के विद्वती अन्य विज्ञापन रजेन्सी को विद्वती पर वा अन्य विद्वती प्रचार से विज्ञापन हेतु नहीं दिया जायेगा। ऐसा पाये जाने पर स्वीकृत स्वतः निरस्त समझी जायेगी।
- 18- विज्ञापन दाता को नगर निगम की वर्तमान प्रचलित विज्ञापन दरें मान्य होगी।
- 19- समय-2 पर नगर निगम को यह अधिकार होगा कि वह तत्काल स्तर से नियमानुसार विज्ञापन दरों का पुनरीक्षण कर सके जो कि विज्ञापन रजेन्सी द्वारा मान्य होगा।
- 20- विद्वती भी विवादों की स्थिति में मामला स्ट मात्र मध्यस्थ Sole Arbitral होगा। मुख्य नगर अधिकारी, कानपुर नगर निगम को संदीर्भत होगा। प्रत्येक निर्णय अंतिम को मान्य होगा। ऐसे उतर्ग मध्य रहेगी। विवाद के लिए अधिकार देत कानपुर न्यायालय को होगा।
मुझे उपरोक्त समस्त अर्तें एवं प्रतिबन्ध मान्य है।

हस्ताक्षर

विज्ञापन रजेन्सी/पार्टनर

ANNEXURE TABLES

Annex XIX

Population Estimates by 2001

Year	Population	ACGR
1981	1481789	2.38
1991	1874409	
1992	1918988	
1993	1964626	
1994	2011351	
1995	2059186	
1996	2108159	
1997	2158297	
1998	2209627	
1999	2262178	
2000	2315979	
2001	2371059	

Annex XX

Capital Income and Expenditure of KMC

(Rs.in lakhs)

Year	Current Prices		Constant Prices	
	Capital income	Capital expenditure	Capital income	Capital expenditure
1990	179.25	539.57	179.25	539.57
1991	224.58	415.47	197.58	365.52
1992	416.23	281.12	331.75	224.06
1993	-	413.78	0.00	308.42
1994	-	53.11	0.00	36.08

Source: NIUA Survey, 1995.

Annex XXI

Per Capita Capital Income and Expenditure of KMC

(Rs.)

Year	Current Prices		Current Prices	
	Capital income	Capital expenditure	Capital income	Capital expenditure
1990	9.56	28.79	9.56	28.79
1991	11.70	21.65	10.30	19.05
1992	21.19	14.31	16.89	11.40
1993	0.00	20.57	0.00	15.33
1994	0.00	2.58	0.00	1.75

Source: NIUA Survey, 1995.

Annex XIII

Survey Report of Selected Properties in Kanpur

H. No.	Name of owner's	Proposed A.R.V.	House tax of proposed A.R.V.	Date of issue notice	Date of objection	Date of decision	Decided A.R.V.	House tax of decided A.R.V.	Date of enforcement
1. 14/20 old 14/56 new Gordani	Dr. D.P. Singh Jyoti Nursing Home	82670.00	15500.43	5-3-93	-	14-11-94	82670.00 (18.75)	15500.43	1-5-93 (Capital value)
2. 15/63(12) Civil line	Smt. Bhr Bala Gupta	36000.00	6750.00	8-2-95	6-3-95	15-5-95	27000.00 (18.75)	5062.50	1-4-95 (Reidentified) (Self occupied)
3. 15/263 civil line	M/s Bhargav Nursing Home Prop. Smt. Daya-Bhargav and Ved Prakash Bhargav	333238.00	62482.13	16-6-93	23-8-93	18-1-94	211861 (18.75)	39723.95	1-9-93 (Capital value)
4. 69/191 Dana Koti	Mr. Durga Prakash	40800.00	7650.00	12-7-93	11-8-93	21-11-94	23400.00 (18.75)	4387.50	1-9-93 (Rental)

Figures in brackets are indicated the rate of property tax.

Source: NIUA Survey, 1995

Research Study Series
Number 71

P.N. 97 To 160

**Kanpur Municipal Corporation
A Study of its Finances**

(Prepared for the State Finance Commission, Uttar Pradesh)

State Finance Commissions Cell
National Institute of Urban Affairs
New Delhi

August, 1996

APPENDIX

APPENDIX I

SUMMARY OF DISCUSSIONS WITH KMC OFFICIALS

SUMMARY OF DISCUSSIONS WITH KMC OFFICIALS

MR. RASOOL AHMED RIZVI, TAX SUPERINTENDENT- ZONE 1

Mr. Rizvi has provided the following information on the tax administration system of KMC :-

PROPERTY TAX : It refers to General Tax in KMC. Water Tax and Drainage Tax are being collected by the Kanpur Jal Sansthan. They are responsible for provision of water supply and Sewerage in the areas of KMC Jurisdiction.

- The corporation prepares various records on account of property tax. These records can be viewed as under:

1. Assessment File
 - 1.1 Assessment Proposal
 - 1.2 Notice
 - 1.3 Judgement slip
2. Assessment Ledger
3. Demand-collection Ledger
4. Bill

- The Property tax is levied on two types of buildings by the Corporation (i) Residential and (ii) Commercial. Residential buildings are further classified into : (a) self occupied buildings and (b) rental buildings. The method for calculating tax on different types of buildings is as follows:

Residential Buildings: In case of self occupied buildings, the tax is calculated on the basis of annual value of the building. Annual value is the assumed rental value of the building. The assessor has power to assume rental value according the type of construction of the building.

- In case of rental buildings, the tax is calculated on the basis of Fair letting value. Fair letting value is the actual rent paid by the tenant.

Commercial Buildings: In this case, the tax is calculated on the basis of Annual Rental Value (Capital value). The formula for the calculation of the tax can be viewed as under:

$$\text{Total cost of buildings} = (\text{Present cost of land}^* + \text{Present cost of construction}^{**})$$

$$\text{Annual Value} = 7\% \text{ of the total cost of building}$$

* The cost of land is taken from the list of circle rate in which the rate is determined by the Kanpur Development Authority (KDA) and the authority raise the cost of land by 10% every year.

** Cost of construction would be calculated by multiplying that year's prevalent cost of construction per square foot with the total covered area.

Note:- Seven percent of the total annual value is meant for standard deduction made for Depreciation and Maintenance.

- There are some buildings which are occupied by the State Government or Central Government. These buildings are exempted from the tax and the corporation takes service charges for the services rendered in the area comes under its jurisdiction. The Central Government should pay the service charges to the local body concerned, keeping in view the following:
 - 75% of the normal rate of the property tax is charged if the municipal body provides civic services within building area;
 - 50% of the normal rate of the property tax is charged if the municipal body provides partial civic services within the area; and
 - 33.1/3% of the normal rate of the property tax is charged if the municipal body does not provide any civic service to the concerned property.
- The tax should be paid within 15 days of its presentation, otherwise corporation may take action against the defaulters. On the other hand, if tax payer pays his bill on time he will get 10 per cent rebate on the current demand of property tax. No rebate is admissible in case of arrears.

- If the tax payers fail to pay the tax within the date mentioned in the bill, then the corporation adopts the following procedure.
 - Demand Notice
 - Distress Warrant
 - Recovery by attachment and sale of defaulter's immovable property
 - Auction

- The Corporation provides the following Staff for the purpose of the property tax administration.
 - Up Nagar Adhikari (Deputy Executive Officer);
 - Sahayak Up Nagar Adhikari (Associate Deputy Executive Officer);
 - Section Officer;
 - Tax Superintendent;
 - Revenue Inspector; and
 - Clerks

Drawbacks and Suggestions

- It is emerged from the discussions that the tax on commercial buildings is less than the residential buildings. This may be because of low percentage of the annual value in the computing of tax on commercial buildings i.e. 7%. It is suggested that it should be raised from 7% to about 10%, so that, the tax on commercial buildings can be increased.

- The reason for high property tax may be high assessment and valuation of the property because the assessor has the discretionary power to assess any value according to the market value. As a result of it, the high property tax is being collected by the corporation and cause to many disputes of overvaluation or wrong valuation of the property tax and takes long time to settle them.

THEATRE/SHOW TAX

- Theatre tax is imposed on any entertainment, performance, amusement to which persons are admitted on payment. It is also levied on magic show, Nautanki and Circus. It is being collected by the Central Tax Office (CTO) of the Corporation. They prepare the following tax records on account of Theatre tax:-
 - Weekly Statement; and
 - Tax Collection Register

The following staff members are engaged for the collection of tax:-

- Revenue Inspector; and
 - Clerk
- The tax is collected on the basis of weekly statement. It is prepared and deposited by the exhibitor or owner of the cinema hall at the end of the every week. If ARV of the approved theatre is upto Rs. 10,000 then Rs.10/- will be charged per show and if it is more than Rs. 10,000 then Rs.20/- will be charged per show.
 - In the weekly statement, the exhibitor writes the number of shows in a week and submits the same to the CTO on every week end. He has to inform the office in case of closing of Cinema hall due to some reasons like repairing of the cinema hall, non-availability of picture, riots, curfew in the city, etc.
 - In case of non-payment of tax, the Revenue Inspector send the remainder letter to the tax payer in which he gives enough time to pay the tax with penalty. The amount of penalty is not specified by the authoirty.

VEHICLE TAX

- It is a tax which is imposed on non-mechanical vehicles like Carts, tongas, cycles, cycle-rickshaws, etc. kept within the municipal limits. The tax is collected by the CTO of the Corporation. CTO prepares the following records for the tax collection:-

- Registration Form; (page No.40)
- Registration Receipt;(Page No. 40)
- Licence Receipt; (Page No. 40)
- Rickshaw Driving Licence;(Page No. 40) and
- Seizor Memorandrum (Page No. 40)
(in case of non-payment of tax)

Staff:-

- Revenue Inspector;(page 40)
 - Cashier;(page 40)
 - Licensing Officer; (page 40)
 - Clerk;(page 40) and
 - Gang (page 40)
- Besides these taxes, we also discussed about the revision of tax rates and its procedure. As far as the revision of tax rates are concerned, the officer concerned explained that the rates of taxes should be revised after the interval of every five years but the realities are different and no revision has been taken place in the rate structure of property tax since 1982. Prior to this, the rates were revised in 1978.
- If the Corporation desires to change the prevailing tax structure then it has to prepare a resolution for it and the same is to be forwarded to the Executive Committee. The Executive Committee is to frame the proposal indicating the name of a tax which they wish to modify and also the proposed rates and reasons for the alternation in the existing tax or rate structure.
- The Executive Committee then send its proposal to the State Government for its final approval. After receiving approval from the State Government, Corporation issues a notification on revised tax structure for the tax payers.

MR. PRADEEP TIWARI, TAX SUPERINTENDENT, ADVERTISEMENT TAX DEPARTMENT, KMC

Mr. Tiwari has provided the following information:-

ADVERTISEMENT TAX

- Prior to 1994 the Corporation had decentralised system to collect advertisement tax/ charges from the tax payers. It is reported that collection was quite low in this sytem as corporation found many records missing from the zonal offices due to variety of reasons. Keeping in view the difficulties in collection of tax in the above system, the corporation introduced centralized tax administration system of advertisement tax with effect from April,1994. Since then, the department started intensifying its tax collection efforts in collecting more and more revenue from advertisement tax. In this process, they removed more than 350 authorised hoardings and revised the rates structure of the tax.
- The department maintains all necessary records in respect of the tax collection. These records are:
 - a file of the application for the Registration of the advertising agency alongwith a copy of the rules and regulations;
 - Tax collection register;

Staff:

- Junior Engineer;
 - Supervisor; and
 - Clerk
- The tax is charged according to size of hoardings, painting, banners, posters etc. The tax is charged according to the new rates of taxes which was revised in April, 1994.
 - The owner of the advertising agency has to deposit tax personally at the cash counter of the corporation. There is no arrangement of billing for the tax. However, they maintains tax collection register in which they enter the details of the advertising agency along with the amount paid on account of tax.

