



REPORT
OF
THE COMMITTEE
CONSTITUTED
U/S 9 OF THE NDMC ACT, 1994
TO ADVISE UPON
THE PROPERTY TAX SYSTEM IN
NDMC AREA

February, 2007
New Delhi Municipal Council

**NEW DELHI MUNICIPAL COUNCIL,
PALIKA KENDRA NEW DELHI**

**COMMITTEE CONSTITUTED
U/S 9 OF THE NDMC ACT, 1994
TO ADVISE UPON THE PROPERTY TAX SYSTEM**

Chairperson

Sindhushree Khullar I.A.S., Chairperson, NDMC

Members

- 1) Ms. Sima Gulati, Member, NDMC
- 2) Sh. V.V. Bhat, I.A.S. Member, NDMC
- 3) Sh Satish Chandra, I.A.S. (Retd)
- 4) Sh Rakesh Kapur, Finance Director, IFFCO

Special Invitees

- 1] Shri V.C.Chaturvedi, Advisor (Legal & Revenue), NDMC
- 2] Shri B.B.Pandit, IAAS, Financial Advisor, NDMC
- 3] Smt.Meenakshi Gupta, IAAS, Chief Auditor, NDMC

Convenor

Shri Anurag Goyal, IRS, Director (Tax), NDMC



NEW DELHI MUNICIPAL COUNCIL

In exercise of powers conferred under section-9 of the New Delhi Municipal Council Act, 1994, the Council authorized the Chairperson to constitute a committee in March 2006, with the mandate to examine the financial position of NDMC and to recommend methods by which the municipal body can continue to provide high quality services while maintaining its fiscal health.

In accordance with the terms of reference, the Committee is pleased to present its report. The Committee has examined the financial position of NDMC with special reference to the property profile of NDMC wherein a large percentage of properties are owned by the Government and only a very small percentage of private properties are liable for payment of property tax.

The recommendations of the Committee contained in this report are based on detailed analysis of various methods of assessing property values for levying property tax. Though it is be difficult to devise a “perfect” tax system, however, keeping in view the distinct advantages offered by the Unit Area Method, even in the peculiar circumstances faced by NDMC, the Committee has recommended a modified form of Unit Area Method for NDMC. The method recommended attempts to balance the principles of neutrality, stability, accountability, ease of administration, fairness based on benefits received and the ability to pay.

The report also highlights the areas which are hitherto neglected – the properties of Central and State Governments and the properties of Diplomatic and Consular Missions and recommends levy of service charges based on the Unit Area Method.

-sd-

(Sindhushree Khullar)
Chairperson

-sd-

Sh Satish Chandra
Member

Sh. V.V. Bhat
Member

-sd-

Sh Rakesh Kapur
Member

-sd-

Ms Sima Gulati
Member

-sd-

Anurag Goyal
Convenor

February, 2007

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Chapter 1

1. Introduction:

1.1 Constitution of the Committee u/s 9 of the NDMC Act, 1994 and Terms of Reference:

The Government of NCT of Delhi and the Ministry of Urban Development vide letter dated 5.12.2002 had sought views of the New Delhi Municipal Council (NDMC) with regard to amending the terms of reference of the Expert Committee set-up by the Municipal Corporation of Delhi (MCD) (Dharmarajan Committee) for introduction of Unit Area Method (UAM) to include areas under the NDMC jurisdiction also. However, the Council vide **Res No 3(viii) dated 21/01/2003**, decided to await the final report of the expert Committee setup in respect of MCD on Unit Area Method. It was further decided that pending implementation of the Report in MCD, the feasibility of introducing this method of property taxation in NDMC along with the pros and cons may be examined.

On receipt of the final report of the Dharmarajan Committee, the recommendations were brought before the Council in its meeting held on **27/6/03 (item No 3(xviii))**. The Council was informed that the tax department would examine whether under the UAM and within the limits provided by the Dharmarajan Committee the revenues of the Council shall increase or decrease and identify the properties getting substantial relief and the properties in which there may be a sharp increase in tax.

In the Budget of 2004-2005 and 2005-2006 a commitment was made that the impact of introduction of such a system in NDMC would be

analysed, its applicability studied, and a position paper placed before the Council in June/July 2005

An analysis of the impact of introduction of UAM within the limits provided by the Dharmarajan Committee on NDMC Revenue was made. In July-Aug 2005, a position paper on the adoption of Unit Area method was circulated internally within NDMC to elicit comments, suggestions and improvements. Thereafter taking into account the suggestions & the comments received, a position paper on Unit Area Method of Assessment in NDMC was placed before the Council in meeting held on **13-02-06 (Item no. 19(F-5))**. The position paper analysed the reasons for adoption of unit area method in other municipalities, the advantages and disadvantages of the present system in NDMC and alternatives and suggestions with regard to introduction of Unit Area Method of property tax assessment in NDMC.

The Council resolved that the position paper be enlarged to consider the overall revenue position and projected revenue receipts of the NDMC, as anticipated, for the next five years, and make recommendations on the method by which the municipal body can continue to provide high quality services while maintaining its fiscal health. Since property tax is a key element of NDMC revenues, the means and methods of assessment of property tax (UAM/Actual Value etc.) to maximize revenues and collection efficiency be suggested. The Council further resolved that a sub-Committee be constituted under Section 9 of the New Delhi Municipal Council Act, 1994 (the Act). Chairperson was authorized to finalize the composition.

Accordingly the Chairperson, vide order dt. 10-3-06 no. 396/Director (Tax)/06 constituted a Committee comprising the following:

- 1) Ms. Sima Gulati, Member, NDMC
- 2) Sh. V.V. Bhat, Member, NDMC
- 3) Sh. A Madhukumar Reddy, L & DO & Member, NDMC
- 4) Sh Satish Chandra, IAS (Retd)
- 5) Sh Rakesh Kapur, Finance Director, IFFCO

The terms of reference of the Committee are:

- 1. To consider the overall revenue position and anticipated revenue receipts of New Delhi Municipal Council for the next five years,*
- 2. To make recommendations on the method by which the municipal body can continue to provide high quality services while maintaining its fiscal health.*
- 3. To suggest the ways & means and the optimum method of assessment of property tax (Unit Area Method/actual value etc.) so as to maximize revenues & improve collections efficiency, keeping in view that property tax is a key element of NDMC revenues.*

The Committee was assisted by Sh V C Chaturvedi, Advisor (Revenue); Sh BB Pandit, Financial Advisor and Smt Meenakshi Gupta, Chief Auditor, NDMC as special invitees)

(Note: Sh Rakesh Kumar, was appointed to the committee in his capacity as L& DO in place of Sh A Madhukumar Reddy, the earlier incumbent on the post of L&DO (order dated 20/9/2006). Sh Rakesh Kumar demitted the charge of L&DO) subsequently.

1.2 Background:

1.2.1 Development of a distinct administrative setup for New Delhi

The National Capital Territory of Delhi is spread over an area of 1483 sq. kms. The Government of National Capital Territory of Delhi (GNCTD) has a special status as a Union Territory. The responsibility for Public Order, Police and Land in Delhi are Central subjects, while the rest of the State functions are devolved on the GNCTD. The GNCTD enjoys the same tax jurisdiction as the States. As a Union Territory, GNCTD can borrow only from the Central Government.

Till 1911, Calcutta was the capital of British India. On 12th December 1911, King George V announced that the seat of the Government of India will be transferred from Calcutta to Delhi. The new capital was built to the south of Shahjahanabad. Raisina Hill was selected as the most appropriate site for the Viceregal Palace after detailed examination, survey and debate, and the area East, North and South of it was chosen for the new capital. Edwin Lutyens and his compatriot Herbert Baker built the new capital of India to be known as New Delhi. The 'Raisina Municipal Committee' was established in 1916 to cater to the municipal needs of labour engaged in the construction of the new capital. In 1925, the then Chief Commissioner, Delhi, upgraded it to the level of a Second Class municipality to be governed under the Punjab Municipal Act, 1911. Around this time, it was known as 'Imperial Delhi Municipal Committee'. In 1932, it was named 'New Delhi Municipal Committee' and became a "First Class" municipality with the responsibility of providing all civic services for areas under its jurisdiction.

In **December 1987**, a Committee was setup to go into the functioning of the various administrative and municipal authorities in Delhi with a view to ensuring efficiency and effectiveness in their functioning. The

Committee, popularly known as the Balakrishnan Committee, submitted its Report after a detailed study of the issues involved and examined the views expressed in various memoranda, reports and other materials. The recommendations made by the Committee regarding the administrative setup in Delhi were considered, and necessary legislation including the Constitutional amendment to provide for the establishment of a Legislative Assembly and a Council of Ministers for the National Capital Territory of Delhi was enacted.

The Balakrishnan Committee recommended that there needs to be commonality in areas of taxation, revenue, budgeting, contracts, accounts and audit, streets, sanitation, public health, public safety and suppression of nuisances, etc. *However, in respect of the New Delhi Municipal Council, which consists of only 3 percent of the area and 3 per cent of the population of National Capital Territory of Delhi, it was felt that a different kind of legal system had to be structured which took into account special characteristics of the New Delhi Municipal Council area.*

The NDMC area comprises the territory that includes Lutyens' New Delhi and which has historically come to be regarded as the seat of central authority in the Union of India. It comprises important buildings like Rashtrapati Bhavan, Parliament House, Supreme Court, North and South Blocks and buildings abutting Central Vista and also all diplomatic missions which function as territorial entities under the sovereign jurisdiction of their Flag States.

The Government of India is nearly the sole landowners and it owns about eighty per cent of the buildings in the Council area. Private ownership of property in this area is marginal. On account of these special characteristics, it was felt that any scheme for the governance of this area based on conventional pattern of representative local self- Government would be unworkable and out

of place since the pre-eminent character of this area is that of the seat of the Central Government.

In May 1994, the NDMC Act, 1994, by an act of Parliament replaced the Punjab Municipal Act, 1911, and the Committee was replaced by the **"New Delhi Municipal Council"**. The act has been passed by Parliament.

1.2.2 Development of a Property tax System

Prior to the amendment in Delhi Municipal Corporation Act, 1957 by the Delhi Municipal Corporation (Amendment) Act, 2003, properties were taxed on the basis of the annual rent at which such land and building was reasonably expected to be let out from year to year basis.

The term **‘reasonably’** was interpreted by the Courts to mean legally enforceable rent and where the premises were covered by the Delhi Rent Control Act (DRC Act), the Supreme Court held that the local body is not entitled to anything more than the standard rent, even though the owner may be getting rent higher than the standard rent. This resulted in assessment of all the properties on the basis of standard rent, which was 8.25% (for residential) and 8.625% (for non-residential) of the sum of market price of the land on the date of commencement of construction and reasonable cost of construction. The MCD and the NDMC pointed out to the GNCTD and the Central Government that the interpretation given by the Court had an adverse effect on municipal revenues and suggested that the determination of rateable values be de-linked from the Rent Control Laws. In August, 1980, a Bill was introduced in the Parliament de-linking the determination of ratable value from the DRC Act. As there was opposition from the public, the matter was referred to the Delhi Government for recommendation of the Delhi Metropolitan Council which were never sent and the Bill lapsed.

The Supreme Court decision affected not only Delhi but also other States and as such Urban Development Ministers of all States met and resolved that amendments be made in the DRC Act to avoid litigation and also to free up certain properties from the ambit of rent control legislation. There were similar recommendations of various Committees as well and ultimately a Model Rent Act was framed and in Delhi, the DRC Act was amended. Properties with rents above Rs.3500/- per month were taken out of the DRC Act and the properties which were constructed on or after 1.12.1988 were to be kept out of the DRC Act for a period of ten years.

The MCD and NDMC started revising the ratable values of the properties. The properties which were rented out at more than Rs3,500/- per month were to be assessed on actual rents (unless the rent was collusive) and not on the standard rent. Similarly, new properties, which had gone out of the purview of the DRC Act for the period of ten years, were also to be assessed on the basis of comparative rent even if these were not rented out.

The above system of determining property tax came into question on various grounds primarily of **inequity** (as it created wide disparity in property tax of similarly placed properties in the same locality), **subjectivity in assessment** and **excessive litigation**.

The **V K Malhotra Committee** was constituted to study and report upon the efficacy of the property tax assessment and collection system, so that the faults in the system could be ironed out. Some of the recommendations of the Malhotra Committee were implemented in the form of ratable value bye laws and property tax return bye laws in MCD.

Amongst its other recommendations, the Malhotra Committee also recommended the adoption of a Unit Area System for property tax

determination. Following its recommendations, an expert Committee was constituted by the Lt Governor under the Chairmanship of Sh K Dharmarajan for recommending the modalities required for the introduction of the Unit Area Method of property tax assessment in MCD area. Thereafter the MCD adopted the UAM from 1/4/2004. NDMC, however, continued with the existing system of property tax assessment based on the Annual Ratable Value

Chapter 2

2.1 Summary of Committee's deliberations:

The first meeting of the Committee was held on 20/3/2006. Thereafter, the Committee met on 1/6/2006, 25/09/2006, 22/1/2007 and 10/2/2007.

In the first meeting of the Committee, a presentation was made by Director (Tax) on the present system of taxation in NDMC, the shortcomings of the system and the impact on NDMC revenues, if the Unit Area system were to be introduced in NDMC in exactly the same manner as has been done in MCD. The Committee considered the peculiar property profile of NDMC wherein only about 20% of the properties in NDMC area are liable to payment of property tax (remaining being Govt. properties) was brought out in the presentation. The Committee considered the revenue position of NDMC and the requirement of funds in future.

In its second meeting, the Committee considered the alternative methods of assessment available and the taxation methods being followed in major cities of other countries. There was a broad consensus that no tax system is perfect. At the same time, the members agreed that there was a need to improve upon the present system – either by a change in the assessment method or by improvement in the administrative procedures or both. During the second meeting also, the Committee members were gravely concerned over the issue of exemptions to properties belonging to higher tiers of the government and also to properties of foreign states and International bodies especially in view of the peculiar property profile of NDMC area where the tax base is extremely limited.

In the third meeting held on 25/9/2006, Director(tax) and convener of the Committee presented the draft report prepared on the basis of the discussions held. A summary of the representations received from various property owner associations was also presented. Keeping in view the simplicity offered by the unit area method, the Committee members were of the opinion that Unit Area Method should be introduced in NDMC area also. At the same time, it was a unanimous view that the property profile and the special status of NDMC as a political and economic hub of the city state merits suitable changes in the unit area system. It was decided that actual data needs to be collected to analyse the impact of various multiplicative factors used in the Unit Area System. It was also felt that any change to a new system of assessment and collection of property tax should not be to the detriment of the revenues of NDMC.

In the fourth meeting held on 22/2/2007, the representatives of property owners associations were invited to present their view before the Committee. The following associations appeared before the Committee:

- 1) Babar Road Colony Lease Holders Association
- 2) Malcha Marg
- 3) Golf Links Association
- 4) Lutyens Bungalow Zone Residents Welfare Association

By and Large, the opinion voiced by the Residents Welfare Association was in favour of a uniform system in Delhi i.e. the Unit Area method. However, most of the representatives including Sh J P Agarwal and Sh Navin Jindal, MPs, who represented the Lutyens Bungalow Zone Association, conceded that the quality of services provided by NDMC was much superior as compared to that provided in the rest of Delhi. The associations echoed the Committees view that a Modified Unit Area System is desirable in NDMC as NDMC should not be deprived of

revenues in order to enable it to continually provide high quality services. Associations also objected to the anomaly under which the govt properties are paying almost negligible service charges and the entire burden of taxation is on a small number of private properties. Copies of the representations of the Associations are placed at **Appendix 11**

The Committee noted the concerns expressed by the Associations. The Committee also noted the remarks on the fact that the standard of municipal services in NDMC area is much superior to the level of similar services in MCD area. Better services can only be provided if there are adequate funds*.