- In case of non-payment of tax, the office issues a notice to the defaulter. Even then, if he does not pay the tax, then the corporation is authorised to remove the hoarding from the area allotted to him.
- The permission is required for any changes, alterations and modifications in the approved hoardings. The Corporation is found any violation of law then competent authority is empowered to take action against such advertisement agencies by imposing of heavy penalty on them.
- Further, if the period of the hoardings is expired or become void, then the Mukhya Nagar Adhikari of the Corporation by notice in writing, is empowered to take down or remove such hoardings from the roads.

Drawbacks of Advertisement tax before Centralisation

- There was no proper system of keeping records. Therefore many records were missing from the zonal offices.
- Low Collection of tax
- Many unauthorised hoardings were displayed without the getting permission from the corporation for alteration.
- Many hoards were displayed after the date of expiry

MR. J.C. SETH, VARISTHYA UP NAGAR ADHIKARI

- NIUA team had a discussion with Mr. Seth regarding the Financial and Administrative Powers of the Mukhaya Nagar Adhikari. He explained that the Mukhya Nagar Adhikari has all the financial and administrative powers for imposing taxes, general rules regarding municipal taxation and others. In case of superseded Corporation like Kanpur, all these powers vested in the Administrator, appointed by the State Government.

MR. ANIL KUMAR SRIVASTAVA, COMPUTER PROGRAMMER

- Mr. Shrivastava has emphasised a need of proper computerisation system of their tax records at zonal level and for all properties. It is observed from the discussions that the Corporation has only one computer unit placed in the central office of the Corporation. Moreover, the corporation needs proper training on account of computerization of tax

records. At present, they have started to enter the records of property tax but it is incomplete.

Drawbacks

- It is emerged from the discussions that No proper training is being given to the computer programmer.
- There is lack of staff in the computer department.

Suggestions:

- Proper Training should be given to the staff.
- More Computers is also required.
- All tax records should be computerised. There are few entries of property tax are recorded in the computer.

PROPERTY TAX REFORMS IN ANDHRA PRADESH*

* Paper prepared by Mr. V. Gnaneshwar, M. Prasada Rao and D. Ravindra Prasad for the National Workshop on Guidelines for Property Tax Reforms in India, organised by the Ministry of Urban Affairs & Employment and Regional Centre for Urban and Environmental Studies, Osmania University, from August 23-24, 1996 at Hyderabad.

PROPERTY TAX REFORMS IN ANDHRA PRADESH

1. INTRODUCTION

Property tax constitutes the single largest source of revenue to the urban local bodies in India. In spite of a number of loopholes in the levy, assessment and collection in the municipalities and corporations, this tax continues to be significant in the local tax revenues. This is evident from the fact that property tax forms about 25 to 30% of the municipal revenues in different states in India. In ANDHRA PRADESH it constitutes about 30% of the total municipal revenues and about 50 to 56% of internal revenues (Table 1 and Fig. 1)

The yield from property tax is, however, not increasing mainly due to inelastic tax base and lapses in assessment and collection. In some cities like Bombay, additional components and ceases are being added to the property tax. Though it temporarily helps to increase revenues to a certain extent, there is a limit to raise the rates and components. Hence, the focus should be on reforming the base rather than increasing components and levies. The foremost problem here is the absence of an open and free rental market. Rents are artificially kept low by adopting the methods like payment of premium or pugree, multiple leases, separate charging for fixtures, etc. Secondly, operation of the Rent Control Legislation, which protects the tenants not only from eviction but also from regular increase of rents, is another major cause for low yield from property tax in India. Thirdly, in the absence of free rental market, the ARV is based on the notional rental values of similar properties, both from the point of structure and location. The notional rent is misleading in the sense that it is subjective in nature and provides wide scope for the exercise of discretion by the assessors. The net result is collusion between the tax assessor and the tax payer to the disadvantage of the local bodies.

2. TOWARDS STANDARDIZATION OF ASSESSMENT

The operational defects in the ARV system of assessment has necessitated reforms. The reform efforts of property tax assessment revolve around standardization so that objectivity is ensured to the advantage of both, assessors and the tax payers. Standardization implies setting-up of certain measurable norms in the assessment, irrespective of the basis of assessment. Most of the cases relating to assessment of properties were struck down by the courts on the grounds of equity and arbitrariness. Hence, the major challenge in standardization process is to evolve a system which can withstand the rigors of law and at the same time, feasible from implementation point of view.

Both, Capital Value and Annual Rental Value methods are based on notional values and hence, have similar problems of assessment. The ARV appears to be the only time tested model irrespective of its loopholes. There is still scope to bring-out changes in the assessment to bring-down the subjective elements. It is in this background the introduction of area based property taxation in ANDHRA PRADESH assumes significance.

Area based assessment today is a widely debated approach in property tax assessment in India. It claims a number of advantages, viz., more objective assessment, procedural simplicity, standardized methodology, and better clientele appreciation and cooperation. But these advantages are yet to be seen in practice. For, this method is riddled with complex operational problems. The reforms initiated in ANDHRA PRADESH bring-out such complications more clearly.

3. PROPERTY TAX SYSTEM PRIOR TO 1989

The Annual Rental Value (ARV) of buildings and lands has been the basis for assessing the tax on properties. The system of property tax prior to 1989 was based on: (a) fair or fixable rent under the Rent Control Act; and (b) annual rent received or receivable on a hypothetical basis for the buildings not covered under the Rent Control Act. Under the scheme, the determination of ARV in respect of buildings not covered by the Rent Control Act has become very difficult. Considerable discretion was exercised by the valuation officers in the fixation of rents. This has led to discrepancies in the rental values fixed for similar property under similar use in the same local area. Thus, one finds arbitrariness in the assessment of tax on properties in different municipalities.

The ANDHRA PRADESH Municipalities Act, 1965, stipulated that the local bodies revise the property tax periodically every five years. As revision is likely to result in negative response from the property owners, there have been half-hearted efforts by the local bodies to revise the tax as stipulated in the Act. Even for the efforts made by a few local bodies, writ petitions filed in the courts by the property owners resulted in pendency of the revision. As a result, regular revision of tax could not take place. For instance in 17 municipalities revision took place before 1981; in 59 municipalities, revision took place between 1982 and 1986 in 19 municipalities, revision was made between 1987 and 89; and in the remaining 17 municipalities, revision did not take place as they were upgraded as municipalities only a couple of years before reform efforts were initiated.

4. PROCESS OF RESTRUCTURING:

The impetus for restructuring the property tax assessment in ANDHRA PRADESH, interestingly came from the political executives. The then Chief Minister inquired about the method of assessing properties in one of the state level meetings where he expressed his dissatisfaction with the then existing method of assessment. Inquiries were made about possible changes to make it more scientific, rational and objective. Suggestions were invited from experienced officers. Inquiries were made with other state governments on this issue. After consultations with officers and leaders at the state level, it was decided to introduce area based taxation taking into consideration measurable variables like type of building, plinth area, use of building, location, etc. Finally, a standard model incorporating these variables was formulated and rules were framed to implement the model. Detailed guidelines were also issued to the municipal commissioners to facilitate the process.

The process of restructuring of property tax was initiated in 1989 and was to be completed by April, 1991, and the restructured property tax system was to come into effect from 1st April, 1991. In fact, this system came into effect only from 1st October, 1993, almost three years after the initiation of the process. The system envisaged area based assessment of properties. For this purpose, the city/town is to be divided into zones and buildings are classified based on type of construction and use. The system also involved conducting a sample survey of twenty percent of properties to ascertain the prevailing rental values in different zones and localities for different types of properties. This was to be followed by detailed collection of information on individual properties for tax assessment to complete the process. The method involved considerable work requiring manpower and time. As referred earlier, the process could not be completed as expected in April, 1991. The Government therefore, had to extend the date of implementation several times to overcome the administrative, political and legal problems.

Based on government instructions some municipal councils, however, passed resolutions to adapt the new method as well as initiated the process to implement it. Some have constituted committees of the council to examine the revised method and to make suggestions to effectively implement it in their municipality. Some municipalities even adopted innovative methods to publicise the process and to convince the community on the need and significance of the revised method to obviate the problems experienced earlier. Notwithstanding these initiatives of a few municipalities, by and large, there has been considerable delay in implementing the restructured property tax because of the political, administrative and legal problems, resolution of which took about three years. Finally, the program was put into practice from 1st October, 1993. We will briefly discuss these problems.

Administrative Problems

The process of dividing the towns into zones, conducting survey, assessment of the ARV, etc., could not be completed in the municipalities in the state for a variety of reasons. Firstly, the municipalities complained of insufficient staff including valuation officers to undertake the job. Secondly, the staff in municipalities were tied to the census work initially and therefore, could not take-up the work relating to property tax. Thirdly, the personnel did not understand the detailed process. Fourthly, in some municipalities, the employees were assigned work relating to flood relief, etc. For these reasons, the municipal commissioners requested the state government to postpone the implementation of the new property tax system and to permit them as a transitory measure, to collect the taxes under the old system.

Political Problems

The introduction of restructured property tax system led a hike by more than hundred percent in several municipalities. As a result, some municipal councils passed resolutions against the introduction of property tax system on the ground that it was leading to harassment of community, arbitrariness of valuation officers, etc. Secondly, some municipalities requested postponement based on specific problems, namely, the properties

were revised only a year or two earlier and therefore, another revision is likely to attract public criticism and resentment. Thirdly, some municipalities were affected by the fury of floods which damaged the buildings causing hardship to the community and therefore, the people were not in a position to pay the revised taxes. Fourthly, the municipalities received several public representations against the restructured property tax system particularly questioning the rationality and possibility of increase by more than hundred percent, examining of which would take considerable time. Cumulatively, there has been considerable public pressure to scrap the restructured system to avoid hardship to the community. To overcome these problems and to iron out the differences the government initiated a process of dialogue with the public representatives, political parties floor leaders in the state assembly, etc. This process took considerable time.

There were also legal problems as several individuals and associations filed writ petitions in the courts questioning the mode of determination of annual rental value, the role of "district advisory committees, methodology of assessment, etc.

To overcome these politico-administrative and legal problems, the government had to postpone the implementation of the new system several times. It sanctioned new posts, drafted officials from other departments, made provision for transitional provisions to collect the taxes at old rates until new system came into operation, trained the municipal staff, constituted committees at the district level to consider representations received from the towns, public representations, objections and suggestions on various aspects of assessment of the tax and amended the rules governing the restructuring of the property tax.

5 OBJECTIVES OF REFORMS

The reform and restructuring efforts in ANDHRA PRADESH was guided by the following objectives:

- a. To evolve a scientific method in the assessment and levy of property tax in incorporating the principles of : equity, objectivity, fairness and simplicity,
- b. To provide relief to the residential buildings of owner occupied, weaker sections and aged buildings.
- c. To delink the operation of Rent Control Act from the assessment of property tax.
- d. To make tax administration efficient, transparent and effective in the levy of property tax.
- e. To improve buoyancy in the property tax revenues.

6. SALIENT FEATURES OF THE RE-MODELLED ASSESSMENT METHOD

In this section we briefly explain the salient features of the new method of assessment of property tax.

i) **Determination of Annual Rental Value:** The Annual Rental Value of the lands and buildings is fixed with reference to its location, type of construction, plinth area, age of buildings, nature of use to which it is put.

ii) **Zoning:** The entire municipal area is divided into convenient territorial zones for purposes of assessment of tax based on the following factors:

- a) Civic amenities like water supply, street lighting, roads and drains;
- b) Markets and Shopping Center;
- c) Educational Institutions;
- d) Banks, Postal Services, Public offices;
- e) Medical Institutions;
- f) Factories and Industries, and
- g) Such other relevant factors.

iii) **Classification of Buildings:** After division of municipality into territorial zones, the buildings situated in each zone are classified based on the nature of construction into the following categories.

a) **RCC Posh Buildings:** RCC buildings with superior quality of wood, better type of flooring and sanitary fittings, and attached bathrooms, which increase the cost of construction;

b) **RCC Ordinary Buildings:** RCC Buildings with ordinary type of wood, ordinary flooring and sanitary fittings;

c) Madras Terraced or Jack roof or stone slabs or slate roof buildings;

d) Mangalore tiled roof or Asbestos roof or G.I. roof buildings;

e) Country tiled buildings;

f) Huts; and

g) Other buildings not covered above.

iv) **Nature of Use :**

The buildings are further classified into the following categories based on the nature of use:

- a) Residential:
- b) Shops and Shopping Complexes;
- c) Public use :
 - i) Office complexes, public and private offices and banks
 - ii) Hospitals and Nursing Homes
 - iii) Educational Institutions .
- d) Commercial use :
 - i) Hotels, Lodges, Restaurants
 - ii) Godowns and other business establishments
- e) Industrial use like factories, mills, workshops and other industries;
- f) Cinema theatres or places of public entertainment; and
- g) Any other use not covered above

V) Fixation of Monthly Rent

The Municipal Commissioners conducted a survey of 20% of buildings of various categories and gathered their prevailing rental values and prepared a draft notification showing the monthly rent fixable per sq. meter of plinth area. At district level committees were constituted to advise the Municipal Commissioners on fixation of rent per sq. meter of plinth area for each category of the buildings in various zones. The composition of the committee is as follows.

1. District Collector : Chairman
2. Superintending Engineer (PH) : Member
3. Regional Director-Cum- Appellate Commissioner : Member

Based on the advise and the recommendations of the District Level Advisory Committee, the Municipal Commissioners in the state issued notifications dividing the municipalities into zones and fixing ARV per sq. meter of plinth area. These notifications were

published in the District Gazette and local newspapers. As the tax payers represented for an opportunity to offer objections and suggestions to the Notification, the government directed that the Notification be treated as Draft Notification and invited objections and suggestions within 15 days from the date of publication of the said Notification. The Municipal Commissioners considered the objections/suggestions received from the public and placed them before the District Level Advisory Committee. These committees scrutinised them and offered their final recommendations in the matter to the Municipal Commissioners.

The Municipal Commissioners, taking into consideration the recommendations of the District Advisory Committees, fixed the ARV per sq. meter of plinth area for different zones and different categories of buildings based on the type of construction and nature of use. The final notification was issued by the commissioners. The same was published in the district gazettes and local news papers. The minimum and maximum rates fixed in municipalities in the state after restructuring are given in table- 2.

VI Allowances and Rebates

The following deductions were allowed from the A.R.V. attributable to the building only, in lieu of all allowances for repairs or on any other account:

Age of the Building	Deduction Allowed
25 years and below	: 10% of Annual Rental Value
Above 25 years and upto 40 years:	20% of Annual Rental Value
Above 40 years	: 30% of Annual Rental Value

A rebate of 40% of the ARV is be allowed in respect of the residential buildings occupied by the owner, inclusive of the deduction permissible under sub-section 4 of Sec. 87 of A.P.M. Act. for repairs and maintenance. An additional special rebate of 5% on the ARV is also allowed in respect of the municipalities located on the sea-shore.

VII) Limit to Enhancement of Property Tax due to Revision: After the publication of notification revising the property tax based on the new method a number of representations were received from the rate payers complaining about abnormal increase over the existing taxes. After considering these representations., the Government decided that enhancement of tax due to revision should not be more than 100 percent in case of properties whose tax was revised prior to 1.10.1983 and in case of properties whose tax was revised after 1.10.1983, the increase should not be more than 75% of the tax that was being levied prior to revision.

VIII. Overcoming Rent Control: An attempt was made to overcome the limitations of the A.P. Buildings (Lease, Rent and Eviction) Control Act, 1960 as far as the property tax assessment is concerned. As part of the restructuring of the property tax system, the Sec.

87 was amended to enable the assessment of properties with reference to plinth area, type of building, etc., notwithstanding the provisions of the Rent Control Act.

IX. Vacant Land Tax

The vacant lands under Sec. 87(4) of A.P.M. Act and sub-section 212(2) of Hyderabad Municipal Corporation Act, are not subjected to tax if the is used for developing gardens and trees. In respect of vacant lands, the capital value of lands fixed by the Registration Department for the purposes of registration is adopted to arrive at A.R.V. In case the vacant land is purchased at a higher price than the market value fixed by the Registration Department, the value mentioned in the registered document is be taken for fixation of the capital value of the vacant land. The property tax on vacant lands should not be more than 1% of the capital value of the land. In fact, reform efforts did not touch the vacant lands. This is an area which can bring substantial revenues to the local bodies.

7. IMPACT

The impact due to restructuring of property tax assessment is more pronounced in two areas : on the revenues of the municipality and tax payer's acceptability. The growth trends of property tax revenues during the pre- and post restructuring period are clearly brought-out in the (Fig.2). There has been a net increase of about RS. 16 crores in the revenues of municipalities on account of restructured taxation of properties in the state. This is also reflected in the per capita income from property tax which increased from RS. 45.46/- in 1992-93 to RS. 56.6/- in the subsequent year (Fig.3). In fact, there has been a 61% increase in demand on all residential assessments and more than 90% increase on all non-residential assessments after restructuring. In about 9% cases, percentage of property tax assessment was reduced. (Table-3).

The other advantage is the tax payer's acceptability to the area based taxation. In spite of protests from the rate payer's associations, the method, by and large, has become acceptable to the tax payers. Interestingly, the restructured model was upheld by the judiciary as well. The High Court while upholding the provisions of the Rent Control legislation wherever applicable, concluded that the area based taxation, as being implemented in ANDHRA PRADESH, is right in so far as it maintains objectivity and rationality. It can be taken as a guide for the Municipal Commissioners for assessing the properties. At the same time, the court held that the individual tax payers be given opportunity to plead for their cases if discrimination or lapses occur. The idea appears to be maintaining flexibility while following certain standards.

The publication of rental values for various categories of properties based on use and location has brought more transparency into the tax administration. If pursued further, this can reduce anomalies and discrepancies in the assessment of similar properties. However, this requires more civic educative efforts on the part of municipal bodies.

8. AREAS FOR FURTHER REFORMS

Though the Property Tax reforms were put into effect in 1993 in the State, there are a few areas which need further improvement. The foremost is the limitation or ceiling

imposed on the tax increase after revision which requires reconsideration. Seen from the individual assessee's point of view, due to a variety of reasons, the existing assessments of similar properties are considered as either over valued or under-valued and hence, discriminatory. The ceilings imposed on tax revisions legalises this irrationality and discrimination and perpetuates it. If this ceiling is removed, the discrimination can be rectified by effective supervision and monitoring of assessments. When all assessments are standardized, further revisions can be made based on incremental increases.

Due to lack of ground-work, zoning of the areas was not done scientifically. In fact, administrative convenience was considered more in zoning. For instance, the existing wards were merged to form a zone. The very purpose of a zone in the property tax assessment is to make it reflect homogeneity and similarity in terms of location, type and use of buildings and level of infrastructure and growth. Refinements and re-adjustments have been made in the zoning exercises to reflect similar level of growth and development in a particular area.

As part of restructuring of property tax, extensive data relating to location, structure, use, and other relevant details were collected by the urban local bodies. This forms the basis for further revision of property tax. There is need, therefore, to properly process the data, regularly update and computerise it. Every property owner can be given a passbook, similar to that in the agriculture holdings in ANDHRA PRADESH, incorporating all the above details. This will bring more transparency into the system and hence more acceptable to the tax payers. Computerisation of tax administration including accounts would improve the efficiency in levy, assessment and collection as well as greater transparency in tax management.

A major problem experienced during the reform effort was the inability of the urban local bodies to cope with the process of restructuring. There is need therefore, to build the capacity of urban local bodies through regular orientation and training and augmentation of motivational efforts.

9. CONCLUSION

The reforms in property tax administration in ANDHRA PRADESH have been hailed by policy makers, political parties, academics, property owners, civic managers, etc., as efforts at streamlining property tax administration in the state. Through reforms, efforts were made to bring scientism in the methods of assessment and levy of property tax with a view to ensure equity, objectivity, fairness and simplicity. The greater acceptability of the community, despite substantial increase in the tax over the previous years testifies this.

As part of reforms, relief was extended to owner occupied residential buildings, properties owned by weaker sections, old buildings, etc. Efforts were also made to delink the operation of Rent Control Act. from the assessment of property tax. With incremental increase, the property tax is likely to become buoyant over years. This provides predictability in the tax revenues to the local bodies.

There is need for educational efforts by the civic authorities to explain the procedures and processes of property tax reforms to increase the tax payers' awareness as well as understanding. Further, no tax reform would succeed until the tax payers are convinced of the efficiency of the local bodies to meet their civic needs on a sustainable basis commensurate with the taxes they pay

Finally, reforms are not a one time effort, it is a continuing process. Based on experience, in the light of new data, research studies and discussions, improvements should be made with a view to further simplify the process, increase transparency, bring greater objectivity and improve efficiency.

Dr. V. Gnaneswar, Reader, Regional Centre for Urban & Environmental Studies,
Osmania University, Hyderabad.

Mr. Prasada Rao, Member of Indian Administrative Service. Currently, Commissioner,
Municipal Corporation of Visakhapatnam, ANDHRA PRADESH.

Prof. D.Ravindra Prasad, Professor of Public Administration & Director, Regional Centre
for Urban & Environmental Studies, Osmania University.

The authors acknowledge the support received from the Principal Secretary and
Commissioner and Director of Municipal Administration, Govt. of ANDHRA PRADESH
in collection of the data for preparing this paper.

PROPERTY TAX REFORMS IN PATNA*

* Paper prepared by Mr. S.K. Singh, for the Policy Seminar on Property Tax Innovations in India, organised by NIUA, NIPFP, USAID & CCI from August 29-30, 1996 at New Delhi.

NEW PROPERTY TAX ASSESSMENT RULES IN PATNA (BIHAR)

A Brief Note

By

Shri S.K. Singh, I.A.S.

In Patna the constant harassment of house-owners and threats of arbitrary revision of tax rates led to the issue of therevised assessment rules in 1993.

The Patna Municipal Corporation Act, 1951 defines Annual Rental Value (A.R.V.) in its Section 130 as the gross annual rental at which the holding may reasonably be expected to let. No rules were however framed till 1993 and assessments were being made inconsistently and irrationally by the tax inspectors. The prevailing rate in the Patna Municipal Corporation were as follows :

Holding Tax	:	12.5% of the Annual Rental Value (ARV)
Latrine Tax (Scavenging Tax)	:	10% of the ARV
Water Tax	:	10% of the ARV
Education Cess	:	50% of the Holding Tax i.e., 6.25% of the ARV
Health Cess	:	40% of the Holding Tax i.e., 5% of the ARV
Total	:	43.75%

The high rate of taxation gives rise to more arbitrary and unreasonable assessment by the tax inspectors leading to corruption and unscrupulousness. A good taxation system should contain a simple tax structure and lower rates of taxes so as to be acceptable to the people at large.

Based on the above principles, the assessment rules were revised and modified in 1993. As against 43.75 percent tax in the previous system, it was reduced to mere 9.00 percent of the ARV. Under the new rule, the Annual Rental Value has been defined as the rent that a holding is capable of fetching over a period of one year. As a result the prevailing tax rates were drastically transformed as is suggested by the following table :

Holding Tax	:	2.5% of the ARV
Latrine Tax	:	2% of the ARV
Water Tax	:	2% of the ARV
Health Cess	:	50% of the Holding Tax viz., 1.25% of ARV
Education Cess	:	50% of the Holding Tax viz., 1.25% of ARV

Total Tax	:	9% of the ARV

Under the new rule, the annual rental value has been defined as "the rent that a holding is capable of fetching over a period of one year". For finding out the rent fetching capability of a holding, an area based assessment method was introduced. The new rules sought to eliminate the discretion of the tax officials connected with the assessment. The rules lay down definite criterion for assessment of tax which included (i) location of holding, (ii) use of a holding (iii) type of construction and (iv) measurement of the carpet area.

The assessment rules also provide the manner in which the carpet area is to be calculated and rental value is to be fixed. In other words the rules eliminated any scope for imperious, subjective and monocratic a assessment of the property tax.

For defining location of a holding, the different areas of the town were classified as on Principal Main Road, Main Road and all other roads not falling in the first two categories. For ascertaining the use of holdings, the buildings were assorted into three groups, (i) Commercial or Industrial Holding, (ii) Residential Holding, and (iii) all other holdings not falling in the first two categories.