In the final meeting held on 10/2/06, this report was endorsed to the Council.

****The Delhi Human Development Report 2006 points out that the per capita expenditure on urban services by the NDMC in 1988-89 was Rs 2285 as against Rs 149 by the MCD. Thus, the per capita expenditure on civic services in the MCD area is just 6.5 per cent of what it is in the NDMC area.***

Chapter 3

Issues Considered by the Committee

Keeping in view its terms of reference, detailed discussions were held on the following issues:

- Financial Position of NDMC
- Property Profile of NDMC
- Existing property tax system in NDMC
- Shortcomings in the existing system
- Imperatives for reform
- Issues relating to exemptions given to properties of higher tiers of Govt
- Issues relating to exemptions given to properties of foreign countries
- Impact of introduction of Unit Area Method on NDMC's revenues

3.1 Financial position of NDMC and Trends of Property Tax revenues:

3.1.1 A detailed analysis of the consolidated revenue position of NDMC is placed at **Appendix 1**. The analysis shows that the income of NDMC from own revenues constitutes about 98% of the total revenues. NDMC is a debt free municipality as it has repaid the total outstanding loans with interest during the year 2004-05. However the *fiscal health of NDMC is pre-dominantly dependent on surplus revenues from supply of electricity. Without this surplus, the NDMC's revenue account would show considerable deficit.*

An analysis of the projected expenditure shows that funds to the tune of Rs. 773.17 crores are required during next five years for replacement of existing assets imperative to maintain even the current standard of

efficiency in services. Additional funds over and above Rs. 773.17 crores shall be required to upgrade the services/efficiency level to the standards expected from and envisioned by NDMC. In addition to this there is an ever increasing (unassessed) future liability on account of pensioners/employees. The current pension liability of the Council is approximately Rs. 52 crores per annum which is estimated to cross Rs. 100 crore mark by the end of 2010-11. In addition to the above, revenue deficit to the tune of Rs 1465 crores is also anticipated.

To sum up, despite a common perception that NDMC is a “rich” municipal body, mounting expenses on providing services will erode its financial status. The infrastructure being over 60-70 years old, needs replacement. The cost of purchase of bulk water and bulk electricity is on an increase. The expenditure on electricity distribution does not provide for depreciation therefore the surplus from sale of electricity as shown in the budget books is purely notional. Moreover, as per the tariff orders of the Delhi Electricity Regulatory Commission (DERC), the surplus has to be credited to a reserve fund, to be utilised for meeting capital expenditure and to absorb the increased cost of procurement. Cost of disposal of solid waste and sewerage are increasing and as such there is upward pressure on costs.

At present, the NDMC is meeting any shortfall by earnings from interest on investment and by surpluses from sale of electricity. This may be a temporary phase and interest income may not be available, once funds are used for replacement of assets, infrastructure, improvement in providing services and payment of pension. The notional surplus from electricity may also get wiped off after the cost of investment on replacement of distribution installations and rise in cost of purchase of electricity and water are taken into consideration.

The analysis further reveals that in view of the future liabilities of NDMC, its narrow & stagnant revenue base and its over-dependence on electricity and interest income, the fiscal health of NDMC is not as good as it would seem by only looking at its surplus funds and debt-free status. Surplus funds are fully committed and shall barely be sufficient to meet the requirement of the Council in the near future.

3.1.2 Trends in property tax revenues:

The total revenues accruing on account of property tax since the introduction of NDMC Act, 1994 is given below:

Table - I

REVENUE REALISED IN TAX DEPARTMENT DURING THE LAST TEN YEARS

(Figure in crores)

	96- 97	97- 98	98- 99	99- 00	2000- 2001	2001- 2002	2002- 2003	2003- 2004	2004- 2005	2005- 2006
P. Tax	25.54	34.89	41.34	68.33	83.72	101.03	117.02	111.81	130.30	132.87
S. Charges	1.84	1.77	3.36	2.71	5.94	9.23	15.76	16.14	17.29	14.23
T. Duty	5.14	2.00	3.81	4.34	7.09	6.10	5.58	7.94	13.28	13.15
	32.52	38.66	48.51	75.38	96.75	116.36	138.36	135.89	160.87	160.25

It may be seen that tax revenues have increased by almost five times in the decade. The increase has been achieved because of a regular rise in

the rentals in NDMC area on the one hand and large number of properties coming out of the purview of the DRC Act on the other. Better enforcement of tax laws has also been an important reason for the buoyancy in tax revenues. The collection efficiency, calculated as percentage of total tax collections over the total demand raised, is high (**Table – II**).

TABLE – II
COLLECTION EFFICIENCY

Year	Demand			Total Collection			Collection Efficiency
	Service Charges	Property Tax	Total	Service Charges	Property Tax	Total	
2002-03	193190308	1271495497	146468580	157633639	1170219372	1327853011	90%
2003-04	203989632	1973587250	2177576882	161424468	1117455824	1278880292	59%
2004-05	213879736	1515645755	1729525491	172781263	1303208447	1475989710	85.35

At present, the NDMC Act does not prescribe any time limit for completion of tax assessments after issue of notices to the assessees regarding proposal for revising the assessment. Also there is no time limit for completing action on cases remanded by courts for fresh assessments. As a result, the demand is raised year on year at the disputed/notice value and the assessee is at liberty to pay the undisputed/earlier demand till his case is settled. It is natural therefore that collections efficiency would be reduced. Thus the collection efficiency is likely to go up if the remand cases are decided expeditiously.

As a percentage of total internal revenues, Tax Revenue has more than doubled from 7% in 1993-94 to 16% in 2003-04. However, since 2004-05, the tax revenues as a percentage of total internal revenues are showing a decreasing trend. It was 14% in 2004-05 and 12% in 2005-06. This shows that the relative growth rate of tax revenues has come down. However, this could be a temporary phase considering the drop in real estate values till about two years back. The rental values have again started rising and the growth rate of tax revenues is also likely to go up.

3.2 Property Profile of NDMC:

The NDMC area is almost completely built-up with very little fresh construction activity taking place. Thus the tax base is almost stagnant. Land in NDMC area belongs to L&DO, Govt. of India. Property tax within NDMC is presently assessed in respect of 12,238 units. Of these, 9744 are commercial units and 2494 are residential units. However, these private properties in NDMC area are only about 20% of the total number of properties in NDMC area. The remaining 80% of the properties in NDMC are properties of :

- (a) Union of India.
- (b) Diplomatic Missions and Foreign Embassies.
- (c) State Governments.
- (d) Railways and P&T.

These are presently outside the purview of property tax assessment as Articles 285 and 289 of the Constitution prohibit levy of taxes on the properties of the Centre and State by the States and Centre respectively. However, under administrative instructions, the Central govt properties

are liable to pay a service charge to the local bodies. But, at present, except for (a) above, the remaining three entities are not even paying service charges claiming immunity on account of special provisions in their statutes.

Amongst the private properties, the major portion of the tax is collected from a very small fraction. The break-up of revenue demand by categories of rateable values is at **Table-III**. It may be seen there from that 78 units with a rateable value of more than Rs.1 crore account for almost 50% of the tax collection. On the other hand, properties with a rateable value of below Rs.10,000/-, comprise almost 30% of the number of units i.e. 3467. Out of the 12,000 odd private properties, only about **20%** are residential units which contribute only about **7 %** of the total tax demand. Thus the major contribution to tax revenues is by the large commercial properties only.

Table - III

R.V. SLAB	NO OF Units		YEARLY DEMAND 2005-06	
(Rs Lakh)			(Rs Lakh)	%
0-5	10507	85.86 %	2383	15.01 %
5-10 Lacs	943	7.71 %	1292	8.14 %
10-20 Lacs	407	3.33 %	1180	7.43 %
20-100 Lacs	303	2.48 %	3217	20.26 %

Above 100 Lacs	78	0.64 %	7804	49.16 %
	12238	100.00	15876	100.00

TABLE IV
Tax Demand from Residential Units

Area	No. of units	Annual Demand 2005-06 (Rs)
JOR BAGH	265	2,94,55,735
GOLF LINK	225	2,37,11,596
MALCHA MARG	117	1,76,34,335
B K DUTT COLONY	1059	17,23,486
BABAR ROAD	216	50,43,254
MULTISTOREY RESIDENTIAL BLDG	612	1,23,29,090
TOTAL	2494	8,98,97,496

3.3 Property Tax System in NDMC at present

Sec. 2(42) of the NDMC Act, 1994 defines rateable value as the value of any land or building fixed in accordance with the provisions of the Act and the bye-laws made thereunder for the purposes of assessment to property taxes. Section 63 gives the method of determination of rateable value of lands & buildings assessable to property tax.

Sec. 63(1) provides that the rateable value of any land or building assessable to property tax shall be the reasonable rent unless the standard rent has been fixed under the Rent Control Act.

Section 63(2) provides that the rateable value of land will be 5% of the estimated capital value of such land.

Section 63(3) provides that Chairperson can by a Public Notice and with the approval of the Council specify the Plant & Machinery which will be deemed to form part of such land or building for the purpose of determination of rateable value.

Bye-laws for the determination of rateable value are under preparation under the new Act. Till new bye laws are prepared, the bye-laws framed under the Punjab Municipal Act are being continued. A Public Notice has already been issued under Section 63(3) for including the value of Plant & Machinery for the purpose of determination of rateable value.

The above provisions are similar to the provisions contained in the DMC Act prior to introduction of UAM in MCD and the PM Act. These provisions have been the subject of a plethora of decisions of the High Courts and also the Supreme Court (*Dewan Daulat Rai Kapoor, Dr. Balbir Singh East India Commercial Co., Indian Automobiles, Graha Yajamala Samkhiya & Kamla Mills etc*). The courts have held that where the property is subject to Rent Control Legislation, the reasonable rent of that property cannot exceed the standard rent as may be determined under the rent control legislation. The Delhi Rent Control Act was amended in 1988 and properties deriving a monthly rent of over Rs.3500/- were kept outside the purview of the rent control legislation. Also new properties were kept outside the rent control legislation for 10

years from the date of construction. The Hon'ble Supreme Court, in the case of Raghunandan Saran Vs Union of India, has held that Section 4, 6 & 9 of the DRC Act 1988 are violative of Section 14, 16 & 19 of the Constitution of India. The impact of this decision is yet to be ascertained as the matter has been stayed by the Supreme Court in SLP. Till the position is clarified, the assessment are being made on standard rent for all properties which fall within the purview of the Delhi Rent Control Act, i.e. properties constructed prior to 1988 and which are deriving a rent less than Rs.3500/-. Properties not falling under the DRC Act are being assessed on actual rent. However, where the actual rent is found to be collusive, the assessment is made by comparing the rent fetched by similarly placed properties, i.e. the reasonable rent for the property.

3.4 Shortcomings in the existing system of Private property Taxation in NDMC:

3.4.1 Problem of equity:

a) Vertical Equity

The present annual rental value system is perceived to have inequities as the assessed value is not based on the actual earnings from the property. This is more so in case of self occupied and vacant properties which have been constructed after the amendment in the Delhi Rent Control Act. These properties are being assessed on the "*comparative market rents*", which is the closest approximation to a "*reasonable*" rent on which assessment is to be made as per the provisions of the Act. In some cases the tax so determined works out even higher than the total income of the land/property owners.

b) Horizontal Equity

There is vast difference in taxation of similarly placed properties because of primarily two reasons –

- i) Because the Delhi Rent Control Act still applies to a fair number of properties situated in NDMC Area, some properties continue to be assessed on Standard Rent and are being taxed at an extremely low rate even though they may be situated in the most affluent and costly locations of NDMC. These are typically the old bungalows in the Lutyen's Bungalow Zone. The rateable value of such properties will go up several times as soon as these are let out for more than Rs 3500/- per month i.e. when these come out of the purview of the Rent Control Act.
- ii) As per prevailing legal position, the rateable value of a property is not being changed unless there is a change either in the structure or the occupancy of the property. As a result, the RV of self occupied properties is not disturbed, even if they are outside the purview of the DRC Act, till there is some addition or alteration to the property. The same applies to rented properties if the same tenant continues for several years. The neighboring property may be tenanted and its RV will change with each change in tenancy.

3.4.2 Transparency:

The present system puts considerable discretionary powers in the hands of the tax department. Unless correct information is provided by the tax payer himself, any increase in the rental values can be assessed only if the field staff detects it and then reports it to the assessing officer. As the tax amounts are large and also because assessment at “comparative rent” or the “market rent” is not based on an objective parameter but on the subjective assessment of the tax staff, there is a possibility of

corruption with collusion of the taxpayer on one hand and also the possibility of harassment of honest tax payers on the other.

3.4.3 Procedural :

- a) Cumbersome procedure of issuing bills to taxpayers and collection thereafter. Out of 12000 odd properties, notices u/s 72 are issued to less than 1000 tax payers each year. Remaining properties continue to be assessed at the old RVs. Even then, under the present system, bills have to be issued for all the properties.
- b) No time limit has been prescribed for finalization of notices u/s 72. The revenue remains locked up till the notice is finalized and the tax collected on the enhanced RV.
- c) Similarly, no time limit has been prescribed for decision on cases remanded by the courts for fresh assessments.
- d) Lack of clarity because of cases pending in various courts regarding the method of assessment to be followed in special categories like hotels, schools, theaters etc.

Bye laws under the new Act of 1994 have not been framed and NDMC continued using the bye laws made under the Punjab Municipal Act, 1911. The bye-law 13 made under the PM act provides for assessment of such buildings and the rateable value of such buildings is to be determined in accordance with the provisions of Section 3(l)(c) of the PM Act. Section 3(l)(c) of the PM Act is reproduced below:

"in the case of any house or building, the gross annual rent of which cannot be determined under clause (b), 5 per cent on the sum obtained

by adding the estimated present cost of erecting the building, less such amount as the Committee may deem reasonable to be deducted on account of depreciation (if any) to the estimated market value of the site and any land attached to the house or building."

A corresponding provision is not available under the new NDMC Act 1994. Therefore, the method of assessment of such buildings is not clear.

Similarly, in the case of Hotels the assessments made on room rent basis were struck down by the courts. Thereafter assessments were made on comparative rents by comparing these hotels with the hotels licensed by NDMC. These cases are also stuck in the courts.

The assessments of Schools have been framed at 10% of the cost of construction and estimated value of land on the date of construction.

Thus, there is lack of uniformity in the method of assessments of such buildings. It is pointed out that in the latest decision of the D.B. of High Court in the matter of NDMC Vs STC the Hon'ble Court has upheld the validity of bye-laws framed under the PM Act and now there is a need to clarify how bye-law 13 is to be applied under the NDMC Act 1994.

- e) difficulty in assessment of plant and machinery: A Public Notice u/s 63(3) has been issued for including the cost of Plant & Machinery for the purpose of determination of rateable value, however in a recent decision of the Supreme Court of India in the matter of Krishna Mohan Pvt. Ltd. Vs MCD the Court has declared section 116(3) of the DMC Act as invalid as it delegated unguided and unchannelised legislative powers to the Commissioner. Sec. 116(3) of the DMC Act is

similar to the Sec. 63(3) of the NDMC Act. As a result tax payers are claiming exemption towards the cost of Lifts, A.C. Plant etc. even in multistoried buildings which cannot be utilized without these facilities.

- f) There is no provision for charging interest on delayed payments other than a penalty of 20% (maximum). Penalties are NOT being levied as a matter of routine. The system is not fair to the honest tax payers who make timely payments.

3.5 Imperatives for reform

3.5.1 Public Grievances:

Tax studies indicate that it is extremely difficult to devise a system of property taxation which is acceptable to all. There is bound to be discontent in some section or the other. This discontent is amplified if the tax administration is non transparent and complicated (or perceived to be so). The demand for reform has increased because of increase in tax liabilities as a result of increase in market rentals and change in Rent Control Laws. After the switchover to Unit area based System by MCD, where the tax burden has come down almost universally, the demand for a similar (if not the same) system in NDMC has increased.

The issue of disparate methods of assessments within Delhi by the three local bodies has also been commented upon by the High Court of Delhi. Justice Sanjay Kishan Kaul has in his judgment given in the matter of *STC Vs NDMC* observed that it is only for purposes of convenience that jurisdiction have been divided among NDMC, MCD & Delhi Cantonment Board. *“The least that is expected is that all these municipal authorities*

should act at tandem and follow similar principles in determination of rateable values. Merely because the house of one person falls in one area or the other, which may even be adjacent, and a different municipal authority is dealing with the issue of determination of rateable value, should not imply totally different concepts in determination of such rateable value. It is appropriate that all the municipal authorities must meet and consider this aspect to bring uniformity in the system of determination of rateable value in parts of Delhi when they fall within one jurisdiction or the other. This is more so as the provisions under said Act and the DMC Act are para materii. The MCD, has adopted the unit method of taxation, but so far, the NDMC has not finalized any proposal for the same.”

3.5.2 Urban reform and UAM:

The Ministry of Urban Affairs and Poverty Alleviation, Govt. of India has been advocating reforms of the property tax system under the aegis of the **Urban Reforms Incentive Fund (URIF)**. Seven reform areas were identified for which incentives will be provided. The reforms related to property taxation are :

- Removal of all exemptions on property tax barring buildings actually and exclusively used for religious worship or running charitable institutions.
- measures to achieve total coverage of all properties under property tax assessment.
- Adoption of objective methods and transparent procedures of property tax assessment such as unit area method or capital value method, and introduction of self-assessment method by March 2004.

Now under the **Jawaharlal Nehru National Urban Renewal Mission (JNNURM)** the ministry of Urban Development, has decided to provide reforms linked assistance to 63 cities including Delhi. The Urban Renewal Mission focuses on (i) improving and augmenting the economic and social infrastructure of cities; (ii) ensuring basic services to the urban poor including security of tenure at affordable prices; (iii) initiating wide-ranging urban sector reforms whose primary aim is to eliminate legal, institutional and financial constraints that have impeded investment in urban infrastructure and services; and (iv) strengthening municipal governments and their functioning in accordance with the provisions of the Constitution (seventy-fourth) Amendment Act, 1992. It provides for public disclosure of local spending decisions together with earmarking of budgetary allocations for basic services to the poor. The Mission rests on the postulate that in order to make cities work and meaningfully contribute to India's economic growth and poverty reduction objectives, it is essential to create incentives and support for urban reforms both at the state and city levels; develop appropriate enabling frameworks; enhance the creditworthiness of municipal governments; and integrate the poor with service delivery systems.

In order to apply for grant assistance under the JNNURM, the Govt. of India requires, amongst others, the eligible cities to draw up a time line for implementing Urban Sector Reforms. The reforms have been categories as Mandatory reforms and Optional Reforms. **One of the mandatory reforms is the reform of property tax with GIS so that it becomes a major source of revenue for urban local bodies and its effective implementation so that collections efficiency reaches at least 85% within the next seven years.**

The first two reforms as mandated under the Urban Reforms Incentive

Fund (URIF) are already implemented in NDMC. There have been claims for exemption from payment of property tax but exemptions are being allowed in cases which **strictly comply** with the requirement that the property is exclusively used for religious worship or charitable activities. As the number of properties chargeable to property tax is limited in NDMC area, the coverage is complete. The Tax department has a system in which a copy of sanction plans for erection of buildings is received from the Architect Department in all cases. Similarly, health department regularly refers cases of restaurants when these restaurants apply for a health license. A system of Saral returns was introduced some years back. The Saral return contains the basic data about a property such as the built up area, plot area, rental data etc. A computerized database has been prepared based on the information collected in the Saral returns. These measures have ensured that the coverage under the tax net remains high if not 100%. However, coverage is negligible in case of State Govt properties and properties of Diplomatic Missions. The collection efficiency is low as regards the Service Charges levied on the Central Govt properties.

The third reform under the URIF and now a mandatory reform under the JNNURM, i.e. the reform of the property tax system, has been a matter of debate since the adoption of Unit Area System by one of the Largest Municipal Bodies in the world – The Municipal Corporation of Delhi.

3.5.3 Recommendations of the second Delhi Finance Commission:

In terms of the provisions of section 3 of the Delhi Finance Commission Act, 1994, the Lt. Governor, on the recommendations of the Council of Ministers, constituted the second Delhi Finance Commission (DFC) on 9th

January, 2001. The Commission submitted its final report on 30th April, 2002 covering the five year period 2001-06.

According to the Commission, there is ample scope for MCD and NDMC to augment their resources through **improved collections from the existing tax**/non-tax sources, **imposing fresh taxes** and raising the existing rates of various fees, as also by bringing in more services under the fee structure.

In this connection, the Commission made the following recommendations, both for MCD and NDMC:-

- i. Switch over to the Unit Area Method (UAM) for property tax assessment to make the same more scientific, objective, simple and transparent and to reduce the scope for corruption and litigation.
- ii. Imposition of new taxes, (a) on professions, trades, calling and employment, and (b) on increase in urban land values as a result of execution of any development or improvement work.

3.6 Issue of exemption to higher tiers of Government

Properties vesting in the Union or State Government are exempt from taxation under the provisions of Articles 285 and 289 of the Constitution of India, which provide tax immunity to properties owned by the Central or State Government from taxation by State Govts and Central Govt respectively.

Delhi was initially a part C State and then it became a Union Territory. Even now, full fledged statehood has not been given to Delhi. Almost all the State Government have their properties in Delhi / New Delhi and as these properties were not exempt under the constitution or under the

Punjab Municipal Act, 1911, NDMC raised property tax demand in respect of various properties of State situated in NDMC area. The State government however claimed that as the municipal tax being levied in Delhi / New Delhi is a Union taxation their properties are exempt under Article 289 of the constitution. The Delhi High Court in civil writ petition no 342 of 1969 decided the matter against NDMC. On appeal ***a nine Judge constitution bench of Supreme Court in NDMC Vs. State of Punjab AIR 1997 Supreme Court 2847 has held that as the tax being levied under the P M Act, 1911 as extended to NDMC and under the NDMC Act 1994 is Union taxation*** and the properties of the States are covered by Article 289 (2) of the constitution and are exempt from property tax. The Court however clarified that property tax is leviable on all lands and buildings of State used for trade or business. After the aforesaid decision of the Supreme Court properties of the State Government, which are not used for trade or business, are exempt under Article 289 of the constitution and NDMC is not in a position to levy property tax / services charges on such properties unless the Central Government in consultation with the State Governments issues necessary instructions.

3.6.1 Service Charges for Union Properties situated in other States

So far as properties of the Union situated in the jurisdiction of various States are concerned, notifications were issued by the Government of India from time to time permitting the local authorities in various States to levy service charge in lieu of property tax. This helps in supplementing property tax revenues, compensating the local authorities to some extent for the exemption given to properties owned by the Union. Thus instead of giving grants to the local bodies the local bodies are being paid service charges in lieu of property tax. The various instructions issued in this regard are listed below:

- i) No.14(1)-P/52-1 dt. 10.5.54 issued by M/o Finance, Deptt. Of Economic Affairs.
- ii) No.4(7)-P/65 dt. 29.3.67 issued by M/o Finance, Deptt. Of Coordination
- iii) No.4(2)-PF1/74 dt. 28.5.76 issued by M/o Finance, Deptt. Of Expenditure.
- iv) No.42(1)-PFI/79 dt. 26.8.86 issued by M/o Finance, Deptt. Of Expenditure.
- v) No.N-11025/26/94-MCD dt. 26.4.94 issued by M/o UD

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3.6.2 No Service Charges for State Govt Properties situated in Union Territories

In respect of the State Government properties situated in the area of the Union however no such substitution for property tax revenues is available. This oversight may be because Delhi is perhaps the only Union Territory where State Govt properties are situated in any significant number. The number of such properties in NDMC area is though fairly large.

Quite apart from revenue considerations, this position is not proper on account of administrative – constitutional reasons as well, because the Union which is a superior body nevertheless pays service charges where as State Governments owning properties in New Delhi avail of all the municipal services but pay neither property tax nor service charges. In conceptual terms, under such a situation, the municipality should not be duty bound to provide any service.

3.6.3 Service charges on Union Properties situated in Union Territories

As stated above, the Supreme Court in the case of NDMC Vs State of Punjab has held that property tax in NDMC and MCD is not a State taxation but a Union taxation. Therefore, Article 285 of the Constitution is not applicable to taxation of properties of the Union situated in NDMC area. However, in order to give the exemption corresponding to Article 285 of the Constitution, the Parliament has introduced section 119 in the DMC Act and Section 65 in the NDMC Act, 1994 which provides that properties of the Union constructed after 26th of January, 1950 shall be exempt from property Tax.

In order to compensate NDMC and MCD (as was done for local bodies in other States), instructions were issued by the Central Govt, for payment of service charges in respect of properties of Central Govt to NDMC and MCD. These instructions provide the method of computing the rateable value of govt properties and the tax to be paid on the basis of the rateable value. These instructions which apply **specifically to Delhi** are:

- i) No.20-11-63-Delhi dt. 30.4.64 issued by M/o Home Affairs
- ii) No.4(7)-P/65 dt. 29.3.67 issued by M/o Finance, Deptt. Of coordination
- iii) No.20011(5)/70-POL-1 dt. 20.8.75 issued by Directorate of Estates, issued by M/o Works & Housing
- iv) No.N-12011/9/79-UCD dt. 30.7.79 issued by M/o Works & Housing

(Appendix - 10)

The method of calculation of rateable value under these instructions is based on the cost of construction of the property. As per Instruction No.4(7)-P/65 dt. 29.3.67 issued by M/o Finance, Deptt. Of coordination, the rateable value/annual of a Central Govt property is to be calculated

at 9% of the “capital value” which shall include the cost of acquiring the site; the cost of construction and the cost of improvements made thereafter. This method was changed to determination of Rateable value on the basis of rentals fixed under Fundamental Rule - 45-B vide Instruction dated 20/8/75. The new method is similar to the earlier except that the percentage of capital value is not static at 9% and is fixed by the govt from time to time.

There is no difficulty under this method in case of new buildings such as the Parliament Library. The valuations under this method for new properties are good and also the data regarding the cost of construction and area is readily available, which facilitates determination of the value. However most of the govt buildings in NDMC area are very old and the rateable values on the basis of the original costs of construction are extremely low. As a result the total demand of service charges raised by NDMC from all the Govt Properties is only **Rs 21.38 Crores**, out of which the demand from Parliament Library alone is **Rs 8.3 Crores**. The actual collections have been around **Rs 15-17 crores** per annum in the last few years. The demand and collection from about 12000 pvt properties on the other hand are approximately **Rs 156 crores** and **Rs 133 crores** (figures for 2005-06).

Even at such low levels, service charges are being refused by various Govt Departments. Railways and Posts and Telegraphs are disputing the tax liability. Defence entities have not paid for the last three years.

CPWD has made the payment partially and were claiming that they are liable to pay only 75% and not 100% of property tax as calculated by the formula mentioned above towards service charges. Some of the Divisions had been paying 100%, while some had been objecting. This needless confusion was raised by CPWD on the basis of Instruction dated 20th

August 1975, which stated that only 75 percent Service Charges will be paid in respect of those properties for which the local bodies have yet to provide complete services or in respect of which such services are not needed by the owner department. NDMC has been urging that it is providing all the services to Govt Properties which it provides to a Private property. However, despite a justifiable claim for 100% service charges, recently the Ministry of Urban Development has issued instructions that service charges will be only 75 % and not the full 100% which NDMC was claiming.

Furthermore, as the service charges are through executive instructions, action for the recovery by the attachments is not possible. It is only by persuasion that the service charges are collected. The consolidated position of arrears in respect of government departments is given below

Table V

Name of Department	Net Balance as on 31.3.2005
(a) C.P.W.D.	Rs.1407 lacs
(b) P&T	Rs. 23 lacs
(c) Railways	Rs. 288 lacs
(d) Defense	Rs. 649 lacs
(e) Other than CPWD	Rs. 757 lacs
(f) PWD, GNCTD	Rs. 99 lacs
(g) S.S.K. Hospital	<u>Rs. 187 lacs</u>
TOTAL	Rs. 3410 lacs

The detailed position of arrears of Service Charges against various departments is given in **Appendix 7**.

NDMC has written several letters to the Ministry of Urban Development highlighting the difficulty faced in collection of service charges, the lower valuation, refusal for payment of service charges by Railways and Posts and Telegraphs and for permitting levy of service charges on the properties of State and the Diplomatic Missions. It suggested that the Ministry of Urban Development may appoint a person or an authority for valuation of properties and calculation of service charges. Valuation by such an authority cannot be challenged in any Court of law. The authority has to be appointed in consultation with NDMC and MCD and valuations given by the Authority should hold good for a period of five years. However, there has been no progress on this request and there has been no attempt to address these concerns

3.7 Issue of tax exemption to properties of Foreign States

3.7.1 Position as per the Act

Sec. 62 of NDMC Act provides that property tax shall be levied on all lands & buildings in New Delhi except

- (a) Lands and buildings or portions of Lands & buildings exclusively occupied and used for public worship or by a society or body for a charitable purpose.
- (b) Lands and buildings vested in the Council
- (c) Agricultural lands & buildings

Further **Sec. 65** of the Act exempts the Union properties constructed after 26th Jan 1950, from payment of property tax.

No exemption has been provided from levy of property tax in respect of diplomatic or consular missions. However, **section 412** of the Act provides that the **Central Govt. may by order in the official gazette**

exempt from payment of any tax, rate, fee or other charges any diplomatic mission of a foreign state or High Commission.

3.7.2 Position as per International Conventions

The international law relating to tax exemption for diplomatic properties is contained in **Article 23** of the **Vienna convention on Diplomatic Relations 1961** and **Article 32** of the **Vienna Convention on Consular Relations, 1963**, which provide for the exemption from taxation of foreign Missions and consulates respectively

Article 23 of the Vienna Convention on Diplomatic Relations 1961 is as under:

“1.The sending State and the head of the mission shall be exempt from all national, regional or municipal dues and taxes in respect of the premises of the mission, whether owned or leased, other than such as represent payment for specific services rendered.

2.The exemption from taxation referred to in this article shall not apply to such dues and taxes payable under the law of the receiving State by persons contracting with the sending State or the head of the mission.”

Article 32 the Vienna Convention on Consular Relations, 1963 is similarly worded:

“Exemption from taxation of consular premises

1.Consular premises and the residence of the career head of consular post of which the sending State or any person acting on

its behalf is the owner or lessee shall be exempt from all national, regional or municipal dues and taxes whatsoever, other than such as represent payment for specific services rendered.

2.The exemption from taxation referred to paragraph 1 of this article shall not apply to such dues and taxes if, under the law of the receiving State, they are payable by the person who contracted with the sending State or with the person acting on its behalf.”

These provisions specify that the premises of the mission or the consulate and the residence of the head of the Council or the mission shall be exempt. However there is no exemption from payment of charges for specific services rendered by the host state. Neither is there any exemption for the business premises of the sending State.