For specifying the type of construction, the buildings were classified into three categories. Thus it becomes a matrix of three multiplied by three multiplied by three table (See Annexure I). The rate per square feet were notified by the Corporation. In Patna, twenty four Principal Main Roads, Eighty eight Main Roads, and the rest were notified as other roads.

The rules were challenged in the Patna High Court. The Division Bench in its judgement appreciated the idea of determining the ARV and said that this method had a number of practical advantages over the previous mode of determining the ARV. But the High Court invalidated the rule on the ground that they violated Article 14 of the Indian Constitution. The honourable judges suggested a larger classification regarding nature of construction by adding more heads and sub heads and other features such as the quality of finish, appertenances, provisions, conveniences and facilities available with the holding. Any preparation of rules on the basis of the High Court's direction will destroy the simplicity of the rule. Not only that the concept given in the High Court judgement is based on non-quantifiable parameters and therefore no scientific rules can be framed on the basis of non-quantifiable parameters. It is very difficult to quantify the conveniences of a building and if one tries to define these parameters, the number of parameters in the new rule will increase manifold. This will nullify the purpose for which the rules were made.

The State of Bihar and the Patna Municipal Corporation challenged the correctness of the High Court decision in the Supreme Court. The Supreme Court struck down the High Court judgement in this regard saying that the new system was being designed with good intention and it must be allowed to be worked upon. The Supreme Court in its judgement said that, if classification as suggested by High Court, it would be an endless quest. It would not be easy to draw the line of distinction and it may not be possible to evolve a classification to cater to all these several distinctions. Even if it is so evolved, not only it would be too complex and elaborate, it would leave too much discretion to assessing authorities elimination of which is one of the main objects of the rules. The low rates of the tax specified in the Rule 6 of the assessment rule does not entail undue burden on urban tax-payers. Treating all pucca buildings with RCC roof as one class and subjecting them to a uniform rate of tax subject of course to the location and nature of the user is not tantamount to hostile discrimination so as to offend Art. 14 of the Constitution. The Supreme Court further said that a new system with good intention is designed in the interest of the body of house-owner tax payers as well as the Corporation. Discussing in detail the case of the petitioners Shri Sachchidanand Kishore Prasad Sinha and others who had taken the shelter in Patna High Court, the S.C. upheld the new assessment rules.

The area based approach for the assessment has been worked out in PMC and in other corporations of Bihar. With the reduction in percentage, the net assessment of the corporation increased. Nearly fifty percent of the earlier revenue of the PMC was achieved with the completion of assessment work in only 1/27th area of the Corporation. Patna has now a simple and objective area based property tax assessment system. Initially the services

of twenty one deputy collectors (probationers) were utilised. Only 1/27th part of the city gave 50% of the earlier total tax of the corporation.

According to the latest informations received from the corporation, the demand has now increased to Rks.17 crores from the earlier figure of Rks.4 crores. My moderate assessment is that if the town is properly assessed under the new rule the demand will not be less than rs.40 crores.

No I will like to discuss one more point about the fair rent. It appears that because of the higher rate of taxation, the municipal tax assessment rules and the rent control rules used to be contradictory to each other. By reducing the rate of taxation and fixing the rental per square feet at reasonable rate, the two Acts - The Bihar Building (Lease, Rent and Eviction) Control Rules, 1983 and The Patna Municipal Corporation Act, 1951 will become complementary and supplementary to each other. Under the rent control rules the controller takes into account the type of construction, the location of the building, the nature of tenancy (i.e., whether residential or commercial) and the municipal tax. Apart from this other non-quantifiable parameters are also considered.

Thus it is very clear that the Municipal Tax is one of the basis for deciding the fair rent and the former is determined on the ARV. Since under the new rule the ARV is to be decided on scientific basis, the two rules will become complementary and supplementary to each other. Therefore there is no conflict between the provisions of rent control and the municipal tax with the introduction of the new rule.

This rule has become acceptable to the people because of its corruption free nature, its simplicity and the lower rate of taxes.

PATNA MUNICIPAL CORPORATION

New Tax Assessment Scheme

TYPE OF CONSTRUCTION	Holding on the Principal Main Road			Holding on the Main Road			Holding on the other Roads		
	Fully Commercial or Industrial	Others	Fully Residential	Fully Commercial or Industrial	Others	Fully Residential	Fully Commercial or Industrial	Others	Fully Residential
Pucca Building with RCC Roof	54.0	36.00	18.00	36.00	24.00	12.00	18.00	12.00	6.00
Pucca Building with Asbestos or Corrugated Sheets	36.00	24.00	12.00	24.00	16.00	8.00	12.00	8.00	4.00
Other Buildings which do not fall in the above two	18.00	12.00	6.00	12.00	8.00	4.00	6.00	4.00	2.00

NOTIFICATION

The 12th August 1993

S. O. 281, dated the 13th August 1993—In exercise of powers conferred by section 227 read with sub-sections (1) and (2) of section 130 of Patna Municipal Corporation Act, 1951 (Bihar Act XIII of 1952), the Government of Bihar is pleased to make the following rules, namely:—

RULES

1. *Short title and commencement* :—(1) These rules shall be called the Assessment of Annual Rental Value of Holding Rules, 1993.

(2) It shall come into force at once.

2. *Definitions* :—In these rules unless there is anything repugnant to the subject or context,

(a) "Act" means Patna Municipal Corporation Act, 1951 (Bihar Act XIII of 1952);

(b) "Annual Rental Value" means the rent that a holding is capable of fetching over a period of one year ;

(c) "Published" means published in one Hindi and one English daily Newspaper prominently in circulation in the Corporation Area ;

(d) Commercial Holding ;

These shall include any holding or part of a holding which is used as shop, market, for display and sale of goods either wholesale or retail. Office, storage and service facilities incidental to the sale of goods and located in the same holding shall be included under this group ;

(e) Industrial Holding ;

This shall include any holding or part of holding or structure, in which products, or material of all kinds and properties are fabricated, assembled or processed like assembly plants, laboratories, power plants, smoke house, refineries, gas plants, mills, dairies, factories, etc;

(f) Other words not referred in these rules shall have the same meaning as in the Act.

3. *Classification of holding* .—(1) The holding in the Corporation area shall be classified by the Corporation on the following criteria :—

(a) Situation of the holding —

- (i) Holdings on the Principal Main Road,
- (ii) Holdings on the Main Road,
- (iii) Holding other than sub-clauses (i) and (ii).

(b) Use of the Holding —

- (i) Purely residential,
- (ii) Purely commercial or industrial (whether self owned or otherwise),
- (iii) Partly residential and partly commercial/industrial,
- (iv) All Holdings other than sub-clauses (i), (ii) and (iii).

(c) Type of Construction —

- (i) Pucca building with R. C. C. Roof,
- (ii) Pucca building with asbestos/corrugated sheet roof,
- (iii) All other buildings not covered in sub-clauses (i) and (ii).

(2) Subject to the approval of the State Government, the Corporation may from time to time, publish the list of principal main roads as well as main roads and if necessary modify the lists for the purposes of these Rules.

4. *Methods of calculation of carpet Area for commutation of Annual Rental Value of a holding.* For the purpose of calculation of Annual Rental Value of a holding, measurement of Carpet Area shall be calculated as under :—

- (i) Rooms—Full measurement of Internal Dimension,
- (ii) Covered Verandah—Full measurement of Internal Dimension,
- (iii) Balcony/ Corridor, Kitchen and Store—50 per cent measurement of Internal dimension
- (iv) Garrage— One-fourth measurement of internal dimension,
- (v) Area covered by bath room, latrines, portico and Staircase shall not form part of the Carpet area.

5. *Power to fix the Rental Value and the Annual Rental value* .—(1) The rate of rental value per sq. ft. shall be fixed by the Corporation with the prior approval of the State Government having regard to the situation, use and the type of construction of the holdings.

(2) The Annual Rental Value shall be commuted as a multiple of the Carpet area and the rental value fixed under sub-rule (1).

(3) The rental value per sq. ft. of Carpet area for different classes of holdings shall be published from time to time by the Corporation with the prior approval of the State Government.

6. *Rate of Tax* .—Tax shall be assessed on the basis of Annual Rental value on the following rates :—

- (i) Holding Tax—at the rate of 2.5 per cent of Annual Rental Value,
- (ii) Water Tax—at the rate of 2 per cent of Annual Rental Value,
- (iii) Latrine Tax—at the rate of 2 per cent of Annual Rental Values.

7. *Power of Revision of Tax* .—The Corporation may revise the rate of Tax on Annual Rental Value with the prior approval of the State Government.

8. *Power of the State Government* .—If any difficulty arises in giving effect to these rules, the Government shall in consistent with the provisions of these rules have power to issue any direction in the matter.

(4/10/201-148/93)

By order of the Governor of Bihar,

(Sd)-ILLEGIBLE

Secretary to Government,

Urban Development Department

APPENDIX - II

PROPERTY TAX REFORMS IN INDIA: SELECTED EXAMPLES

ASSESSMENT OF ANNUAL RATEABLE VALUE (ARV) RULES , 1993

PATNA MUNICIPAL CORPORATION

NOTIFICATION

The 12th August, 1993

S.O. 281, Dated 12th August, 1993, in exercise of powers conferred by section 227 read with sub-sections (1) and (2) of section 130 of Patna Municipal Corporation Act, 1951 (Bihar Act XIII of 1952) the Government of Bihar is pleased to make the following rules namely:-

RULES

1. Short title and commencement:- (1) these rules shall be called the Assessment of annual Rental Value of Holding Rules, 1993.

(2) It shall come into force at once.

2. Definitions:- In these rules unless there is anything repugnant to the subject or contest.

a) "ACT" Means Patna Municipal Corporation Act, 1951 (Bihar Act XIII of 1952)

b) "Annual Rental Value?" means the rent that a holding is capable of fetching over a period of one year:

c) "Published" means published in one Hindi and English daily Newspaper prominently in circulation in the Corporation Area.

d) Commercial Holdings:

These shall include any holdings or part of a holding which is used as shop market for display and sale of goods either wholesale or retail Office, storage and service facilities incidental to the sale of goods and located in the same holding, shall be included under this group.

e) Industrial Holdings.

These shall include any holding or part of holding or structure in which is products or material of all kinds and properties are fabricated included of processed like assembly plants, laboratories power plants smoke, house, refineries gas plants, mills dairies factories. etc.

f) Other works not inferred in the rules

shall have the same meaning as in the Act.

3. Classification of holding -- (1) The holding in the Corporation area shall be classified by the corporation on the following terms

- a) Siadation of holdings:-
 - i) Holdings on the Principal Main Road,
 - ii) Holdings on the Main Road,
 - iii) Holdings other than sub-clause (i) and (ii)

- b) Use of the Holding:-
 - i) Purely residential
 - ii) Purely commercial industrial (whether self owned or otherwise)
 - iii) Partly residential and partly commercial/Industrial.
 - iv) All Holdings either than sub-clauses (i), (ii) and (iii)

- c) Type of Construction
 - i) Pucca building with R.C. Roof,
 - ii) Pucca building with asbestos/corrugated sheet roof.
 - iii) all other buildings not covered in sub-clauses (i) and (ii)

2. Subject to the approval of the State Government, the coporation may from time to time, publish the list of principal main road as well as main roads and if necessary modify the lists for the purposes of these Rules.

4. Methods of calculation of carpet Area for commutation of Annual Rental Value of holding. For the purpose of calculation of Annual Rental Value of a holding, measurement of Carpet area shall be calculated as under:-
 - i) Rooms full measurement of Internal dimension.
 - ii) Covered Verandah--Full measurement of Internal dimension.
 - iii) Balcony/Corridor, Kitchen and Store-- 50 per cent measurement of Internal dimension.
 - iv) Garage-One-fourth measurement of Internal dimension.
 - v) Area covered by bath room, latrines, portico and staircase shall not form part of the Carpet area.

5. Power to fix the Rental Value and the Annual Rental value--(1) The rate of rental value per sq. ft. shall be fixed by the Corporation with the prior approval of the State Government having regard to the situation use, and the type of construction of the holdings.
 - 2) The Annual Rental Value shall be commuted as a multiple of the Carpet area and the rental value made under sub-rule (1)
 - 3) The rental value per sq. ft of Carpet area are different classes of

holdings shall be published from time to time by the Corporation with the prior approval of the State Government.