3.7.3 Efforts made till date:

In October 1995, the M/o External Affairs informed NDMC that residential properties owned by Govt of India in the USA are liable for payment of service charges to the concerned local bodies for municipal services provided. It was recommended that service charges be levied on the residential properties owned by American Missions in India in New Delhi, Bombay, Madras & Calcutta. Accordingly, as a first step towards levy & collection of property tax for the municipal services provided, a notice u/s 72 of NDMC Act was forwarded to the Dy. Chief of Protocol in the M/o External Affairs requesting him to serve the notice on NDMC's behalf to the Embassy of USA in New Delhi.

Through a subsequent letter dated 2/5/96, the Ministry of External affairs advised that action for levy of property tax on US properties in India should not be taken because the service charges being paid by the

Indian embassy in Washington were charges like **water charges, refuse charges & sewer charges** and were not in the nature of a tax of any type.

NDMC was advised that though property tax cannot be levied, the Ministry of External Affairs does not bar NDMC from levying & collecting service charges for the municipal facilities provided and especially in cases where Indian diplomatic properties are already paying such service charges. NDMC may request Ministry of External Affairs & Ministry of Home Affairs to permit levy of Service Charges on the lines of Service Charges being paid by the Central Govt Properties.

Accordingly M/o External Affairs vide letter dt. 18.6.99 was requested to furnish information relating to address of the mission and which foreign nations are levying service charges upon Indian missions abroad. Another letter dated 13/9/2000 was issued to Dy. Chief of Protocol (II) requesting to furnish the information about the Cost paid for the land, Cost of construction of the building etc which was required to work out the annual value and service charges payable thereon.

The Ministry of External Affairs has advised that :

- the “Service Charges” for “Public Utility Services” like garbage removal, drainage, streetlighting etc may be collected from Diplomatic Missions and UN Organisations. However, there should not be any linkage of these charges to any tax (in the form of 75 % of property tax etc) and the service charges should “stand on their own”
- The principle of reciprocity need to be strictly followed.

MEA had collected the position regarding taxation of Indian consular properties in different countries.

The position as per MEA's letters dated 25/10/2005 and 30/6/2006 is as under:

- Out of 127 countries examined, replies from Indian Missions in 19 countries are yet to be received.
- 38 countries have exempted Indian Missions from payment of Service charges and Property Tax
- 9 countries are taking both service charges and property tax. These countries are – Belgium, Denmark, Greece, Jordan, New Zealand, Nigeria, Switzerland & Myanmar.
- 56 countries are collecting service charges in some form of the other.
- **The quantum of charges is the same as applicable to other properties (non diplomatic) in the area and the levy is generally through water and electricity bills.**

However independently, NDMC has elicited information that at least some cities in the USA are charging tax on properties of Indian Missions located in their jurisdiction.

Also, the position that service charges should “stand on their own” and should not be linked to property tax in any way, is not practiced in the UK. A portion of the non domestic rates, which are effectively the property tax on non residential or business properties in UK, is treated as the beneficial portion of the tax and is charged from the diplomatic properties. This beneficial portion is supposed to offset the cost of providing services like drainage, street lighting, road maintenance etc.

In addition, levy of service charges is not exclusively through water and electricity bills. In UK, the Valuation Office Agency issues bills for the beneficial portion of rates separate from the electricity and water bills. So is the case in New York. These countries are charging separately for municipal waste collection as these services are given out to private contractors in both the cities and it is easy to quantify the charges for each property.

In the UK, the cost of providing such services has been worked out at six per cent of the non domestic rates. The percentage is low in the UK because school education is a major expenditure by the local Councils.

NDMC is providing water supply and electricity as direct quantified services to Diplomatic Missions and these are being, paid on consumption as per the bills issued by the NDMC. There is no other quantified direct service to the foreign Missions. The sewer-lines, parks, streets, roads, streetlights etc. are all common services which are not measured services and the charges cannot be quantified.

The MEA has not permitted NDMC to collect information about the areas or the cost of the Embassy building from the Embassies. The request that MEA may directly collect the said information has also not been agreed to so far.

3.7.4 The issues now before NDMC are:

- Whether the various common municipal services rendered like roads, sewerage, waste removal etc will be permit levy of service charge as a percentage of property tax, as is being done for govt properties.

- Whether property tax can be levied on property of countries which are charging Property Tax on Indian properties situated in those countries.

In this regard, the Committee reviewed the data regarding expenditure incurred by NDMC on providing various services for the last five years was compiled (**Appendix 12**). The following five heads of expenditure were considered:

- Sewer and storm drains
- Removal of garbage
- Road civil works
- Road Electric works

There may be other items which are of direct service to the localities. The average expenditure on these four items alone over the last five years has been **Rs 67.93 crores per annum**. This however, does not include the cost of electricity for providing street lighting. It appears that provision of essential services is a major portion of the expenditure incurred by NDMC.

Therefore there is adequate justification for levy of service charges at a fair percentage of the property tax chargeable from a property. In fact there should be no difference in service charges levied on govt properties and diplomatic properties.

3.8 Impact of UAM on revenues of MCD

The table below summarizes the impact of introduction of UAM on MCD revenues. The revenues have dropped considerably since the introduction of UAM. The Committee felt that non-revenue considerations forced MCD to revise the categorization of various colonies

and the multiplicative factors used for arriving at the rateable value. This has resulted in a drop in revenues in MCD. The Committee further noted that MCD has increased the tax rate for rented properties from 10% to 15% for residential and from 10% to 20% for commercial. Thus *effectively*, the Occupancy factors now operating in MCD are 3 & 4 for residential and commercial properties as compared to the use factor 2 adopted earlier.

IMPACT OF UAM ON TAX COLLECTIONS IN MCD

Financial Year	No. of returns/taxpayers	Tax Collection excluding transfer duty
2003-04 (BEFORE UAM)	963119	777.00 Crores
2004-05	745850	567.93 Crores
2005-06	824873	488.00 Crores
2006-07 (till 31/12/2006)	747595	371.00 Crores

(Source: Information collected from the office of the Jt. Assessor & Collector, R K Puram, MCD)

3.9 Impact of UAM on MCD pattern on NDMC Revenues

A sample study of the impact on NDMC revenues, if Unit Area Method is introduced in NDMC on the same pattern as in MCD, was made by the Tax Department by treating the properties as falling in “**category – A**” in the categorization of colonies made by MCD and applying the same rates as fixed in MCD and using the same multiplicative factors. Analysis has been done by dividing properties in the following categories

- Multistory Buildings
- Hotels
- Schools & Institutions
- Market – Khan Market, CP
- Residential areas
 - Golf Links
 - Jor Bagh
 - Bengali Market
 - B K Dutt Colony
 - Malcha Marg
 - Bungalows

3.9.1 Multistory Buildings

The multistory buildings are situated in the Connaught Place and its vicinity - the Central Business District of NDMC. Barring a few buildings (for example on Tolstoy Marg), the remaining buildings are commercial buildings. Despite the growth of NOIDA and Gurgaon, the Connaught Place area has retained its attraction for the corporates and the rentals in this area are one of the highest in Delhi. As such, a switchover to UAM at the MCD rates is bound to reduce the tax collection from these buildings. Overall there would be approximately a decline of about 75% in revenues from the multistory buildings if the Unit Area Rate and multiplicative factors of MCD are adopted. This has to be seen in the light of the fact that almost 50% of the total tax collection comes from these multistory buildings.

3.9.2 Hotels:

NDMC has a number of international standard Hotels in its area. In respect of the Hotels which are not paying the taxes either according to the room rent or according to the cost method, there would be

substantial increase in tax liability because MCD has taken a very high use factor of 10 for hotels.

3.9.3 Schools & Institutions

The tax liability of most of the schools will increase under the Unit Area Method

3.9.4 Khan Market & CP

Khan market is the up market shopping area of NDMC. The rentals in this area have reached dizzying heights. In some cases the rents are as high as Rs 700 a square ft per month! However, as this is an old market, most of the shops and flats are being assessed under standard rent. Data of 219 shops and flats was compiled. The basis of assessment of the properties which are still in self occupation or on low rents, is original cost and rateable value of 134 shops out of 219 is less than Rs.10000/-. This includes certain shops which are on low rent of Rs.50 to Rs.60/- per month. On an estimate, the rateable value of about 170 shops/flats will increase. In respect of about 21 shops or flats, there is not much of increase but in 28 shops/flats, the demand will reduce by Rs.62,62,477-. Over all under the Unit Area Method overall there would be a reduction in the demand and collections of this Market if the Unit Area Values of MCD are adopted.

In Connaught Place also, a similar trend is seen. The overall fall in revenues is expected to be about 70%.

3.9.5 Residential Areas

There will be a fall in tax liability in most colonies except for those properties which are at present being assessed under standard rent method. The Unit Area rate of MCD will tax neutral as far as BK Dutt

Colony is concerned. There will however be a substantial increase in tax liability of those properties which are covered by the rent control act. If the rates are increased, it will further increase the tax-liability on the self occupied properties and low rent properties. Overall the tax collections are likely to fall in all colonies except B K Dutt Colony. The over all drop in collections will be between 70 to 90 per cent in the case of Jor Bagh, Golf Links and Malcha Marg Areas. Thus rented and newly constructed properties will be benefited as there would be a reduction in tax liability in these cases.

3.9.6 Analysis

There would be a heavy reduction in the overall tax revenues on the basis of the rates approved by the MCD's Municipal Valuation Committee and the Municipal Corporation by adopting the same rates and multiplicative factors in the NDMC area.

On the other hand, almost all the properties, which are at present being assessed under standard rent method, will experience an increase in tax.

There would a reduction in tax demand in almost all property cases which are on rent of more than Rs.3500/- and in some of the cases, the demand will reduce by over 90 %. Similarly for properties which are being assessed on comparative rental method even if self occupied, there will be a reduction in taxation. Thus rented and self occupied newly constructed properties will be benefited as there would be a reduction in tax liability in these cases.

Chapter 4

Recommendations

4.1 Options

There are mainly four methods of assessing property values for levying property tax:

1. Market value assessment
2. Rental value based assessment
3. Site value assessment
4. Unit area based assessment

Appendix 2 gives a brief overview of the theoretical aspects property taxation. Each system has its own advantages and disadvantages and no system can be considered as “**perfect**”. However, tax literature shows that a property tax system should strive at an optimum balance of the following:

1. Fairness based on benefits received: Taxes should be related to the benefits received from government expenditures.

2. Fairness based on ability to pay: Taxes should be similar for those in similar circumstances. For example, people should pay comparable property taxes on comparable properties.

3. Neutrality: The tax should not distort economic behavior, including decisions about where to live and work and what improvements to make to one’s property. Negative side effects should be minimized.

4. Stability : Taxes should not fluctuate dramatically from year to year.

5. Accountability: Taxes should be designed in ways which are clear to taxpayers so that policymakers can be made accountable to the taxpayers for the cost of government.

6. Ease of administration : Taxes should be fairly easy to administer. The simpler the system, the easier it will be to administer.

It is difficult to achieve all of these principles at the same time. So choices have to be made. The Committee is of the view that there is a definite need to cure the ills of the present system – both in the methods and in the procedures **with a view of achieve equity, transparency and simplicity while maintaining the buoyancy in revenues.** Given the financial position of NDMC, the Committee is of the view that the change in the methods and procedures of assessment of property Tax should not be to the detriment of the tax revenues of NDMC.

On balance therefore, the Committee considered the following options:

(a) Maintain the status-quo as far as the method of assessment is concerned. Thus to continue with the annual value method of property tax assessment but address procedural shortcomings.

OR

(b) Selective Introduction of Unit Area Method in respect of residential units that are self-occupied (or for both self occupied and rented) and for institutional buildings and hotels. The remaining properties to continue under the reasonable rent method of assessment as at present.

OR

(c) Levy uniform service charges for all non-residential properties regardless of their ownership, government or private. The service charges would be liable for increases from time to time to keep pace with the inflation and increased cost of services. The base service charges would be fixed at some proportion of land values and unit rate subject to the condition that they will not be lower than the existing Rateable Value

OR

(d) Introduce a **modified** form of **Unit Area Method for all** properties by fixing the unit rates solely by **category of use** and **land values**. Thus the lowest unit rate (or multiplicative factors) would be in respect of a self-occupied residential property in an area where land values are low; the highest unit rate (or multiplicative factor) would be in respect of commercial properties/ hotels that are located in areas where land values are the highest (land values to be computed as per Land & Development Office rate schedules amended from time to time)

4.2 Recommendations:

4.2.1 Option (a) : Given the deficiencies noticed in the present system and the push for reform from various quarters the first option i.e. to address the procedural issues while retaining the method of assessment would only be a half baked effort which would not be able to completely address all the issues discussed in Chapter 3 of this report. Any change in existing procedures, for example, providing a time limit for finalizing notices and matters remanded by the courts, charging of interest on non-payment of tax, would still require framing of bylaws/amendment in the Act. Even then the issues relating to assessment of properties covered by the provisions of DRC Act would still subsist.

Accordingly, the Committee recommends that option (a) be rejected.

4.2.2 Option (b): the introduction of unit area Method selectively for self occupied residential properties would address the issue of vertical inequity. However, two methods of assessment within the same municipality is not desirable that too with the small size and unique composition of NDMC. Besides as the occupancy and use of property may change from time to time, the method of assessment will be different depending upon the use and occupancy for the same property and maybe within the same year in itself. This will lead to complications in accounting of the tax dues as well as legal complications.

Accordingly the Committee recommends that Option (b) be rejected.

4.2.3 Option (c): While introduction of uniform service charges could be an ideal system which would address the issues of inequity, subjectivity and excessive litigation at the same time. The Committee felt that there should be an objective method for distributing the cost of services on various types of properties in NDMC. Moreover it was felt that the unit area system provides similar advantages and has already been tried in the other municipality and has received wide acclaim. Uniformity in the methods of property taxation between the various local bodies in Delhi is a desirable objective. This objective cannot be met by adopting option (c).

Accordingly, the Committee recommends that Option (c) be rejected.

4.2.4 Option (d): The distinct advantages offered by the Unit Area System even in the peculiar circumstances faced by NDMC was reviewed at length. The foremost advantage of the system is that it is completely transparent and empowers the citizen to assess his own tax liability. There will be a marked reduction in Inspector Raj. The UAM has been acclaimed for its transparency, simplicity and ease of implementation and equity. It has already received wide public acceptability. Therefore, shift to the Unit Area Method is the most desirable alternative.

At the same time it is a fact that NDMC area is unique in its clientele and property profile. The MCD area is an ever expanding area and the number of properties are increasing from year to year. This provides for some buoyancy in tax revenues from year to year even under the Unit Area Method in the MCD areas. However, the NDMC area is completely land locked and is almost fully developed. Very few new constructions take place in the NDMC area.

The rationale for levy of property Tax has been discussed in **(Appendix 2)**. Property tax is transparent, cheap to administer, efficient to collect and well understood by the taxpaying public. It is administratively feasible in virtually any circumstances. If designed correctly the tax can be progressive. Tax revenue is predictable and buoyant. The object of taxation, i.e., the property, is immobile and therefore, taxation of property is difficult to avoid or even shift. It allows the application of the benefit principle because local services are, in some degree, capitalized into property values. Property taxes are one way to allow owners and occupants to contribute towards the cost of local services. It is relatively stable in times of economic slowdown. It can be responsive to urban development provided it is accompanied by good property tax policy and administration. If there is a substantial fall in revenues under the new system, then the very purpose of levy of property tax is defeated.

The impact of UAM on tax collections in NDMC has been discussed in the earlier chapter which shows that there will be a substantial reduction in the revenues if UAM is applied in exactly the same way as it has been done in MCD. The natural outcome is that the unit area values/multiplicative factors in NDMC will have to be different. During public consultations, concerns were raised on the issue of different unit area rates for MCD and NDMC. However most of the Associations agreed that the standard of services provided in NDMC is far superior to those

provided in MCD areas. The per capita expenditure on civic services in NDMC is much higher to that in MCD ***The per capita expenditure on urban services by the NDMC in 1988–89 was Rs 2285 as against Rs 149 by the MCD. Thus, the per capita expenditure on civic services in the MCD area is just 6.5 per cent of what it is in the NDMC area (Delhi Human Development Report 2006).***

Accordingly the Committee recommends that **Option (d)** be accepted. However, it recommends a formula which is revenue neutral and at the same time optimizes the objective of vertical equity. The analysis of data compiled by the tax department suggests that there is extreme variation in taxation of similarly placed properties for various reasons discussed earlier. This problem will be automatically addressed as horizontal equity is inbuilt in the Unit Area System.

4.2.5 Recommendation 1: Unit Area Method in NDMC

(a) Categorisation of areas:

While categorizing the colonies in MCD area, the Expert Committee had taken ten variable factors and allotted points ranging from 2 to 10 to each of these factors. A colony scoring more than 80 points was categorized as A. Likewise a colony getting more than 70 points was categorized as B colony and so on. The ten variable factors included the capital value of land, prevalent value of rentals, age of the colony, road width on which colony is located, infrastructure physical, type of colony, proximity to commercial Centers, level of social services, category status of occupants & location of colony. There has been constant demands and agitations for reconsideration of the categorization of the colony. It is claimed that one or the other factor has been wrongly evaluated.

NDMC area is very small and the number of properties is also low. Therefore, the Committee recommends that it would be better to avoid such categorization in NDMC area and the entire NDMC area should be treated as one.

(b) **Structural Factor:**

MCD has fixed the structural multipliers as **1** or **.5** depending upon whether it is a Pucca construction or a Kuccha construction. There are no Kuccha constructions in the jurisdiction of NDMC. Therefore the committee recommends that structural factor be ignored in NDMC.:

(c) **Age factor :**

A multiplier from **.5** to **1** has been used by MCD to give deductions for depreciation in the value of properties with age. Where the property has been constructed prior to 31/3/1960, the use factor is **.5** between 1960 - 1970, the use factor is **.6** between 1970-1980 it is **.7**, between 1980-1990 it is **.8**, between 1990-2000 it is **.9** and 2000 and thereafter it is **1**. The same is recommended for NDMC.

However, where the construction has been raised in stages, there may be difficulty in applying the use factor for each stage of construction separately. For NDMC therefore only one age factor may be used even for a building which has been constructed in stages. Normally, whenever, there is an additional construction in the building, there is always renovation and strengthening of the old structures of earlier constructed portion. As such, the Committee recommends that the age of the construction may be determined with respect to the last addition/alteration sanctioned by the Architect Department of NDMC.

(d) Use factor:

In MCD, the unit rate have been fixed for the residential self occupied properties. A multiplier ranging from 1 to 10 is applied for various uses of properties such industrial use, recreational use, business use, hotel use and hoardings, tower etc. There were disputes on the use factor assigned for a particular use. In order to avoid such controversies, the Committee recommends only two use factors – first for residential use and the second for non-residential use.

(e) Occupancy factor:

As per the original proposals in MCD, an occupancy factor was to be applied for all types of properties (residential or non-residential) if these premises were rented. Subsequently, the guidelines were revised and the occupancy factor of 2 is being applied in case of residential properties only.

The rental values of commercial properties in areas under the jurisdiction of NDMC, are very high as compared those prevailing in the rest of Delhi. In case of Khan Market, the rentals can even go beyond Rs 500 a square ft. per month. The rentals in the residential areas are also fairly high. Keeping this in view, the Committee recommends that an occupancy factor be applied on both types of properties i.e residential as well as non-residential, if these are **not self occupied**.

A trend has been noticed in NDMC area wherein properties are being acquired in the names of companies. These properties are invariably being used for the residence of the - Directors, employees or relatives of such Directors/employees. The Committee recommends that such

properties should not be treated as self-occupied properties for the applicability of the occupancy factor.

(f) Covered Area

The MCD has used the words ‘covered space’ for the purpose of calculations under the UAM. Covered space has been defined in Section 116 E (1) of the DMC Act, 1957 (as amended) to mean *“the sum of the floor area in all floors, the measurement being taken on the outside, that is inclusive of the thickness of walls or any such devices or means enclosing the space, such space being -*

(a) covered by a roof, whether pucca, semi-pucca or kutcha (a grill, pergola or jalli shall not be considered as a roof) and

(b) enclosed on all sides by means of walls, doors, shutters, windows, jaalis, grills or any such means or provided with collapsible doors, windows, grills or rolling shutters, or any such means which will enable the space to be enclosed.”

The definition is cumbersome and may be difficult to understand. The Committee recommends that “covered area” should be used in UAM for NDMC. The term ‘covered area’ to have the same meaning as defined in the Building Bye-laws. In addition, portions constructed in the basement have also to be included.

In respect of the flats in a multi-storey buildings, the sale/purchase transactions are usually in terms of the super area. The super area is nearly 25% more than the covered area. The committee recommends that for flats in multistoried buildings, the UAM be applied on super area basis.

(g) UAM for vacant land:

NDMC has a number of Bungalows which have large open spaces. In MCD, vacant land is being taxed at 30% of the unit area rate for that locality and vacant land area is being computed by reducing the constructed area from the plot area. For NDMC also, the Committee recommends that for plots larger than 1000 sq meters, vacant land be taxed at 30% of the unit area rate. The vacant land area be computed by reducing the ground coverage as per sanctioned plans from the total plot area.

(h) Unit Area Rate for NDMC:

The table below summarises the estimate of unit area values which if applied would equalise the present revenue collections in NDMC. The estimation has been made on several alternative values of the use factor and the occupancy factor.

	Tax Rate	USE FACTOR		OCCUPANCY FACTOR		Unit Area Rate per square meter that would equalize the present tax collections in NDMC
		Residential	Non-Res	Self	Tenanted	
Alternative I	10%	1	4	1	2	1873
Alternative II	10%	1	4	1	3	1377
Alternative III	10%	1	4	1	4	1089
Alternative IV	10%	1	5	1	2	1541
Alternative V	10%	1	5	1	3	1130
Alternative VI	10%	1	5	1	4	893
Alternative VII	10%	1	6	1	2	1309
Alternative VIII	10%	1	6	1	3	959
Alternative IX	10%	1	6	1	4	756

In order to understand the implication of these unit area values, the equivalent **notional** rental values per square ft per month were worked out. The effective Notional rentals have been worked out on the basis of the present lowest slab of 20% tax:

Unit Area Rate Rs per SqM	Alternatives	Notional effective rentals			
		RESIDENTIAL SELF OCCUPIED	RESIDENTIAL RENTED	COMMERCIAL SELF OCCUPIED	COMMERCIAL RENTED
630	<i>MCD</i>	2.71	5.42	10.84	10.84
1873	Alternative I	8.06	16.12	32.24	64.47
1377	Alternative II	5.92	17.77	23.70	71.10
1089	Alternative III	4.69	18.74	18.74	74.97
1541	Alternative IV	6.63	13.26	33.15	66.30
1130	Alternative V	4.86	14.59	24.31	72.93
893	Alternative VI	3.84	15.37	19.21	76.84
1309	Alternative VI	5.63	11.26	33.79	67.59
959	Alternative VIII	4.13	12.38	24.76	74.27
756	Alternative IX	3.25	13.01	19.52	78.07

The normal rentals prevailing in NDMC area are in the range of Rs 15/- to Rs50/- per sq ft per month for residential properties and within the range of Rs 60 to Rs 100/- per square ft per month for commercial properties. There are some commercial properties which are fetching much higher rents but these are limited in number.

The alternative VIII balances the various consideration of equity. The unit area value of Rs959/- per square meter finds support also from the L&DO land values. The lowest L&DO land value is Rs 11,550/- per square

meter and 10% of this value would be Rs 1155/- per square meter. Keeping in view the above, the Committee recommends adoption of a Unit Area Rate of **Rs 1000/- per sq meter** of covered area with the following use factors and occupancy factors:

Use Factors

Residential	1
Non Residential	6

Occupancy Factors (to be applied both to residential as well as non residential properties)

Self Occupied	1
Other than self occupied	3

(i) Rebates:

MCD is allowing a rebate of 30% to self occupied residential properties owned by ex servicemen, sr. citizens, women and physically challenged persons. The Committee is of the considered view that rebates may be allowed only in exceptional circumstances by the Council for self occupied residential properties alone and none other.

4.2.6 Recommendation 2 – Service charges on Govt properties

The property profile of NDMC is unique in that 80 per cent of all buildings belong to the government. This feature is obverse of all other municipal bodies in the country where government properties are a minuscule proportion of all properties. In effect, therefore a small proportion of private properties and effectively financing the expenditure on services to government properties. This has been dealt at length in chapter 3. The executive instructions regarding calculation of service

charges are based on the original cost of construction and the original cost of land. The assessment for the purpose of service charges is extremely low. Even then, despite standing instructions of the government, the service charges are being refused by all except CPWD. In fact, even CPWD does not pay the full quantum of service charges prescribed by the Central government even though NDMC is providing all the services to its properties which NDMC is supposed to provide as per its Act. Besides, CPWD is highly irregular in making timely payments of the service charges and substantial dues subsist against various CPWD Divisions.

As per section 65 of the NDMC Act, 1994, Union properties which were liable to property tax before 26 January 1950 would continue to be liable to property tax under the Act. Therefore, if unit area Method as recommended is implemented, the same unit area value would apply for calculation of tax for Union properties constructed prior to 26 January 1950. The use factors for such properties is recommended is 1(one) as is in the case of MCD.

A review of expenditure incurred by NDMC over the last five years indicates that the expenditure, excluding the expenditure on purchase of electricity, has been in excess of Rs 600 crores during the last two financial years. The total collection from property tax is to the tune of only Rs150 crore. Thus the expenditure on services is much more than the property tax collections. Thus service charges on government properties should in fact be higher than those proposed for private properties. However considering the fact that properties constructed prior to 26 January 1950 are to be taxed in the same manner as private properties, the same method (UAM) is recommended for calculation of service charges for properties constructed after 26 January 1950.

There are no instructions regarding payment of service charges in respect of State government properties situated in the Union Territories. This assumes importance in the NDMC area because a fairly large number of State government properties are situated within its jurisdiction. The committee recommends that the same method should be applied for the purpose of calculation of Service Charges on Properties of State Govts as recommended for Central government properties.

4.2.7 Recommendation 3 – service charges on diplomatic properties

Since International Conventions do not prohibit imposition of service charges for services rendered by the hosting state, and views of the Ministry of External Affairs also support levy of service charges on reciprocal basis, the committee recommends the same method for calculating service charge on diplomatic properties as for government properties.

APPENDICES

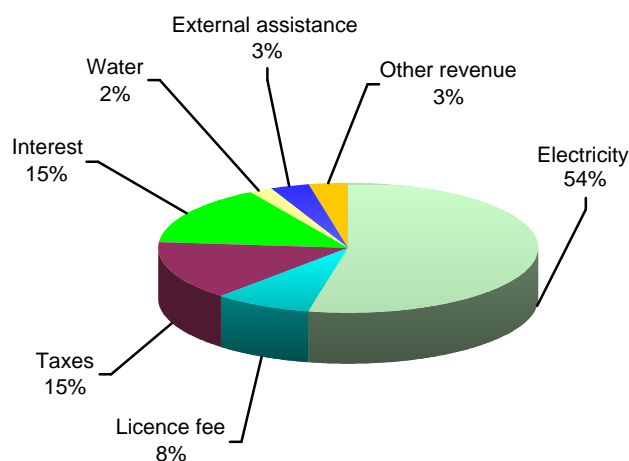
FINANCIAL POSITION OF NDMC*

*Source: Memorandum submitted to the 3rd Finance Commission for Delhi by the Finance Department of NDMC

Self-Reliance, Revenue Surplus and Fiscal Efficiency have long been the goals of Financial strategy of NDMC. NDMC has been successful to a large extent in achieving this goal despite its narrow resource base.

NDMC's resource base for 2005 consists of user charges on Electricity and Water (56%), Taxes (15%), Licence Fee (8%), Interest on surplus (15%) External assistance (3%) and other revenue (3%). Total Revenue Receipts of NDMC has grown from Rs. 152 crores in 1990-91 to Rs. 863 crores in 2003-04 at an average growth rate of 14% during the 15 years period.

Sources of Funds 2005-06 (BE)



The own revenue income of NDMC constitutes about 98%. Tax Revenue as a percentage of internal revenue has more than doubled from 7% in 1993-94 to 16% in 2003-04. The Tax revenues as a proportion of total internal revenue are showing a decreasing trend since. It was 14% in 2004-05 and 12% in 2005-06. House tax comprises of around 89% of

total Tax Revenue. As already detailed hereinbefore NDMC has an extremely narrow property tax base.

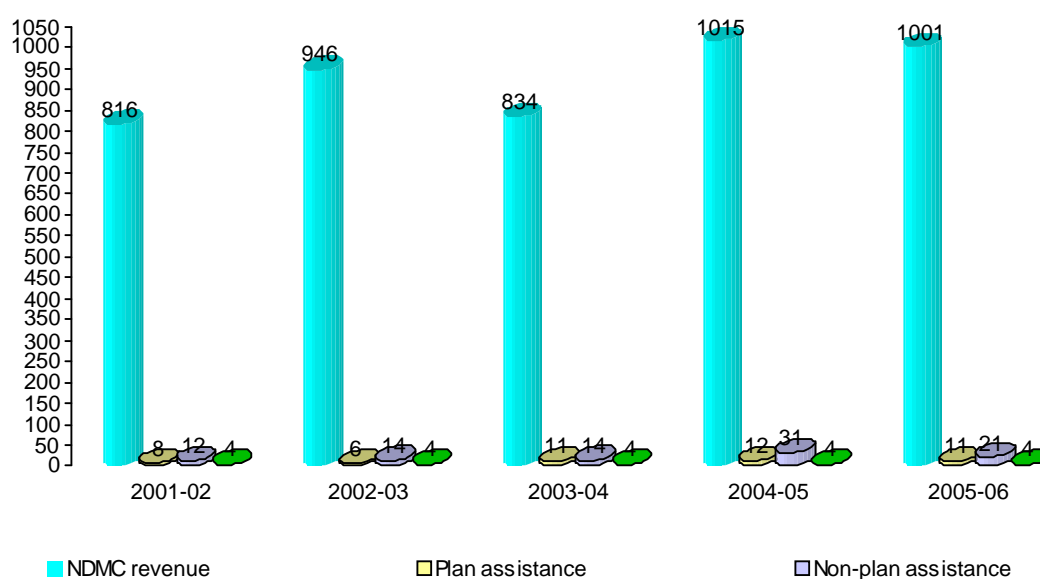
Electricity is around 75% of the total non-tax revenue which in turn is around 84-88% of the total internal receipts (Tax & Non-tax receipts). *Apparently, the fiscal health of NDMC is pre-dominantly dependent on surplus revenues from supply of electricity. Without this surplus, the NDMC's revenue account would show considerable deficit.*

Fiscal Transfers

Fiscal transfers as a percentage of total revenue receipts have shown a declining trend from 7% in 1990-91 to 5% in 1995-96 to 2% in 1999-2000. It has remained static at 2% from 2000-01 to 2003-04.