6. Rate of Tax--Tax shall be assessed on the basis of Annual Rental value on the following rates:-
 1. Holding Tax-at the rate of 2.5 per cent of Annual Rental Value.
 2. Water Tax-at the rate of 2% of Annual Rental Value.
 3. Latrine Tax-at the rate 2% of Annual Rental Value.
7. Power of Revision of Tax-The Corporation may revise the rate of Tax on Annual Rental Value with the prior approval of the Stage Government.
8. Power of the State Government- If any difficulty arises in giving effect to these rules, the Government shall in consistent with the provisions of the rules have power to issue my direction in the matter.

By order of the Governor of Bihar

Sd/-
Secretary to Government

Urban Development Department

ADMINISTRATIVE REFORMS IN PROPERTY TAX

A Case of Ahmedabad and Hyderabad*

* Excerpts from the background paper prepared by Mr. Chetan Vaidya on Property Tax Innovations in India for the Policy Seminar on Property Tax Innovation in India, organised by the NIUA, NIPFP, USAID and CCI from August 29-30, 1996 at New Delhi.

Ahmedabad

The financial situation of the Ahmedabad Municipal Corporation (AMC) began to deteriorate in the late '80s, with the revenue-expenditure gap widening considerably. The Municipal Commissioner who took charge in 1994 thoroughly reviewed the financial health of the AMC and subsequently determined to increase the collection of property taxes and octroi in order to improve the financial status of the Corporation.

However, property tax collection in Ahmedabad was beset by legal as well as management and vigilance problems. A strong legal backing for improving property tax collection came in 1994 in the form of a Gujarat High Court judgement. It held that in case of tenanted premises, the contractual rent would be the annual rent after April 1, 1984.

Meanwhile, the Administration also took some drastic measures to check property tax evasion. These included disconnection of water supply and drainage line as well as issuance of warrants to raid premises upon non-payment of the property tax. The result was a huge increase in property tax collections from Rs. 47 crores to Rs. 92 crores, between 1993-94 and 1995-96. As a consequence of increased collection of the property tax and octroi, the AMC has been transformed from a financially crippled organisation to a stable and self-sustaining one.

Hyderabad

Since 1993, the Municipal Corporation of Hyderabad (MCH) has undertaken several actions to increase income from its own sources. The focus of the entire exercise has been to increase property tax recovery through collection of arrears, bringing previously unassessed properties under the tax net and revaluating of under-assessed properties. There had been no revision of tax rates in the last 15 years and this was sought to be corrected. Moreover, arrears collection was increased through strict enforcement measures such as issuance of warrants for the non-payment of tax.

Revenue targets were fixed for each of the seven circles into which the Corporation was divided and a system of weekly reviews of collections was introduced. Since bill collectors and inspectors, numbering 263 in all, are directly responsible for tax collection, regular monitoring of their work was undertaken. Another important step taken was the computerization of records and issuance of computerised bills to 3.17 lacs house-owners in the city. Tax collection through bank branches was also introduced. Following these measures, property tax collections in Hyderabad increased from Rs. 27 crores in 1992-93 to almost Rs. 50 Crores in 1995-96. Tax collection efficiency has also increased from about 55% to more than 70% during this period.

The house numbering cell of the Municipal Corporation of Hyderabad has almost completed a survey by which all properties in the city have been given new numbers. This system will help the corporation to identify properties not covered by the tax system and should result in increased revenues.

APPENDIX III

**SUMMARY AND RECOMMENDATIONS OF
WORKING GROUP III ON EXPENDITURE NORMS**

APPENDIX III

SUMMARY AND RECOMMENDATIONS OF WORKING GROUP III ON EXPENDITURE NORMS

A number of agencies and expert group committees have provided a range of options for physical as well as financial standards of basic services. However, most of these committees and agencies have proposed norms which represent the most desirable levels of services - a kind of optimum, rather than the levels that would be within the means of the local bodies. Very few local bodies would be able to attain the standards of services as suggested by COPP or the Zakaria Committee (Summary Tables I-V).

The question as to what levels of services ought to be provided and maintained in the urban and rural areas of various sizes, dimensions and economic activities has been debated at various forums. It has been observed that fixing norms and standards for basic services is an extremely complex and critical task. Norms and Standards are dependent on a number of factors such as the fiscal capacity of local bodies and users, topography and geology of the settlements concerned, the past history of infrastructure development, the size of population and other economic and non-economic factors.

The present level of infrastructure availability is quite poor. According to Mid-term Review of Water Decade Programme (1985), approximately 27 per cent of India's total urban population and 44 per cent of rural population had no access to safe drinking water supply. In case of sanitation, nearly 72 per cent of urban population and 80 per cent of rural population had no access to basic sanitation services. According to Misra Committee report (1994), about 110 million rural households do not have sanitary latrines. The performance of local bodies with regard to refuse collection and disposal is equally

unsatisfactory. Accessibility of water supply and sanitation varies significantly from one state to another, and even within a state from one local body to another local body. Keeping in view the large variations in the existing service levels among the various local bodies of the country, the norms suggested by the Group in this report are to be viewed as guidelines to determine the state and region specific norms. The cost implications of these norms are national averages and therefore need to be viewed as indicative. These costs also need to be determined for a specific state level context and are likely to vary for different regions within a state. However, with a view of having a uniform standard for reference and adoption by various State Finance Commissions, the Group recommends the following minimum physical standards of basic services which ought to be attained by each local body in the immediate future.

Table A:
Minimum Physical Standards of Services

Service	Sector	Minimum levels of services to be obtained in next 5 years		Remarks
		Population/Area target	Service level target	
I. Water supply	Urban	<ul style="list-style-type: none"> • 100% pop. to be covered. 	<ul style="list-style-type: none"> • Piped water supply with sewerage: 150* lpcd • Piped water supply without sewerage: 70* lpcd • 40 lpcd with spot sources/ stand posts (* Including wastage of water - roughly 20%)	<ul style="list-style-type: none"> • Public stand posts in the low income settlements. • One source for 20 families with in a walking distance of 100 metres
	Rural	<ul style="list-style-type: none"> • 100% pop. to be covered including 'No Source' hard core problem villages in some states 	<ul style="list-style-type: none"> • 40 lpcd of safe drinking water • Additional 30 lpcd in DDP/ DPAP areas for cattle needs. 	<ul style="list-style-type: none"> • One hand pump/ spot source for 250 persons in a walking distance of 1.6 km or elevation difference of 100 mt. in hilly areas, to be relaxed as per field conditions applicable to arid, semi-arid and hilly areas

II Sanitation/ Sewerage	Urban	<ul style="list-style-type: none"> • 100% city area to be covered by sewerage system with treatment facilities in large urban centres • Low cost sanitation methods for other urban areas 	<ul style="list-style-type: none"> • <u>Large city</u>: full coverage by sewerage with treatment. • <u>Medium town</u>: Public sewers with partial coverage by septic tanks. • <u>Small town</u>: Low cost sanitation methods. 	<ul style="list-style-type: none"> • In low income areas of large cities community latrines may be provided.
	Rural	<ul style="list-style-type: none"> • All households to be provided access to safe sanitation • Elimination of manual scavenging by using low cost sanitary methods. 	<ul style="list-style-type: none"> • Low cost sanitary methods of disposal:- Sanitary latrines of different models may be used such as round concrete plate with lining (single pit), square brick/concrete plate with/without lining (single pit with provision of double pit), etc. 	
III Solid Waste Collection Disposal	Urban	<ul style="list-style-type: none"> • All the solid waste generated should be collected and disposed. 	<ul style="list-style-type: none"> • 100% collection of generated waste, with its proper disposal. • Hazardous wastes such as hospital wastes must be incinerated in all cases. Whereas mechanised composting and incinerated is recommended for large urban centres, sanitary land fill method of disposal may be used in small and medium towns. 	<p>Keeping in view the refuse generation level and its composition, each local body should determine the requirements of collection bins/ collection centres, kind of transport vehicles to be used, staff deployment for various activities, type of treatment to be given to the collected wastes, etc.</p>
	Rural	All the solid waste generated should be collected and disposed.	<ul style="list-style-type: none"> • Composting or bio-gas generation from organic waste. 	
IV Primary Education	Urban and Rural Both	Fulfillment of national goal of universalisation of elementary education for children upto 14 years of age.	<ul style="list-style-type: none"> • Provision of primary school in all areas of country as per the following guidelines: <ul style="list-style-type: none"> - At least three reasonably large all weather rooms with teaching material - At least one teacher per class room/ section - One primary school for every 3000-4000 population, Area: 3 acres; seats/ school: 300-400 	In order to improve enrolments at the upper primary stage specially for girls, the walking distance of school should normally be 2 kms. In case of primary schools this standard is 1 km.
V Primary Health Care	Urban & Rural Both	Fulfillment of national goal of health for all by 2000 AD	<ul style="list-style-type: none"> • One PHC for 20,000 - 30,000 pop. • One sub centre for 3000-5000 pop. • One community health centre for one lakh pop. 	Primary health care has been accepted at the main instrument for achieving the goal of 'Health for All'.

Role of SFC to Ensure Achievement of Minimum Standards

The State Finance Commissions may take the suggested norms in this report as an initial basis for their work related to estimation of fiscal gap. Although the proposed standards are labelled as "minimum", it is quite likely that in some states, many settlements may be far below this level. In this case, the State Finance Commission will have to suggest a time frame within which each settlement should achieve the target and make the necessary financial recommendations to enable the local self governments to reach the targets.

The illustrative financial costs of provision and maintenance of services in urban areas are presented in Table B. The cost on water supply and sewerage is based on averages of 33 urban centres across the country. As the capital and maintenance costs of water supply project are significantly influenced by source and distance to the source, the specific capital and maintenance costs for a settlement in a particular state will be different.

Table B:
Unit cost of Provision and O & M of Water Supply and Sanitation, at 1994-95 prices

City Size	Cost of provision (Rs/capita)		Cost of O & M (Rs/Capita/Annum)	
	Water supply	Sewerage/ Sanitation	Water supply	Sewerage/ Sanitation
Small centres (< 20,000 pop.)	486	150	141	26
Medium Centres (20,000- 100,000)	390-404	208-442	108-120	35-76

Large centres (100,000- 1 million)	570	117	173	20
Metro centres (Million +)	203	125	76	21

The SFCs are advised to confer with the Planning department in their respective states to ensure that adequate provision in the state plan is made for meeting the recommended targets. The SFCs may also have to make an explicit provision for enabling the local bodies to make the necessary capital investments in improving the basic infrastructure and facilities.

The Operation and Maintenance costs of these services will have to met out of the finances of the local bodies. For this purpose, adequate provision will have to be made by SFCs for assignment and sharing of taxes and levy of user fees. Transfers to the local bodies will need to be based on achieving horizontal and vertical equity for achievement of the minimum physical norms of services. The exact magnitude of this transfer will, however, depend on the present fiscal capacity of the local bodies to operate and maintain the "core" services, and the envisaged fiscal gaps.