Internal Resources vis-a-vis External Assistance

(Rs in crores)



Debt Position – The loans were taken by the NDMC till 2000-2001 only for development/remunerative projects, mostly for electricity, housing, water supply etc.

As can be seen from the table below, NDMC has repaid the total outstanding loans with interest during the year 2004-05 and is now a DEBT-FREE MUNICIPALITY.

Position regarding release/repayment of loans under various schemes during the period 31.03.2000 to 31.03.2005

(Rs in crore)

Name of Scheme	Electricity	Water Supply & Sewerage	Other purposes (Housing & Compost Plant)
Loan Position	Amount	Amount	Amount
Balance of loan as on 31.03.2000	58.43	24.20	10.41
Loan received during 2000-01	5.00	0.75	Nil
Repayment of loan during 2000-01 (This includes for the period 96-97 to 99-2000)	23.73	11.54	4.95
Payment of interest during 2000-01 (This includes for the period 96-97 to 99-2000)	27.45	10.27	5.13
Balance of loan as on 31.03.2001	39.70	13.41	5.46
Loan received during 2001-02	Nil	Nil	Nil
Repayment of loan during 2001-02	7.91 (including 2.11 recovered by GNCTD out of grants-in-aid for the scheme Road & Bridges)	2.20	1.02
Payment of interest during 2001-02	4.90	1.59	0.62
Balance of loan as on 31.03.2002	31.79	11.21	4.44
Loan received during 2002-03	Nil	Nil	Nil
Repayment of loan during 2002-03	5.43	1.94	0.82
Payment of interest during 2002-03	3.56	1.36	0.51
Balance of loan as on 31.03.2003	26.36	9.27	3.62
Loan received during 2003-04	Nil	Nil	Nil

Repayment of loan during 2003-04	4.92	1.64	0.68
Payment of interest during 2003-04	3.28	1.13	0.42
Balance of loan as on 31.03.2004	21.44	7.63	2.94
Loan received during 2004-05	Nil	Nil	Nil
Repayment of loan during 2004-05	21.44	7.63	2.94
Payment of interest during 2004-05	1.45	0.34	0.09
Balance outstanding towards loan & interest as on 31.03.2005	Nil	Nil	Nil

Surplus Management – Total Revenue Receipts of NDMC during the period 1990-91 to 2003-04 has grown at an average rate of 14% as against the growth of Total Revenue Expenditure at 13% for the corresponding period. Thus, NDMC has been able to generate surplus investible funds. NDMC's investible funds have grown from Rs. 3 billions in 1994-95 to Rs. 8 billion in 2000-01 which now stand at Rs. 20 billion in 2004-05. An Investment Committee has been constituted for management of surplus/investible funds. This Committee meets fortnightly. The Council ratifies the decisions of the Investment Committee every month. The surplus funds are kept in fixed commercial deposits in banks. We have been able to maximize the interest income within the constraints of the NDMC Act, 1994.

Future Liabilities – The current status of physical infrastructure has already been detailed sectorwise hereinbefore. The same is summed up as under:-

Requirement of funds for replacement of assets during next five years

1. <u>Water Supply</u>	-	Rs	136.00	Crores
(60% of assets i.e. 251-271 k.m. @ Rs 50 lacs per k.m.)				
2. <u>Sewerage</u>	-	Rs	105.00	Crores
(50% of sewerage assets i.e. 175 k.m. @ Rs 60 lacs per k.m.)				
3. <u>Electricity</u>	-	Rs	190.00	Crores
4. <u>Upgradation and Construction of buildings</u>	-	Rs	212.17	Crores
5. <u>Roads and Roundabouts</u>	-	Rs	120.00	Crores
6. <u>Gardens, Parks & Fountain</u>	-	Rs	10.00	Crores

Total	Rs 773.17 Crores
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As is evident from above, funds to the tune of Rs. 773.17 crores are required during next five years for replacement of existing assets which have outlived their useful life and are imperative to maintain even the current status of efficiency/services. Additional funds over and above Rs. 773.17 crores shall be required to upgrade the services/efficiency level to the standards expected from and envisioned by NDMC. In addition to this there is ever increasing unassessed future liability for pensioners/employees. The current Pension liability of the Council is approx. Rs. 52 crores per annum which is estimated to cross Rs. 100 crore mark by the end of 2010-11. In addition to the above, revenue deficit is also apprehended to the tune of Rs 1465 crores as detailed in the forecast for next five years in the following tables:-

INTERNAL REVENUE RECEIPTS - NDMC (FORECAST)

(Rs. in Lakhs)

S. No.	Items	FORECASTS					
		2006-07	2007-08	2008-09	2009-10	2010-11	Total 2006-2011
1	2	3	4	5	6	7	8
I.	Internal Revenues						
A.	Tax Revenue/Obligatory						
(i)	House Tax						
	Forecast of NDMC	15000	16000	17000	18200	19500	85700
(ii)	Duty on transfer of property						
	Forecast of NDMC	1000	1100	1200	1350	1500	6150
(iii)	Adv/Show/Theatre						
	Forecast of NDMC	4	4	4	4	4	20
(iv)	Service Charges						
	Forecast of NDMC	1400	1500	1600	1700	1850	8050
	Total A (Tax Revenue)						
	Forecast of NDMC	17404	18604	19804	21254	22854	99920
B.	Non Tax Revenue						

(i)	Interest on Investment						
	Forecast of NDMC	16000	16800	17500	17500	17500	85300
(ii)	Sale of Energy						
	Forecast of NDMC	51500	52000	52500	53000	53500	262500
(iii)	Sale of Water						
	Forecast of NDMC	1500	1500	1600	1600	1650	7850
(iv)	Rent/Licence Fee						
	Forecast of NDMC	9000	9000	9500	10000	10000	47500
(v)	Other misc. receipt						
	Forecast of NDMC	4596	4096	5096	4846	6496	25130
	Total B (Non-Tax Revenue)						
	Forecast of NDMC	82596	83396	86196	86946	89146	428280
	Total I (A=B) (Tax & Non Tax Receipt/Internal Revenue)						
	Forecast of NDMC	10000	10200	10600	10820	112000	528200
		0	0	0	0		

REVENUE EXPENDITURE - NDMC (FORECASTS)

(Rs. in Lakhs)

S. No.	Items	FORECASTS					
		2006-07	2007-08	2008-09	2009-10	2010-11	Total 2006-2011
1	2	3	4	5	6	7	8
	Revenue Expenditure						
(i)	Taxes, Duties & Principal Revenue						
	Forecast of NDMC	161	182	206	233	267	1049
(ii)	Interest						
	Forecast of NDMC	150	200	250	300	350	1250
(iii)	Administrative Deptt.						
	Forecast of NDMC	25000	25200	27800	30580	33600	142180
(iv)	Social & Dev. Services						
	Forecast of NDMC	20500	22550	24800	27200	30500	125550

(v)	Electricity						
	Forecast of NDMC	39500	43500	47850	52600	57800	241250
(vi)	Water supply						
	Forecast of NDMC	6900	7600	8300	9150	10050	42000
(vii)	Roads						
	Forecast of NDMC	3250	3700	4250	4900	5635	21735
(viii)	Other Municipal Works						
	Forecast of NDMC	12500	14500	18000	21000	26400	92400
(ix)	Advance to employees						
	Forecast of NDMC	100	100	100	100	100	500
(x)	External Assistance						
	Forecast of NDMC	100	100	100	100	100	500
(xi)	Deposit Works						
	Forecast of NDMC	800	1000	1250	1500	1750	6300
	Total Revenue Expenditure						
	Forecast of NDMC	10896	11863	13290	14766	166552	674714

REVENUE GAP/SURPLUS - NDMC (FORECASTS)

(Rs. in Lakhs)

S. No.	Items	2006-	2007-	2008-	2009-	2010-11	Total
		07	08	09	10		2006-11
1	2	3	4	5	6	7	8
	Internal Revenues						0
	Forecast of NDMC	10000	10200	10600	10820	112000	528200
		0	0	0	0		
	Revenue Expenditure						0
	Forecast of NDMC	10896	11863	13290	14766	166552	674714
		1	2	6	3		
	Revenue Gap/Surplus	0	0	0	0	0	0

	Forecast of NDMC	-8961	-16632	-26906	-39463	-54552	-146514
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A review of the future liabilities of NDMC, its narrow & stagnant revenue base and its over-dependence on electricity and interest income, reveal that the fiscal health of NDMC is not as good as it would seem by only looking at its surplus funds and debt-free status. The current surplus funds are fully tied-up and shall barely be sufficient to meet the requirement of the Council in the near future.

Property Taxation – A theoretical perspective

The property tax has, historically, been associated with local government in most countries. One reason that taxes on land and property have been considered to be especially appropriate as a local revenue source is that real property is immovable – it is unable to shift location in response to the tax. Although a change in property tax may be capitalized into property values in a particular community, and in the long run tax differentials may affect where people locate, these effects are a smaller magnitude than those that would occur with income and sales taxes at the local level.

Another reason why property taxes are considered to be appropriate as a source of revenue for local governments is the connection between many of the services typically funded at the local level and the benefit to property values.

The property tax typically has following characteristics

Visibility : The ability to avoid property taxes is more constrained than with other taxes because of the visibility of the tax. Unlike the income tax, for example, the property tax is not withheld at source. This means that taxpayers tend to be much more aware of the property taxes they pay. The property tax also finances services that are very visible such as roads, garbage collection, snow removal, and neighborhood parks, for example. This visibility makes local governments accountable for the taxes levy; it also makes it difficult to reform the tax. Municipalities are facing constant pressure not to increase property taxes.

Local diversity: Because the property tax is largely levied by local governments, the structure varies among local governments. The property tax is not a single tax but rather it is a complex array of taxes with hundreds of local variations.

Benefit tax or capital tax: Some authors have argued that the property tax is a benefit tax. Property taxes are said to constitute a set of user charges for locally provided public goods and services. This means that in ideal circumstances, local differentials in property tax rates simply reflect local differentials in the level of public services. Others have argued, however, that the property tax is a distortionary tax on capital borne primarily by owners of capital.

There are mainly four methods of assessing property values for the propose of levy of property tax:

1. Market value assessment
2. Rental value based assessment
3. Site value assessment
4. Unit area based assessment

Market Value Assessment

Market value is defined as the price that would be struck between a willing buyer and a willing seller in an arm's length transaction. Three methods are generally used to estimate the market value:

- The comparable sales approach involves compiling and comparing sales of properties that are similarly placed as the property being appraised. It is used when the market is active and similar properties are being sold.
- The depreciated cost approach, where the property is valued by estimating the land value as if it were vacant and adding the cost of replacing the buildings and other improvements to that value. The depreciation from the actual date of construction to the date of valuation is reduced. The cost approach is used when the property is relatively new, there are no comparable sales and the improvements are relatively unique. The cost approach is also used to assess industrial properties as it is difficult to estimate the true sale value in such cases.
- Under the income approach, the assessor estimates the potential gross rental income the property could produce and deducts operating expenditures. The resulting annual net operating income is converted to a capital value using a capitalization rate. This approach is used mainly for income-producing properties.

Rental Value Assessment:

Under the rental value approach, property values are determined according to their current use; the use of rental value eliminates increases in property values due to potential future use and speculation. When a property is put to its highest and best use and is expected to continue

to do so, rental value will bear a predictable relationship to market value the discounted net stream of rental payments is approximately equal to market value. If current use differs from highest and best use, however, rental value and market value (for example, under the income approach) differ. Taxing potential future income takes into account the wealth of the owner but not the income. Thus the owner may not have sufficient cash to pay the tax now.

The major advantages of this system are:

1. The annual letting value of a property automatically adjusts to the improvements from the public services provided by the municipality.
2. Rental values take into account the advantageous/disadvantageous placement of a property such as locality, proximity to market or metro station, etc.
3. Rental values depend not only on the cost of the property but also on what the tenant is prepared to pay for it. Thus the demand side of the market is important in the determination of rent.

The disadvantages are:

1. The laws dealing with property tax are typically silent on how “reasonable rent is to be computed. It is not difficult to imagine that, when the law is silent, the word of the law enforcer counts. It is apparent that such a situation will lead to enormous discretionary powers in the hand of the tax collecting authorities. The presence of discretion severely compromises rule based regulation and reduces transparency in the administration of the law.
2. Rent control constraints can severely restrict both the level and growth of assessed values. Rent control acts have been devised to protect the welfare of the tenants against the depredation of landlords. The effects of these acts, however, sometimes go in the opposite direction .Landlords, unable to extract full value of their property, save on maintenance; tenants too have little incentive to maintain the property they rent. This leads to deterioration in the quality and value of the property.
3. One other unintended effect of rent controls arises from the narrowing of the tax base. Since assessed valued are much lower than market values, taxes on property yield very little revenue. This severely constrains the ability of municipal governments t provide public goods and services to precisely those citizens who the act was supposed to protect. The wealthy, on the other hand, can compensate for the shortfall in municipal services by accessing the market.

Site value assessments

Site-value assessment (SVA), in its purest form, estimates only the value of the land based on its best alternative use (its opportunity cost). The taxes paid depend on the estimated value of the land per-square meter multiplied by the property tax rate.

Advantages:

1. Site-value taxation has a number of merits relative to other types of property taxation. Tax literature suggests that the tax is neutral when land is taxed on its opportunity cost (i.e., its capacity to serve) and not on its current or future use. This tax will not affect the supply of sites.
2. Since the supply of land is fixed, a tax that falls on land and on the landowners cannot be shifted to others.
3. Land is more commonly owned by high-income taxpayers than by low-income taxpayers. Therefore, a tax on land is both more efficient and more equitable than a tax on land and on the structures.
4. The tax is also neutral in the decisions of landowners. Market-value assessment is not neutral because it taxes the value of the structures and the land. Moving to site-value assessment removes the penalty on making improvements and encourages more intensive use of land.
5. Urban sprawl is an important issue in the developed countries. By encouraging the development of unused land, urban sprawl could be reduced because it leads to a more intensive use of land. Site-value taxation, by exempting old buildings from property taxes, may encourage their owners to rehabilitate them and conserve the existing stock of structures in declining areas.

Disadvantages.

1. A land tax also imposes a penalty on waiting. Site-value taxation requires that a payment be made whether the land is unused or developed. This leads to a cash-flow problem for the landowners that hold unused land.
2. Another problem with site-value assessment is that the revenue for a site-value property tax is smaller than from a market-value property tax. Therefore, higher rates have to be applied to the site to achieve the same revenue.

Unit Value Assessment:

Unit assessment is directly related to the size of the property (land and buildings). When the assessment rate per square foot is adjusted to reflect location, quality of the structure or other factors, it is known as unit value assessment. Market value has an indirect influence on assessment base through the application of adjustment factors. It is generally believed that property taxes based on unit value assessment are less fair in terms of benefits received and ability to pay than are property taxes based on market value assessment.

One of the main advantages of unit value assessment is that property taxes based on it tend to be less volatile than under market value assessment. There is no discretion and the system is transparent, uniform and it has also been argued that unit value assessment is easier to understand and cheaper to administer than value-based assessments. These benefits are apparent for the residential properties. However, there may be difficulties in UAM for multi-residential, commercial, and industrial properties which have common areas. Furthermore, to ensure that it is fair in terms of ability to pay, it is necessary to include location factors. Once these factors are introduced, even the unit value system becomes quite complicated.

Whichever assessment method is used a good property tax system can be determined on the basis of the following six principles:

1. Fairness based on benefits received: Taxes should be related to the benefits received from government expenditures.

2. Fairness based on ability to pay: Taxes should be similar for those in similar circumstances. For example, people should pay comparable property taxes on comparable properties.