Summary Table I

Norms and Standards of Water Supply

Agency	Physical Standard	Cost of provision (Rs. per capita at 1994-95 prices)	Cost of O & M (Rs. per capita/annum. at 1994-95 prices)
a. Manual on water supply and treatment, CPHEEO, Ministry of Urban Development, Govt. of India, 1991	<u>Urban:</u> Small : 70-100 lpcd* Medium : 100-150 lpcd Large : 150-200 lpcd Public stand Posts: 40 lpcd (PSP) <u>Rural:</u> Not suggested	<u>Urban:</u> Not suggested <u>Rural:</u> Not suggested	<u>Urban:</u> Not suggested <u>Rural:</u> Not suggested
b. National Master Plan (NMP), India, International Water Supply and Sanitation Decade, 1981-90, Ministry of Urban Development, 1983	<u>Urban:</u> House connections : 70-250 lpcd with average of 140 lpcd Public stand Posts: 25-70 lpcd with average of 40 lpcd <u>Rural:</u> Piped supply : 25-70 lpcd with average of 40 lpcd Spot Source Supply: 40 lpcd	<u>Urban:</u> Not suggested <u>Rural:</u> Not suggested	<u>Urban:</u> Not suggested <u>Rural:</u> Not suggested
c. 8th Five Year Plan, Government of India, 1992-97	<u>Urban:</u> With sewerage: 125 lpcd Without sewerage: 70 lpcd Public stand Posts: 40 lpcd <u>Rural:</u> 40 lpcd	<u>Urban:</u> Not suggested <u>Rural:</u> Not suggested	<u>Urban:</u> Not suggested <u>Rural:</u> Not suggested
d. Report on Norms and Space Standards for Planning Public Sector Project ToSws, TCPO, Ministry of Works & Housing, Government of India, 1974	<u>Urban:</u> 180 lpcd <u>Rural:</u> Not suggested	<u>Urban:</u> Not suggested <u>Rural:</u> Not suggested	<u>Urban:</u> Not suggested <u>Rural:</u> Not suggested
e. Committee on Plan Projects for Industrial Townships (COPP), 1973	<u>Urban:</u> 180-225 lpcd <u>Rural:</u> Not suggested	<u>Urban:</u> Not suggested <u>Rural:</u> Not suggested	<u>Urban:</u> Not suggested <u>Rural:</u> Not suggested
f. Zakaria Committee (ZC) on Augmentation of Financial Resources of Urban Local Bodies, 1963.	<u>Urban:</u> Small : 45 lpcd Medium : 67.5 - 112.5 lpcd Large : 157.5-202.0 lpcd Super metropolitan : 270 lpcd <u>Rural:</u> Not suggested	<u>Urban:</u> Small: 227.34 Medium : 277.86-378.90 Large: 492.57-593.61 Super metropolitan: 820.95 <u>Rural:</u> Not suggested	<u>Urban:</u> Small: 93.71 Medium: 95.48-109.12 Large: 123.77 -128.83 Super metropolitan: 136.40 <u>Rural:</u> Not suggested

g. Operations Research Group (ORG), Delivery and Financing of Urban Services, 1989	<u>Urban</u> : Small: 80 lpcd Medium: 80-150 lpcd Large: 180 lpcd <u>Rural</u> : Not suggested	<u>Urban</u> : Small: 603.15 Medium: 319.03 - 680-28 Large: 804.26-1108.09 <u>Rural</u> : Not suggested	<u>Urban</u> : Not suggested <u>Rural</u> : Not suggested
h. NIUA; Maintaining Gujarats Municipal Services - A Long Range Perspective, 1987	<u>Urban</u> : Small:95.125 lpcd Medium: with Industrial base - 150 lpcd Problem areas: 90 lpcd; Average: 80-150 lpcd Large: With Industrial base - 170-210 lpcd Problem Areas: 120-125 lpcd Average: 115-210 lpcd <u>Rural</u> : Not suggested	<u>Urban</u> : Problem Areas: 1254-1463 Average: 627-731.50 <u>Rural</u> : Not suggested	<u>Urban</u> : Small: 22.99 Medium: 25.08 Large: 45.98 - 60.61 <u>Rural</u> : Not suggested
i. NIUA; Costs of Urban Infrastructure, 1995 (based on DWSSDU, HUDCO & CIDCO estimates)	<u>Urban</u> : Not suggested <u>Rural</u> : Not suggested	<u>Urban</u> : Small: 485.76 Medium: 390-403.97 Large: 569.98 Metropolitan: 203.48 <u>Rural</u> : Not suggested	<u>Urban</u> : Small: 141.24 Medium: 108.42-119.55 Large: 172.64 Metro:76.41 <u>Rural</u> : Not suggested
j. Government of Gujarat (GOG); Gujarat 2005 (papers on Perspective Plan), 1989.	<u>Urban</u> : Small: 100 lpcd Medium & Large: 140 lpcd Scarcity Season: 13 lpcd <u>Rural</u> : 40 lpcd	<u>Urban</u> :House Connections: 825 Problem areas: 1072.50 Augmentation/Extension: 412.50 <u>Rural</u> : Simple well: 288.75 Handpump: 99.00 House Connections: 412.50-495.00 Regional water supply: 495.00-990.00	<u>Urban</u> : Not suggested <u>Rural</u> : @3% of capital cost
k. Planning Commission (PC), Task Force on Housing and Urban Development (Financing Urban Development), 1983.	<u>Urban</u> : Not suggested <u>Rural</u> : Not suggested	<u>Urban</u> : Surface system: Low - 850.15 High - 1214.50 Ground water: Low: 694.00 High- 1042.00 <u>Rural</u> : Not suggested	<u>Urban</u> : Not suggested <u>Rural</u> : Not suggested

* Litres per capita per day.

Summary Table II

Norms and Standards of Sewerage/ Sanitation System

Agency	Physical Standard	Cost of Provision (Rs/ Capita at 1994-95 prices)	Cost of O & M (Rs./capita/annum at 1994-95 prices)
a. The Manual on Sewerage and Sewage Treatment, CPHEEO, 1980	Urban: Not suggested in terms of population/ area coverage, type of system, etc. However, it said that sewers should be designed for a minimum of 150 lpcd water supply level.	Urban: Not suggested	Urban: Not suggested
	Rural: Not suggested	Rural: Not suggested	Rural: Not suggested
b. National Master Plan, India, 1983	Urban: 100 % population coverage by sewerage system with treatment facilities in class I cities, and low cost sanitation for other urban centres	Urban: Not suggested	Urban: Not suggested
	Rural: Low cost sanitation	Rural: Not suggested	Rural: Not suggested
c. Zakaria Committee, 1963	Urban: Small: Low cost sanitation methods Medium: Public sewers with partial coverage by septic tanks, and partial treatment to sewage. Large: Full coverage by sewerage with proper treatment facilities. Super Metro: Same as above	Urban: Small: 353.64 Medium: 429.42-568.35 Large: 694.65 - 820.95 Super Metro: 947.25	Urban: Small: 103.37 Medium: 109.88-117.46 Large: 136.40 - 150.30 Super Metro: 154.09
	Rural: Not suggested	Rural: Not suggested	Rural: Not suggested
d. ORG, 1989	Urban: 100 % population coverage by sanitation services by using different technological options.	Urban: Small: 934.99 Medium: 383.41-857.64 Large: 604.27 Metro: 587.45	Urban: Not suggested
	Rural: Not suggested	Rural: Not suggested	Rural: Not suggested

e.	Planning Commissions, Task Force on Housing and Urban Development, 1983	<u>Urban</u> :Not suggested	<u>Urban</u> : Water borne system with treatment : Low: 1214.50 High - 1735.00 Septic tank: Low - 694.00 High - 780.75 Pit latrines: Low - 416.40 High - 520.50	<u>Urban</u> :Not suggested
		<u>Rural</u> :Not suggested	<u>Rural</u> : Not suggested	<u>Rural</u> :Not suggested
f.	Govt. of Gujarat, 1989	<u>Urban</u> : 100 % coverage by sewerage with treatment facilities in class I cities, and cities already having sewerage systems. Low cost sanitation methods for other urban centres	<u>Urban</u> : Average: 825.00 Problem areas: 990.00 - 1155.00 For extension of service: 495.00 - 577.50 Low cost sanitation as per design standard of UNDP/ World Bank : 4455.00	<u>Urban</u> :Not suggested
		<u>Rural</u> :Low cost sanitation	<u>Rural</u> : Rs. 2475.00	<u>Rural</u> : Not suggested
g.	NIUA (1987)	<u>Urban</u> :100% coverage by sewerage excluding slums in class I urban centres and cities already have sewerage system. Low cost sanitation methods for other urban centres.	<u>Urban</u> : Sewerage: 836.00 - 940.50 Low cost sanitation: 627.00 - 731.50	<u>Urban</u> : Medium : 12.54-20.90 Large: 37.62 - 39.71
		<u>Rural</u> :Not suggested	<u>Rural</u> :Not suggested	<u>Rural</u> :Not suggested
h.	NIUA (1995)	<u>Urban</u> :Not suggested	<u>Urban</u> : Small: 149.98 Medium: 207.82-442.35 Large: 117.36 Metro: 124.99	<u>Urban</u> : Small: 25.95 Medium : 35.37 - 75.85 Large: 20.12 Metro: 21.43
		<u>Rural</u> :Not suggested	<u>Rural</u> :Not suggested	<u>Rural</u> :Not suggested

<p>i. Report on Rural Sanitation (1993-94)</p>	<p><u>Urban: Not suggested</u></p> <p>Rural: Low cost sanitary methods as per the models given below:</p> <p>a. Rural concrete plate (without lining)</p> <p>b. Square concrete plate (without lining)</p> <p>c. Single pit (brick lined)</p> <p>d. Single pit (with provision of double pit in future)</p> <p>e. As above</p> <p>f. As above (with concrete lined and brick flooring)</p> <p>g. Double pit - brick lined (without super structure)</p> <p>h. Double pit - concrete ring - lined (without super structure)</p> <p>i. Single pit (with provision for double pit in future)</p> <p>j. Single pit - concrete lined with honey comb (with provision for double pit in future)</p> <p>k. Double pit - brick lined (with super structure)</p> <p>l. Double pit - concrete lined (with super structure)</p> <p>Average: Rs. 2500/latrine</p>	<p><u>Urban: Not suggested</u></p> <p>Rural:</p> <p>a. 321</p> <p>b. 357</p> <p>c. 714</p> <p>d. 881</p> <p>e. 1309</p> <p>f. 1607</p> <p>g. 1785</p> <p>h. 2321</p> <p>i. 2678</p> <p>j. 2975</p> <p>k. 3094</p> <p>l. 3630</p>	<p><u>Urban: Not suggested</u></p> <p>Rural: Not Suggested</p>
------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------

Summary Table III
Norms and Standards of Solid Waste Collection and Disposal

Agency	Physical Standard	Cost of Provision (Rs/capita, at 1994-95 prices)	Cost of O & M (Rs/capita/annum at 1994-95 prices)
a. NIUA (1986 & 1992)	<u>Urban:</u> - Suggested waste generation level in the range of 250 - 450 grams/ capita per day, depending upon the size of cities, their functions etc. - Recommended, 100% collection of generated waste in a city. - Staff norms: i.62 - 78 scavengers per 10,000 population as per UP health manual ii.2.8 sanitary workers per 1000 population as per report of the committee on 'urban wastes', 1973	<u>Urban:</u> Not suggested	<u>Urban:</u> Not suggested. However report mentioned that on an average, 80 % of the total revenue expenditure spent on account of salaries and wages of sanitation staff.
	<u>Rural:</u> Not suggested	<u>Rural:</u> Not suggested	<u>Rural:</u> Not suggested
b. TCPO, 1974	<u>Urban:</u> Suggested basic guidelines for provision of dustbins, collection centres, disposal of solid waste, etc.	<u>Urban:</u> Not suggested	<u>Urban:</u> Not suggested
	<u>Rural:</u> Not suggested	<u>Rural:</u> Not suggested	<u>Rural:</u> Not suggested
c. ORG, 1989	<u>Urban:</u> Suggested average waste generation level - 380 grams/ capita per day	<u>Urban:</u> - for waste collection: Rs.33 - 100, depending upon the quantity of waste collected - For transportation, Rs. 90.	<u>Urban:</u> Not suggested
	<u>Rural:</u> Not suggested	<u>Rural:</u> Not suggested	<u>Rural:</u> Not suggested
d. Planning commission, 1983	<u>Urban:</u> Not suggested	<u>Urban:</u> Rs. 87-139, depending upon the standards and size of cities	<u>Urban:</u> Not suggested
	<u>Rural:</u> Not suggested	<u>Rural:</u> Not suggested	<u>Rural:</u> Not suggested