3. Neutrality: The tax should not distort economic behavior, including decisions about where to live and work and what improvements to make to one's property. Negative side effects should be minimized.

4. Stability : Taxes should not fluctuate dramatically from year to year.

5. Accountability: Taxes should be designed in ways which are clear to taxpayers so that policymakers can be made accountable to the taxpayers for the cost of government.

6. Ease of administration : Taxes should be fairly easy to administer. The simpler the system, the easier it will be to administer.

It is often difficult to achieve all of these principles at the same time so choices have to be made.

References:

- 1) *Property taxation by Enid Slack*
- 2) *Land and property taxation : A review by Richard M Bird and Enid Slack*
March, 2002
- 3) *User Charges in Local Government Finance by Richard M Bird*
- 4) *Rural Property Tax System in Central and Eastern Europe – FAO 2002*

Property Taxation in other countries

The methods of property taxation in the major cities of the world are discussed below:

1. ASIA

1.1 Hong Kong:

The property tax system in Hong Kong is similar to the one presently being followed in NDMC area. The annual value of properties for the purposes of property taxation in Hong Kong is calculated on the **annual rental method**. The annual value is calculated by taking the total rent for the year less an allowance of 20 per cent for repairs and maintenance (*as against 10% in NDMC*). Apart from rent, all cash and non-cash benefits given to the owner, inclusive of lease premium payable at the commencement of the lease, are included in the Annual Value.

Property owned by a corporation carrying on a business in Hong Kong is exempt from property tax

The rate of Tax is a flat 16%(for 2004-05) (*In NDMC the tax rate varies from 10-30%*).

(Ref – “a guide to property Tax” released by the Inland Revenue Department of Hong Kong)

1.2 Singapore

Like most former British colonies, the property tax system in Singapore is derived from the British rating system. The Annual value concept for taxation of property was adopted from the British rating system via India, as Singapore was governed by the British East India Company from India. Annual value assessments for taxation were based on the Indian acts passed by the Governor of India.

In Singapore the Annual Value of any property is based on the **rental method** viz. the gross amount for which the property can reasonably be let from year to year. The Annual Value of an apartment/house is generally determined by comparing the rentals of similar properties in the vicinity of the property. Sometimes the **profits approach** or the

contractors approach is also used. The AV is determined in the same manner irrespective of whether the property is let-out, owner-occupied or vacant.

The Annual Value of the **land** is determined at 5% of the market value of the land.

Places of worship; public schools which receive grant-in-aid from the government, charitable trusts and properties used in social development in Singapore are exempted from property tax.

The tax rates have been rationalized over the last four decades. The rate system had changed from application of different rates to different types of properties to **one uniform rate for all properties (with exception of owner-occupied houses)**. The rates were reduced from a high of 36 percent in 1978 to 10 percent in 2002. Owner occupied houses are taxed at a concessional rate of 4 percent.

A **computer Assisted Mass Appraisal (CAMA) system** is used to assess properties. Under this system, properties are grouped into sub-market classifications (SMCs) using a common basis e.g. characteristic such as property type and location. The system uses a SMC and not individual unit in order to enhance the efficiency and accuracy in assessment. The system is designed to assess SMCs on yearly basis. After each review, the system automatically schedules annual reassessment date for the SMC. The assessor can reassess the properties in a SMC in two ways such as automated assessment and individual assessment. In automated assessment using the Computer Aided Mass Assessment, the system revises the annual value using predefined criteria and in individual assessment, the assessor adjusts the annual value using various assessment models. Specialized properties such as hotels, factories, and cinema halls are assessed using this method.

Thus the Singapore property tax system continues to be based on the annual rental value of the property as historically derived from the British rating system. However the assessment and valuation methods have been simplified with the **extensive use of information technology** and the **mass appraisal systems**. A property valuation subsystem has been developed for information gathering, assessment, tax notices delivery, billing and collection. This subsystem is developed to replace the unnecessary human interference in property valuation process and to increase the productivity of the system. This subsystem was adopted in 1992, and it is estimated that it increased the productivity by three times as compared to the manual assessment process (Khublall 1999).

However, large disparities exist between public housing which is lightly taxed on one hand and non-residential properties on the other. This is consistent with the socio-political objectives of the government. It however limits the revenue potential of the property tax.

(Ref:

1. *website of Inland Revenue Authority of Singapore <http://www.iras.gov.sg>*
2. *Property Tax in a City-State: The Case of Singapore by Mukul G. Asher and Amarendu Nandy)*

1.3 Japan

A land value tax was introduced in 1991 and imposed on land holdings in order to reduce the preference for land as an asset holding measure. It has been suspended since 1998.

Japanese Municipal property taxes have several notable characteristics:

- Property taxes are divided into two categories: ***fixed asset tax and city planning tax***. The latter tax is levied only on real properties in urban areas in order to provide funds for the construction and maintenance of infrastructure.
- The land and improvements are assessed and charged property taxes separately. The method of assessment is the capital value method i.e the sale value of land & the replacement value of construction less depreciation. The assessed land values are adjusted on the basis of appropriate land price trends in their jurisdictions. Adjustments are also made to guard against steep decline in property prices effecting the tax collections. The reproduction costs of the improvements are estimated by multiplying the previous reproduction costs by a trend factor. The assessed value for the year is arrived at by multiplying the reproduction costs by a depreciation factor.
- There are no tax classes, such as single-family, multi-family, and business. All types of properties are taxed at a same tax rate (1.4%).
- A full revaluation occurs once every three years.

- There is a substantial property tax abatement system for residential properties. From the view point of housing policy, the tax base for houses and housing land are reduced as follows.

- Land for housing: One-sixth for a portion up to 200 square meters and
- one-third for a portion exceeding 200 square meters.
- New houses:
 - certain residential houses built in the period from 2 January 1963' to 31 March 2006 with floor space between 50 m² and 280 m²: one-half for the first three years only.
 - Certain new fire-proof residential buildings with three or more stories built during the period from 2 January 1964 to 31 March 2006, for which the floor space is between 50 m² and 280 m² : one-half for the first five years only.

(Ref: 1)website of the Ministry of Finance, Japan
<http://www.mof.go.jp/english/tax/taxes2005e.htm>)

2)monthly report of Japan Real estate Institute, October 2003
http://www.reinet.or.jp/e/mjr/200310_2.htm)

2 EUROPE

2.1 France:

In France there are two types of property taxes – one levied on the owner and the other levied on the occupier.

Taxe foncière is levied from the proprietor (owner) of residential properties situated within France.

Taxe d'habitation is also applicable to all residential properties, but it is due from the occupant, whether the occupant is the owner, the tenant or a free occupant.

“Occupation” includes, not only actual daily or regular use of the property, but also if the tax payer has the “possibility” of occupation, meaning: the property is available for his occupation - it is furnished and supplied with water and electricity - even if it is only occupied on brief or occasional visits.

The tax base is determined by the *valeur locative cadastrale*. It represents the **notional annual rent** if the property was let on the open market. However the *valeur locative* is often substantially lower than the market rental value. Every year, the *valeur locative* is multiplied by a factor to reflect the national variation of prices. For the last five years, the resulting increase has been about one percent a year. From time to time the tax authorities review the individual values of properties

Two different rates are applicable for developed and undeveloped land called *bâti* and *non-bâti*. For residential property the developed area is the land on which the house and outbuildings are built plus a defined area of additional land surrounding the house. A single property, if large enough, can therefore be liable to both *taxe foncière bâti et non-bâti* and either one or two tax bills may issued.

To accurately reflect changes in values, the property owner must submit a declaration to the tax authorities with details of any material changes, within 90 days of completion. “Changes” include the construction of a building, structural changes to an existing property; a change of use (for example the conversion of a rural worker’s property to a holiday home); but also less substantial work including the addition of a swimming pool or a central heating system.

As a rule of thumb, changes that require the grant of a building permit or a building declaration must be reported to the tax authorities. The changes may be exempt from tax for two years, although that exemption can be lost or reduced in the case of late reporting.

2.2 United Kingdom

The history of property taxation can be traced back to the Poor Law Relief Act of 1601 which ordered taxation according to the value of the occupation of property. The method of raising revenue has remained largely same ever since.

However, the structure of taxation has been under controversy since at least 1950s, primarily for the following reasons:

- First, in order to ensure that property tax is fair, there needs to be a system of regular reassessments or revaluations so that relative values between properties were realistic, and each property and each taxpayer pays a fair share of the total

tax burden. However in the United Kingdom, for various reasons the revaluations did not take place regularly, leading to disparities between similarly placed properties.

- Second, it was felt that many local authorities were imposing unfair burdens on the taxpayers. The level of tax payable increased well above inflation. The reason was primarily because central government reduced its grant support to local authorities to force them either to cut services or to run them more efficiently or if necessary to raise more revenues locally. The impact was more pronounced on the business rates because in the residential properties many people were entitled to tax rebates.

The central government's response was to remove local governments taxation powers by replacing rates on domestic property with a fixed **per capita community charge (the poll tax)** a fixed charge for everyone. On business property, the rate was nationally set which the local authorities were to collect. The poll tax was highly unpopular and in 1993 it was replaced by a “**council tax**” for domestic property – again a tax based on the value of property assessed in **bands of value** but with some elements of Poll Tax as the tax payable depends upon the number of persons staying in the premises..

Rates on **non-residential property (business rates)** are still charged at a uniform rate set by **central government**. Rates are collected by local councils, but the moneys collected go back to a central pool and then redistributed to the local authorities broadly on a per head of population basis.

2.2.1 Council Tax

The council tax is collected and retained by the local bodies whereas business rates are collected by the local bodies and transferred to the central government.

The base for the **Council tax** is residential property. Each dwelling is allocated to one of eight bands coded by letters A through H **on the basis of its assumed capital value (as of 1/4/1991)**. Each local authority sets a tax rate expressed as the annual levy on a band D property inhabited by two liable adults. This decision automatically sets the amounts

levied on all types of households and dwellings. Single adults living alone are entitled to a 25% discount.

There is effectively taxation in two parts, 50 per cent based on valuation of the property and 50 per cent as a personal tax depending upon the number of persons living in the house. The personal tax is reflected in discounts based on occupancy. If there are two or more adults, no discounts apply. If there is one adult, a 25% discount is allowed. Severely mentally impaired persons and students are not counted for council tax purposes. Vacant properties are exempted for the first six months. Thereafter a discount of only 10 per cent is allowed.

In Wales, tax bills based on the property revaluations done using 2003 prices were issued in 2005. Because of the surge in house prices, more than a third of properties in Wales found themselves in a band higher than under the 1991 valuation. Some properties were moved up three or even four bands with consequent large increases in the amount of council tax demanded. Some properties were moved into new Band I at the top of the price range. Only 8% of properties were moved down in bands. However, a large shift of properties between bands will cause a shift in the allocation of the charge between bands, and the tax levied for each particular band will then drop, as the total amount collected will remain the same for each authority (see ‘calculation of amount’ below).

Between the wholesale revaluations, a major change to a property (such as an extension, or some major blight causing loss of value) can trigger a revaluation to a new estimate of the value the property would have reached if sold in 1991. Newly constructed properties are also assigned a nominal 1991 value.

Although it is the only tax which is set by local government, the Council Tax contributes only a small proportion (25%, on average) of local government revenue. The majority comes from central government grants and from business rates which are collected centrally and redistributed to local authorities.

Calculation of amount

Each of the levying authorities sets a precept (total amount) to be collected for their area. This is then divided by the number of *nominal Band D* properties in the authority’s area

(county, district, national park, etc.) to reach the Band D amount. (The *nominal Band D* property total is calculated by adding together the number of properties in each band and multiplying by the band ratio. So a 100 Band D properties will count as 100 *nominal Band D* properties, whereas 100 Band C properties will only count as 89 *nominal Band D* properties.)

Each collecting authority (district/borough council or unitary authority) then adds together the Band D amounts for their area (or subdivisions of their area in the case, for example, of civil parish council precepts) to reach a total Band D council tax bill

To calculate the council tax for a particular property a ratio is then applied. A Band D property will pay the full amount, whereas a Band H property will pay twice that.

There may be further modifiers in certain circumstances, for example a discount for unoccupied property, a 25% discount for single occupants, or a total dispensation for diplomatic residences.

Bands

In England, the council tax bands are as follows :

Band	Value	Ratio	Ratio as %
A	up to £40,000	6/9	67%
B	£40,001 to £52,000	7/9	78%
C	£52,001 to £68,001	8/9	89%
D	£68,001 to £88,001	9/9	100%
E	£88,001 to £120,000	11/9	122%
F	£120,001 to £160,000	13/9	144%

G	£160,001 to £320,000	15/9	167%
H	£320,001 and above	18/9	200%

2.2.2 Business Rate

The business rate is now set by the central govt on which the local authorities do not have any control. The one exception to this is the Corporation of the City of London which empowered to set its own rate or multiplier within the Square mile of the city of London.

The introduction of our national non domestic rate gave a certain degree of certainty in taxation to businesses and helped in their planning. However this nationalisation of the business rate has led to a breakdown of an important financial link between the local businesses and the local authorities where the local authorities do not have any incentive in making improvements which help to businesses. The other fallout has been that the flexibility of local authorities in their finances has dropped dramatically. The local authorities have been forced to increase the Council Tax and the average increase in council tax in the last 11 years has been above the inflation rate. Therefore the government is now thinking of introducing “**Business Improvement Districts**” based on their use in the USA. This will allow businesses in an area to propose a supplement to the raids over any area, large or small, to pay for improvements which will directly benefit those businesses.

Annual Rental Value

The business rate is based on the assessment of a property’s **annual rental value**, which is the rate at which the property could be let in a free and open market at the specific valuation date. The valuation officer has to look at each property in terms of its existing use but as if it were vacant and to let for its highest and best within that category. The valuer also has to look at the properties current state of repairs. The assessments are based on the rental value derived from a variety of sources of market information,

including rent returns completed by occupiers. The aim is to get the consistent view of the rents achieved for all classes of property in the area.

There are cases where there is insufficient open market rental evidence or the property in question is not generally let in the open market because of its specialized nature of use and construction. In such circumstances, the most common approaches to assessment of the annual rental value are

- The receipt and expenditure method and
- the contractor's method.

Under the receipts and expenditure method the annual value is determined on the basis of the net profit which the hypothetical tenant could expect to generate from the property and assess how much of this profit the hypothetical tenant would be prepared to pay as rent. This method is mostly used in valuation of Hotels, theatres, sports centres, leisure parks, racetracks and premises where a licensing system confers the element of monopoly.

In properties which are not let in the open market and which do not generate a net profit from trading, the contractors method of valuation is used. In this method a rental value is derived from the cost of constructing the premises. The construction cost plus the infrastructure costs are taken at the fixed valuation date and then discounted for the age and obsolescence of the property and to this result, the capital value of land is added. The rental value is arrived at by applying a decapitalisation rate, which is set to by statutory regulations.

Exemptions from business rate

The following types of properties are exempt

- agricultural land and buildings
- Religious premises used for public worship
- property used for disabled people. However the administrative premises of charities that exist for the benefit of disabled people are not exempt

- till 2000 the government properties were exempt from business rates as the crown supposedly could not pay money to itself. However there existed a system of contributions in aid of business rates which were made by central government to the local bodies. Since April 2000 all government properties are also subjected to business rates like private properties.