Summary Table IV

Norms and Standards of Primary Education

Agency	Physical Standard	Cost of provision (Rs. at 1994-95 prices)	Cost of O & M (Rs/annum at 1994-95 prices)
a. National Policy on Education, 1986 (Operation Black Board Scheme)	<ul style="list-style-type: none"> • Universal access and enrolment; • Universal retention of children upto 14 years of age; and • A substantial improvement in the quality of education to enable all children to achieve essential levels of learning. The following are the norms of primary schools as per Operation Black Board Scheme : <ul style="list-style-type: none"> - At least three large all-weather rooms per school should be provided with teaching material; • At least three teachers should be provided in every school. The target is one teacher per class/section; - At least 50 per cent of teachers recruited should be women. For upper primary schools, the norms are as follows: <ul style="list-style-type: none"> - at least one room for each class/section - a head master-cum office room - separate toilet facilities for girls/boys - essential teaching learning equipments including library; and - at least one teacher per class/section • walking distance at primary level: 1 km. • Distance of upper primary level : 2 kms. 	<p><u>Primary School</u> (Class I - V);</p> <p>Construction Costs: @ Rs. 50,000 per class room</p> <p>Teaching Learning Equipments: @ Rs. 10,000 per school</p> <p><u>Upper Primary School</u> (VI-VIII)</p> <p>Construction costs: @ Rs. 50,000 per class room</p> <p>Teaching Learning Equipments: - @ Rs. 50,000 per school</p>	<p>Average salary per teacher; Rs. 30,000</p>

b.	NIEPA, 1982	Not available	<u>Construction costs (Avr.)</u> Govt. share of contribution on an average, Rs. 11,610 for each class room <u>Teacher's quarters (Avr.)</u> Rs. 15,000 per quarter <u>Teachers training (Avr.)</u> - Pre-service : Rs. 1161 per teacher - In-service: Rs. 774 per teacher <u>Equipments (Avr.)</u> Rs. 58/per student	<u>Average salary per teacher:</u> - Primary level: Rs. 23220 - Upper primary level: Rs. 27864 <u>Non Teaching costs</u> 10% of teaching costs in non-tribal areas, and 25% in the case of tribal areas. <u>Incentives:</u> On an average Rs. 77 per student
c.	COPP	One primary school for 3500 population. Area: 3 acres Seats: 400-500 per school	Not suggested	Not suggested
d.	Bureau of Public Enterprises	One primary school for 3000-4000 population Area: 3 acres Seats: 300-400 per school	Not suggested	Not suggested
e.	TCPO	<ul style="list-style-type: none"> • One nursery school for 1250-1500 population Area: 0.25 acres Seats: 75-90 per school • One primary school for 4000 population. Area: 2-2.5 acres Seats: 450-500 per school 	Not suggested	Not suggested

Summary Table V

Norms and Standards of Primary Health Care

Agency	Physical Standard	Cost of provision (Rs./centre at 1994-95 prices)	Cost of O & M (Rs./annum at 1994-95 prices)
a. Minimum Needs Programme & Report of the Working Group on District Planning (1984)	<ul style="list-style-type: none"> • One Public Health Centre (PHC) for 30,000 population in plains and 20,000 pop. in tribal and hill areas. • One sub-centre (SC) for 5,000 pop. in plains and 3,000 in tribal and hilly areas. Distance: +5 kms. <ul style="list-style-type: none"> • One Community Health Centre (CHC) for one lakh pop. 	Not suggested	Not suggested
b. COPP	<ul style="list-style-type: none"> • One Health Centre for 20,000 population Area: 1-1.5 acre	Not suggested	Not suggested
c. TCPO	<ul style="list-style-type: none"> • One health centre for 36,000 population Area: 1-1.5 acre <ul style="list-style-type: none"> • One Health Clinic for 12,000 population Area: 1-0.5 acre	Not suggested	Not suggested
d. Planning Commission	Not suggested	<u>Construction cost:</u> - Sub Centre: Rs. 2,09,000 - Public Health Centre (PHC) : Rs. 10,45,000 - Rs. 12,54,000 - Community Health Centre (CHC): Rs. 31,35,000-41,30,000 <u>Other costs:</u> - SC: Not available - PHC: Rs. 3,13,500 - CHC: Rs. 10,45,000	- SC: Not available - PHC: 1,04,500 - CHC: 4,18,000 (excluding sponsored schemes & programmes)

APPENDIX IV

**PROPERTY TAX SYSTEM IN CASE-STUDY CITIES:
AN ANALYSIS**

APPENDIX IV

PROPERTY TAX SYSTEM IN CASE-STUDY CITIES:AN ANALYSIS

Apart from a postal survey which covered a large number of municipal bodies in several states, our study has also taken up three cities as case studies. These cities were chosen because they represented differing regions and showed variations in their property tax by virtue of the legacies they inherited as municipal bodies. Ahmedabad and Vishakhapatnam belonged originally to the erstwhile Presidencies of Bombay and Madras respectively. Agra can be said to typify an Indian city belonging to the north, middle or east of India.

As in the earlier postal survey, the analysis of the case studies covers two basic issues :

- i. the role and importance of property taxes in the municipal fiscal structure ; and
- ii. the property tax structure incorporating rating, assessment and collection of the tax.

In examining these it is also relevant to take a look at the information system relating to property taxation and its management.

Role of Taxes in Municipal Revenues

Property tax forms part of the ordinary income of the municipalities. Table 3.1 indicates the structure of ordinary income in the case study cities.

It also shows that the tax incomes comprise the most important part of municipal income except in the case of Vishakhapatnam. The share of tax revenue has declined in both Agra and Ahmedabad over the study period by two percentage points whereas in the case of

Table 3.1

Change in the Structure of Ordinary Income

(Rs in '000)

Component	Agra		Ahmedabad		Vishakhapatnam	
	1980-81	1985-86	1980-81	1985-85	1980-81	1985-86
Taxes	28475 (62)	40814 (60)	321297 (67)	526432 (65)	12546 (21)	25904 (27)
Non-Tax	2084 (5)	2964 (4)	37038 (8)	83605 (10)	12839 (22)	25385 (26)
Grants & Other Transfers from State	10977 (24)	15873 (23)	40087 (8)	78625 (10)	24053 (41)	33787 (35)
Others	4140 (9)	8868 (13)	84085 (17)	125583 (15)	9283 (16)	10756 (12)
All	45676 (100)	68519 (100)	482507 (100)	814236 (100)	58721 (100)	95832 (100)

(Figures in brackets represent the percentage share.)

Vishakhapatnam,* it has recorded an increase of six percentage points.

The share of grants and transfers has shown a decline in Agra and

* The reasons for the lower tax share in Vishakhapatnam seem to be due to two factors :

- i. A relatively large share of non-tax revenue. The most important component in this regard is the sale of water to giant industrial establishments particularly in the field of shipping and marine industries. This component has fetched a handsome amount to the tune of Rs 118.39 lakhs and Rs 240 lakhs in 1980-81 and 1985-86 respectively.
- ii. Share transfers from the state on account of entertainment tax.

Vishakhapatnam. In Ahmedabad, the share shows an increase. However, despite the increase, the proportionate share of grants in Ahmedabad continues to be much lower than in Agra and Vishakhapatnam. This position confirms the conclusion drawn by the earlier studies that the external sources of municipal finances have tended to decline over time.

It is obvious from Table 3.2 that in aggregate the tax incomes have shown substantial increase. However, at constant prices, the increases are not significant.

It can also be seen that property taxes constitute the second largest component in Agra and Ahmedabad -- octroi being the largest. In Vishakhapatnam, where octroi is not levied, property taxes constitute around 90 per cent of the total tax incomes. This position would be the same in other cities too if the revenues from octroi were taken away from the ordinary incomes.

A further examination of data contained in this table shows that property taxes have shown a substantial increase in Agra (53 per cent) and Vishakhapatnam (109 per cent) over the period 1979-80 to 1984-85. The rate of increase in Ahmedabad is much lower at 5 per cent. In real terms the variation in income from property taxes in Ahmedabad has shown a negative rate of growth over the study period.

The pattern of tax income if adjusted to population increase and inflation is shown in Table 3.3.

The per capita revenues from property taxes in Agra and Ahmedabad during the reference years have recorded a downward shift at constant

Table 3.2

Composition of Tax Income

(in '000)

Tax Income	Agra				Ahmedabad				Vishakhapatnam			
	Amount (Rs)		Variation (%)		Amount (Rs)		Variation (%)		Amount (Rs)		Variation (%)	
	a	b	c	d	a	b	c	d	a	b	c	d
Property Taxes	4508 (16) (83)*	6909 (17) (79)*	53	7	98477 (31) (91)*	140160 (27) (80)*	42	-5	11040 (88)	23118 (89)	109	45
Octroi	23035	32064	39	-3	213433	350779	64	10	-	-	-	-
Other Taxes	932 (3)	1842 (4)	98	38	9387 (3)	35484 (6)	278	153	1506 (12)	2786 (11)	85	28
All	28475 (100)	40185 (100)	43	34	321297 (100)	526423 (100)	64	8	12546 (100)	25904 (100)	106	42

() Figures in brackets indicate the percentage share.

() * Figures in brackets with star indicate the percentage share excluding the octroi.

a = 1980-81 (1979-80 for Ahmedabad)

b = 1985-86 (1984-85 for Ahmedabad)

c = Current Prices

d = Constant Prices adjusted on the basis of CPI-Urban Non Manual.

prices (Table 3.3). In contrast, the per capita revenues from property taxes have recorded an increase in the case of Vishakhapatnam — from Rs 19 in 1980-81 to Rs 22 in 1985-86. This increase in the case of Vishakhapatnam could be explained in terms of increased economic activity leading to increased housing activities particularly in the commercial, industrial and tax payer residential groups.

Table 3.3
Per Capita Tax Income at Current & Constant Prices

Component	Agra		Ahmedabad			Vishakhapatnam			
	1980-81	1985-86	1979-80	1984-85		1980-81	1985-86		
		a	b	a	b	a	b		
Property Tax	7	9	6	48	60	40	19	32	22
Octroi	33	43	30	104	149	100	-	-	-
Other Taxes	1	2	2	5	15	10	3	4	3
Total	41	54	38	157	224	150	22	36	25

a = Current Prices; b = Constant Prices.

In Agra, however, the per capita revenue from property taxes is relatively lower. This is attributed to the creation of a separate body for water supply management, which also collects the water and sewer taxes.

As in the postal survey analysis, the metropolitan city of Ahmedabad has recorded a substantially higher level of revenue yield from property taxes.

Elasticity of Property Taxes

Of equal importance is the elasticity of property taxes with reference to tax income, ordinary income and expenditure (Table 3.4).

Property tax revenues seem to be elastic with respect to all the three variables in all the cases except in Ahmedabad. Since the level of revenue yield from property taxes is quite high in Ahmedabad, it is obvious that it remains less elastic as compared with the other components or city government finances. In contrast, in Agra and

Table 3.4

Elasticity of Property Taxes 1980-81 to 1985-86

City	Elasticity to		
	Tax Income	Ordinary Income	Ordinary Expenditure
Agra	1.23	1.06	1.96
Ahmedabad	0.66	0.61	0.37
Vishakhapatnam	1.03	1.03	2.21

Vishakhapatnam where the base level of revenue yield is substantially low in relative terms, the property tax revenues are more elastic.

Finally, the foregoing analysis on the relevance of property taxes in municipal finances shows that :

- i. Property taxes continue to be one of the most important components of tax incomes (Tables 3.2 and 3.4).
- ii. The per capita yield on account of property taxes if adjusted to price and population increase has not shown substantial improvement and has in fact declined in the case of Ahmedabad. Thus, whereas the dependence and reliance on property taxes for financing the municipal expenditure remains unchanged the revenue yield on this account has declined.

- iii. Property taxes seem to have a vast potential as compared with other components of ordinary income for generating more revenues to meet the additional fiscal requirements in the sense that the income derived from them is more elastic than total tax income and ordinary income.

Property Tax Structure in the Case Study Cities

As part of a study of property taxes, it is worthwhile to analyse the legal framework, rate structure, base, assessment procedure, management information system and collection mechanism that together form the property tax system in the case study cities.

Legal Framework

Each city has introduced property taxes as per the acts, guidelines and subsequent modifications that have been laid down from time to time by the respective state governments. The city corporations at Agra, Ahmedabad and Vishakhapatnam follow the UP Nagar Mahapalika Adhiniyam (1959 : Section 148/172), the Bombay Provincial Municipal Corporation Act (1949), and Andhra Pradesh Municipality Act (1965 : Section - 7) respectively for the purpose of levying the tax on lands and buildings in their jurisdiction.

Logically speaking since the inception of the municipal corporation in Vishakhapatnam in 1979 the city corporation should have followed the Hyderabad Municipal Corporation Act (HMC - Act : 1956). However, the Vishakhapatnam Corporation is still following the Andhra Pradesh Municipality Act. The reasons for not following the HMC Act are listed below :

- i. The HMC Act provides for a graduated rate ranging from 15 per cent to 25 per cent of annual rateable value (ARV) depending upon the variations under different slabs. In contrast, the Andhra Pradesh Municipality Act provides for a fixed rate of 25 per cent of ARV for residential properties.

- ii. In the case of non-residential properties, the HMC Act provides for a 30 per cent tax on ARV whereas the APM Act provides for a 33 per cent tax on ARV.
- iii. Section 227 of the HMC Act does not provide for any water tax on the properties with metered connections or on those that are not connected with the city system. The APM Act however, provides for a water tax on all types of properties whether connected or not with the city system.

It is quite obvious, therefore, that the Municipal Corporation at Vishakhapatnam will stand to lose quite a substantial amount on property taxes if the HMC Act is applied.

Rate Structure

The rate structure as may be seen from Table 3.5 indicates a complex picture. Some important features that emerge from an analysis of the rate structure are :

- i. General tax, water tax and sewer/drainage tax are being levied in all the three cities.* However, the Vishakhapatnam and Ahmedabad Corporation levy some additional taxes and cess belonging to the property tax family. The Education cess is levied at Ahmedabad, whereas at Vishakhapatnam, the lighting tax and library cess are being levied in addition to the education cess.
- ii. Property tax rates in case study cities vary significantly. Ahmedabad and Vishakhapatnam apply a differential rate structure on the basis of residential and non-residential use, whereas Agra does not have a differentiation on these aspects.
- iii. The overall rate of property tax in Agra is 31 per cent of the annual rateable value for both residential and non-residential properties. At Vishakhapatnam the rate for residential properties is 25 per cent of the ARV and for non-residential properties the rate is 33 per cent.

In Ahmedabad, a graduated rate of tax is applied with higher rates of tax on high-value properties. These rates vary from 31 per cent to 56 per cent for residential and 35-66 per cent for non-residential properties.

* As mentioned earlier the water and sewer taxes are levied by a separate agency as Jal Sansthan at Agra. This agency is also responsible for water and sewerage maintenance and provision. The agency uses the same base (annual rateable value) as may be determined by the Agra Municipal Corporation.

- iv. Exemption limits for levying the property taxes are Rs 300 ARV at Ahmedabad and Rs 360 ARV at Agra and Vishakhapatnam respectively. However, Ahmedabad and Vishakhapatnam have introduced an innovative approach through a flat rate taxation that covers the properties falling within exemption limits. The properties belonging to the rateable value within exemption limits are subject to a (water) tax at the rate of Rs 36 and Rs 60 per annum respectively for residential and non-residential uses in Ahmedabad. Conservancy tax is further levied at a flat rate of Rs 24 per annum.

The Vishakhapatnam Corporation is charging a lumpsum amount at the rate of Rs 25 per annum for properties belonging to the formal sector housing meant for the weaker sections.

- v. Educational institutions, religious places and charitable trusts are exempted in all the three cities subject to the condition that they are not put to commercial or residential use.

Property Tax Base

The property tax base in the three case study cities for different types of land use attributes is given in Table 3.6. The base varies not only from city to city but also for different land uses in the same city. In all the cities, industrial properties are assessed on the basis of their capital value whereas residential and commercial properties have their tax base as the Annual Rental Value of the property. In Ahmedabad, another differentiating factor has been introduced in the case of owner occupied (residential) properties. The tax base for this is letting value (LV) which varies on account of location, structure, area and so on (the letting rates comprising the LV are given in Annexure - IV).

Table 3.5

Rate Structure of Property Taxes : 1987-88

Property Tax	Agra		Ahmedabad		Vishakhapatnam	
	Residential	Non-residential	Residential	Non-residential	Residential	Non-residential
General/House/ Holding Tax	13	As in residential	12 - 30 (slab-wise)	12 - 30 (slab-wise)	10	12
Water	14**	-do-	7	7	8*	12*
Sewer/Drainage/ Conservancy Tax	4**	-do-	9	9 - 22 for (hotels in special category)	2	3
Fire Tax	-	-	-	-	-	-
Lighting Tax	-	-	-	-	2	2
Education cess	-	-	3 - 10 (slab-wise)	7 - 20 (slab-wise)	2.12	2.84
Library cess	-	-	-	-	0.88	1.16
Exemption limit (ARV)	Rs 360	Rs 360	Rs 300	Rs 300	Rs 360	Rs 360
All	31	31	31 - 56 (Graduated)	35 - 66 (Graduated)	25	33

* This also includes drainage tax at 2 : 1 ratio.

** In Agra the water and sewer taxes are being collected by a specialised agency known as Jal Sansthan. This agency has been responsible for water supply and sewage network since its creation in 1979.

As a result of various court judgements, it is observed in all the three cities that the respective tax bases are by and large frozen and the rental value is computed on the basis of fair/standard rent rather than on the basis of market rent.

Table 3.6

Use of Properties	Property Tax Base in Case Study Cities					
	Agra		Ahmedabad		Vishakhapatnam	
	Rented	Owner occupied	Rented	Owner occupied	Rented	Owner occupied
Residential	RV	RV	RV	LV	RV	LV
Commercial	RV	RV	RV	RV	RV	RV
Industrial	CV	CV	CV	CV	CV	CV

RV = Rental value (that a property can fetch on year to year basis)

CV = Value (market value of land + structure)

LV = Letting value is computed on the basis of carpet area value with specific use attributes such as location, structure, space and so on.

Taxing Government Properties

Since the year 1954 central government properties have been subject to property taxes better known as service charges. However, general awareness in this regard seems to be lacking in terms of actual realisation of the said provision. As mentioned earlier, the Government of India issued another circular in 1967 in order to clearly define the rate structure. The position with regard to imposition of service charges in the case study cities is given in Table 3.7.

Table 3.7

Rateable Value Base for Service Charges

System	Agra	Ahmedabad	Vishakhapatnam
Base	CV	CV	CV
Rateable Value (as % of base)	7	9	9

It is important to note from Table 3.7 that service charges are being computed in Agra at a lower rate than prescribed by the central government. The other two cities however, compute the rateable value as per the circular issued by the central government in 1967 (also refer to Annexure - III). In this regard, some important features observed during the various visits to these cities were :

- In Agra (as per the UP Municipality Act) the same rate has been adopted for properties belonging to the state government, the Development Authority, Housing Board and other public undertakings. Perhaps the lower rate has been adopted in order to rationalise the rate structure. However, the municipal corporation loses a substantial amount due to this practice.
- In Ahmedabad and Vishakhapatnam, the properties belonging to the state government, other government institutions and undertakings are subjected to tax normally as in the case of general properties.
- The Vishakhapatnam Municipal Corporation has introduced an innovative approach in the case of giant public sector industrial establishments such as Hindustan Shipyard (Ltd.) and Shipping Corporation of India and so on. In this method, the ARV that is computed for property tax purposes is two per cent of their respective gross earnings. In the other two cities the ARV is computed on the basis of capital value.

Assessment Procedure

Property taxes are assessed in the case study cities on the basis of the rate structure and base as discussed earlier. The Annual Rateable Value is normally much less than the tax base. In the case

of the three case study cities, the rateable value ranges from 75 to 90 per cent of the tax base for different types of properties. (Table 3.8).

In all the cities, Annual Rateable Value is generally computed by deducting ten per cent from the Annual Rental Value. In Agra, a 25 per cent deduction is made in the case of owner-occupied properties. It is worth mentioning here that in practice owner-occupied properties are normally assessed at a lower rateable value than non-residential ones — even though the law does not warrant any such distinction. This is true in the case of all the three cities.

In Vishakhapatnam, the Annual Rental Value is divided into two parts, the value of land and structure in the ratio 1 : 2. A ten per cent deduction is given only to the value of the structure while the land value is taken as it is for computing the rateable value. The value of land taken for computation of ARV is the market value at the time of computation.

A quinquennial valuation system exists at Agra and Vishakhapatnam. However, at Ahmedabad the valuation is over a four-year period and is being done on rotation with a division of the city into four parts. At Agra the UP High Court has passed a stay order on the assessment made in 1986. The grounds for the stay order pertain to the application of the Rent Control Act. Thus, the effective basis for tax demand in Agra is the valuation done in 1981. As already mentioned, the Vishakhapatnam Corporation has not revised the assessments made in 1976.

Table 3.8

Assessment Procedure

Use of Properties	Agra		Ahmedabad			Vishakhapatnam			
	Residen- tial		Non- resdl.	Residen- tial		Non- resdl.	Residen- tial		Non- resdl.
	O	R		O	R		O	R	
Annual* Rateable Value	75	90	90	90	90	90	** RLV+ 90% of SV	RLV+ 90% of SV	RLV+ 90% of SV
Provision assessment period (Yrs)	5	5	5	4	4	4	5	5	5
Recent assessment years	*** 1986/ 1981	*** 1986/ 1981	1986	ROTATION			1976	1976	1976
Low income properties (Rs) (within exemption limit)	Exem- pted	Exem- pted	Exem- pted	60	60	84	25	25	Exem- pted

R : Rented

O : Owner occupied

* : Figures indicated represent the percentage of Rental Value.

** : RLV = Rental Value of Land; SV : Rental Value of structure/building.

*** : Valuation done in 1986 has been stayed by UP High Court in 1986-87.

Structural additions or alterations in a building as per the rules, should result in a revision of tax demand with immediate effect in all the three cases. However, it has been observed that apart from the corruption at valuation level there is actually a communication gap between the building and property tax departments at municipal levels. Thus, in practice the alterations and additions are not

properly covered or taken into account when the Rateable Value of the property is being revised.

Collection Mechanisms

Collection is the third important component of the property tax system after rating and assessment. The main features of the collection mechanism as applied in case study cities are given in Table 3.9.

In both Agra and Vishakhapatnam, delay in payment results in withdrawal of the "statutory" concessions (of 10 - 25 per cent). The assessee has to pay tax on 100 per cent of the Rental Value of property. However, no penal rate is charged. In Ahmedabad a penal rate of interest on arrears at the rate of 18 per cent is charged.

Table 3.9

Existing Collection Mechanism			
System	Agra	Ahmedabad	Vishakhapatnam
Assessment through	Public notification	Public notification	Public notification
Period for filing the objection (days)	30	30	30
Demand/Collection Period	Half yearly	Half yearly	Half yearly
Penalties for defaulters	Withdrawal of concessions	18% interest on arrears	Withdrawal of concessions
Collection by	Corporation staff	Corporation staff	Bank

In Vishakhapatnam, the property tax department has adopted an innovative approach since mid 1987 which has yielded substantial revenues. The VMC has identified 24 banks where the assesseees can deposit the tax. Each assessee is given a pass book in order to

clearly record the total demand and recovery made. Through this step, the VMC, for the financial year 1987-88 has collected a sum of Rs 448 lakhs by the end of January 1988 as against an amount of Rs 118 lakhs for the previous financial year 1986-87. The provisions made to recover arrears include the attachment of rent, sale of defaulters' moveable or immovable properties as also filing a suit against them. However, in practice these measures are hardly ever implemented.

Management Information System (MIS)

Agra and Vishakhapatnam represent the traditional information base comprising a huge number of Demand and Collection registers. Agra alone uses more than 800 registers for "raising" the demand. Similarly, Vishakhapatnam also utilises the traditional system for documentation.

These traditional systems as a rule, inherit a very weak information base. There is no proper information regarding the number of defaulters belonging to different categories such as court cases, disputed ownership cases, exemptions, concessions and rateable value slabs. This breakup is otherwise essential to identify the areas lagging behind, the reasons thereof and to tone up the system.

In contrast, the information base at Ahmedabad is much more organised. Most of the information is computerised and is available in the form of different variables that constitute the base, rate-structure, collection for current demand and arrears. Improving the information base will improve the efficiency of the system. This can be easily seen at Ahmedabad as the scale of yield from property taxes is substantially higher.