Relief

A limited number of relief from rate payment are available even to properties that are not exempt. The most important relief for charities which may be given a relief ranging from 80 to 100%. Unoccupied properties are taxed at 50% of the annual charge

(Ref : information collected from the Valuation Office Agency and Burroughs in London and the internet)

3. United States of America

In the United States, **property tax** is usually assessed by local government, at the municipal or county level. A tax assessor is a public official who determines the value of real property for the purpose of apportioning the tax levy. An appraiser may work for government or private industry and may determine the value of real property for any purpose.

Tax assessor offices maintain inventory information about improvements to real estate. They also create and maintain tax maps. This is accomplished with the help of surveyors. On tax maps, individual properties are shown and given unique parcel identifiers. The tax maps help to ensure that no properties are omitted from the tax rolls and that no properties are taxed more than once. The assessment of an individual piece of real estate may be according to one or more of the normally accepted methods of valuation (ie income approach, market value or replacement cost). Assessments may be given at 100 percent of value or at some lesser percentage.

These taxes are collected by municipalities such as cities, counties, and districts in many locations in the United States. They fund municipal budgets for school systems, sewers,

parks, libraries, fire stations, hospitals, etc. After determining a budget at the municipal level, a legislative appropriation determines how the monies will be collected and distributed. After that, a tax authority levies the tax. An appeal is permitted. Equalization is then considered by a board of equalizers to assure fair treatment. Then a tax rate is determined by dividing the municipal budget by the assessment role of that municipality. The tax rate x the assessed value of the property determines the tax payable.

Some jurisdictions have both ad valorem and non-ad valorem property taxes, the latter representing a fixed charge (regardless of value) for items such as street lighting and storm sewer control.

3.1 New York

In New York state and NYC, a property's assessment is based on its market value. Market value is how much a property would sell for under normal conditions. Assessments are determined by the assessor, an elected or appointed local official who independently estimates the value of real property in an assessing unit. Assessing units follow municipal boundaries - county, city, town, or village.

In New York City, the properties are divided into classes:

Class 1: Includes most residential property of up to three units (such as one-, two-, and three-family homes and small stores or offices with one or two apartments attached), vacant land that is zoned for residential use, and most condominium buildings that are not more than three stories.

Class 2: Includes all other property that is primarily residential, such as cooperatives and condominiums.

Class 3: Includes property with equipment owned by a gas, telephone or electric company.

Class 4: Includes all commercial and industrial property, such as office or factory buildings.

The market value of the property is determined by following three approaches depending on the type of property:

- **Sales:** by analysis of sales of similar, recently sold properties to determine the most probable selling price of the property being valued. This method is used most often to value small, residential properties (e.g., one- to three-family homes).
- **Cost:** First estimate the land value and then determine the cost of reproducing or replacing the building. This method is used for new construction, specialty properties, including utility properties.
- **Income Capitalization:** property value based on the income that can be generated by renting the property. Finance uses the income and expense information that it is provided and estimates a rate of return for an investor, called a capitalization rate. This approach is generally used for properties such as office and apartment buildings.

Cooperatives and Condominiums are valued as if they are rental apartment buildings. This means that market value estimate is not based on sales prices, but rather on an estimate of the rent that would be charged for the units in the cooperative and / or condominium building if the units were rental apartments.

Computer assisted techniques are used for valuation of properties.

The estimated market value is multiplied by an assessment **ratio** for the class of property to arrive at the assessed value. The assessment ratio for all Class 1 properties is 6 percent & the assessment ratio for all Class 2, 3, and 4 properties is 45 percent.

There are rules to protect old properties from a steep increase in taxation. These rules may not apply if a property is newly constructed, renovated, or demolished:

- For class 1 properties the assessments cannot be increased beyond 6 percent each year or more than 20 percent in five years.
- For Class 2 properties increase in assessments on properties with fewer than 11 units is limited to 8 percent each year or less than 30 percent in five years. Assessment changes for properties with more than 10 units must be phased-in over five years.
- There are no assessment limitations for Class 3 properties.
- Assessment changes on Class 4 properties must be phased-in over five years.

3.2 Washington

Property tax was the first tax levied in the state of Washington. Today, property tax accounts for about 30 percent of total state and local taxes. It continues to be the most important revenue source for public schools, fire protection, libraries, and parks and recreation.

State law requires that county assessors appraise property at 100 percent of its true and fair market value in money, according to the highest and best use of the property. Fair market value or true value is the amount that a willing and unobligated buyer is willing to pay a willing and unobligated seller. The county assessor values real property using one or more of three professional appraisal methods. Assessors must revalue real property at least once every four years. In some counties, properties are revalued each year and require physical inspection at least once every six years.

For the purpose of reassessment of properties for the year 2007 the city has embarked upon a project to enhance the quality of the District's real property assessment data, using vans equipped with state-of-the-art photo imaging cameras and CAMA technology. More than 140,000 parcels of real property in the District of Columbia had their street addresses and property characteristics verified and confirmed. Additionally, each building was photographed and geo-coded (GPS). Accurate addressing will ensure better property data for more equitable and uniform assessments as well as quicker responses for emergency personnel. The overall goal of the Assessment Division is to uniformly and equitably assess all properties in the District and to employ market-driven valuation techniques. The technical aids, data and processes mentioned above will assist us in improving the quality of property specific appraisals.

(Source: 2007 GENERAL REASSESSMENT PROGRAM ASSESSOR REFERENCE MATERIALS : Standards & Services Unit Real Property Assessment Division, Washington DC)

1.3 California

The value of a property for the purpose of property taxation means **the price at which a property, if exposed for sale in the open market** with a reasonable time for the seller to

find a purchaser, would transfer for cash or its equivalent under prevailing market conditions between parties who have knowledge of the uses to which the property may be put, both seeking to maximize their gains and neither being in a position to take advantage of the exigencies of the other.

Three methods are used to determine the property value:

i) **The comparative sales approach:** When reliable market data are available with respect to a given real property, the preferred method of valuation is by reference to sales prices.

ii) **The income approach :** The income approach to value is used in conjunction with other approaches when the property under appraisal is typically purchased in anticipation of a money income and either has an established income stream or can be attributed to a real or hypothetical income stream by comparison with other properties. It is the preferred approach for the appraisal of land when reliable sales data for comparable properties are not available. It is the preferred approach for the appraisal of improved real properties and personal properties when reliable sales data are not available and the cost approaches are unreliable because the reproducible property has suffered considerable physical depreciation, functional obsolescence or economic obsolescence, or a substantial over-or under improvement, is misplaced, or is subject to legal restrictions on income that are unrelated to cost.

iii) **The reproduction and replacement cost approach:** The reproduction or replacement cost approach to value is used in conjunction with other value approaches and is preferred when neither reliable sales data (including sales of fractional interests) nor reliable income data are available and when the income from the property is not so regulated as to make such cost irrelevant. It is particularly appropriate for construction work in progress and for other property that has experienced relatively little physical deterioration, is not misplaced, is neither over-nor underimproved, and is not affected by other forms of depreciation or obsolescence.

PROPOSITION 13: Under Proposition 13, the real estate tax on a parcel of residential property is limited to 1% of its assessed value, until the property is resold. This “assessed value”, however, may only be increased by a maximum of 2% per year. If the property’s market value increases rapidly (values of many detached dwellings in California have appreciated at annual rates averaging more than 10% over the course of several years) or if inflation exceeds 2% (common), the differential between the owner’s taxes and the

taxes a new owner would have to pay can become quite large. The property may be reassessed under certain conditions, when additions or new construction occur; the assessed value is also subject to reduction if the value of the house declines, but this is rare.

Proposition 13 is stated to have greatly benefited homeowners whose homes have appreciated in value since it was passed, particularly those (such as the elderly) whose incomes have not risen as fast as property values.

*(Ref : property tax Rules , Board of equalization, State of California.
<http://www.boe.ca.gov/proptaxes/ptrules.htm>)*

4 Alberta, Canada

The municipal level of government in Canada is funded largely by property taxes on residential, industrial and commercial properties. These account for about ten percent of total taxation in Canada.

Many provinces in Canada levy property tax on real estate based upon the current use and value of the land and this is the major source of revenue for most municipal governments in Canada. While property tax levels vary between municipalities in a province there is usually common property assessment or valuation criteria laid out in provincial legislation. There is a trend to use a **market value standard** for valuation purposes in most provinces with varying revaluation cycles. A number of provinces have established an annual reassessment cycle where market activity warrants while others have longer periods between valuation periods.

Alberta has been taken as an example:

The **market-value based standard** is used to determine the assessed values for the majority of properties in Alberta. Market value is the price a property might reasonably be expected to sell for if sold by a knowledgeable, willing seller to a willing buyer after appropriate time and exposure in an open market. The market value is the most probable price, not the highest, lowest, or average price

Assessors gather information on ranges of sale prices in the marketplace. This statistical data is used as part of the process for calculating market-value-based assessments. Sale price information helps to develop market-value-based assessments. Assessments are calculated by analyzing the range of sale prices of groups of properties at a specific point in time. Several sales of similar properties are compared to determine typical market values of specific types of properties that have similar characteristics.

There are three standardized approaches to determine the market-value-based assessment of a property. The three approaches for estimating market-value-based assessment are:

1. **the sales comparison approach**; This approach is based on the theory that the market value of a property is directly related to the sale price of similar properties. When property types are relatively similar, the sales comparison approach provides a dependable indication of market value. This approach is best suited to residential properties and other types of property that sell often on the open market.

2. **the cost approach**; The cost approach is used when the property being valued is new or nearly new, in situations where there are no comparable sales available, or when the improvements are unique or specialized (for example, courthouses, fertilizer blending plants, or large recreational facilities). The cost approach is based on the assumption that a purchaser would not pay any more to purchase a property than it would cost to buy the land and then rebuild the exact improvements. An improvement is a building or structure that is attached to the land and is expected to remain so (for example, a building or a pipeline). Values for properties that are assessed using the cost approach are determined by using the following formula:

- $\text{Market value of land} + \text{cost of improvements (i.e. buildings)} - \text{depreciation} = \text{total value of property}$

3. **The income approach**. The theory behind this approach is that income-producing properties are bought and sold based on their income-earning potential. This approach is used to assess the value of rental properties, such as apartment buildings or rental office buildings.

4. There is a fourth approach – the **Regulated assessment standard** – for assessing the values of properties that are difficult to assess using a market value based assessment standard. These properties are difficult to value because:

- They seldom trade in the marketplace.

- When they do trade, the sale price usually includes non-assessable items that are difficult to separate from the sale price.
- They are of a unique nature.

Therefore, it is difficult to arrive at a money value based on any of the three previously mentioned approaches to value. The value of these properties is determined by what it is used for, its activity, or its production capability. To arrive at assessed values for these types of properties, rates are assigned for each of the various components that make up each type of property. There are four types of regulated property: 1. Farm land, 2. Machinery and equipment, 3. Linear property (eg pipelines, distribution lines etc) & 4. Railway property

Assessments for all types of property are prepared by professional, certified assessors. Assessors receive training in a variety of areas including property valuation techniques, legislation, and quality assurance.

The assessments are generally made in by a **Mass appraisal** approach. Mass appraisal is the process of valuing a group of properties as of a given date, using common data, mathematical models, and statistical tests. Mass appraisal techniques allow assessors to accurately value a large number of properties in a short period of time. Data collection before an assessment can be prepared, property data must be collected. The more accurate and complete the property records are, the more accurate the assessed value will be. The more accurate the assessed values, the more equitable the entire assessment system is. Detailed information about each property is gathered by making on-site visits or by corresponding with the owner of the property. Correspondence with a property owner usually occurs when the assessor is requesting information about commercial, industrial, or rental properties (such as apartment buildings or hotels). Information collected by the assessor in the assessment process is also available from other sources including Alberta Land Titles, the real estate Multiple Listing Service, and financial institutions. Valuation and condition dates In Alberta there are two key legislated dates by which certain assessment processes must be complete — the valuation date and condition date. The valuation date is a fixed point in time at which assessment values are based. The valuation date ensures that all properties in a municipality are valued as of the same date.

(Source : Guide to property assessment and taxation in Alberta, Ministry of Municipal Affairs Alberta, Canada. <http://www.municipalaffairs.gov.ab.ca>)

Taxation of Indian properties in US and UK

4.1 Article 23 of the **Vienna convention on Diplomatic Relations 1961** and **Article 32** of the **Vienna Convention on Consular Relations, 1963** provide for the exemption from taxation of foreign Missions and consulates respectively

Article 23 of the Vienna convention on Diplomatic Relations 1961 is as under:

“1.The sending State and the head of the mission shall be exempt from all national, regional or municipal dues and taxes in respect of the premises of the mission, whether owned or leased, other than such as represent payment for specific services rendered.

2.The exemption from taxation referred to in this article shall not apply to such dues and taxes payable under the law of the receiving State by persons contracting with the sending State or the head of the mission.”

4.2 Article 32 the Vienna Convention on Consular Relations, 1963 is similarly worded:

“Exemption from taxation of consular premises

1.Consular premises and the residence of the career head of consular post of which the sending State or any person acting on its behalf is the owner or lessee shall be exempt from all national, regional or municipal dues and taxes whatsoever, other than such as represent payment for specific services rendered.

2.The exemption from taxation referred to paragraph 1 of this article shall not apply to such dues and taxes if, under the law of the receiving State, they are payable by the person who contracted with the sending State or with the person acting on its behalf.”

These provisions specify that the premises of the mission or the consulate and the residence of the head of the council or the mission shall be exempt. However there is no exemption from payment of charges for specific services rendered by the host state. Neither is there any exemption for the business premises of the sending State.

4.3 Position in US

The United states has ratified the two treaties mentioned above and are the supreme law of the land under Article VI of the Constitution.

In 1982, the Congress passed the *Foreign Missions Act*, 22 U.S.C. 4301-4316, which created a new office in the United States Department of State. This office is called the Office of Foreign Missions or OFM. The purpose of OFM is to serve the foreign diplomatic and consular communities stationed in the United States, and to control their activities. All services are based on the principle of reciprocity. In other words, no privileges are granted to a foreign official unless United States Embassy and Consular personnel receive the equivalent privileges in that country.

4.3.1 New York

Pursuant to the Vienna Conventions on Diplomatic and Consular Relations, only those portions of property owned by foreign governments that are used exclusively for the purposes of the mission or the consular post, or as the residence of the head of the mission or the consular post, are tax exempt. Thus, the New York city has exempted the residence of the Indian ambassador and the office buildings of the consulate. However, other properties of the consulates such as those used for the residence of the consulate employees are taxed at normal rates like any other property in the city unless there is a bilateral agreement between the US and that country to exempt each others properties. Foreign countries are required by federal law to file a two-page exemption form that allows New York City to inspect their consulates and missions for any taxable uses, such as commercial tenants or diplomats' apartments. In New York City, property tax exemption request is filed directly with the New York City Department of Finance Exemption Unit.

The Permanent Mission of India at UN has a Multistory building in the heart of Manhattan situated at 235 East 43rd Street, New York. The New York City has imposed a tax on a portion of this property on the ground that it is being used as the residence of the employees of the mission. The PMI is contesting the tax. As the tax demand has not been paid over a number of years, the arrears have risen considerably.

In fact, India is one of the four countries against whom the City government filed a lawsuit in the Manhattan State Supreme Court to collect unpaid Property Taxes. The other three countries were – Turkey, Philippines, and Mongolia. The claim against India is to the tune of \$28 million which includes a large chunk on account of Interest on unpaid property Tax since 1985. The complaint against India is that it has failed to pay real estate taxes and other charges from 1985 to the present. As on Feb1, 2003, India had been asked to pay \$4,876,542.20 in taxes and charges, and \$11,500,159.89 in statutory interest, for a total of \$16,376,702.09. The amount is reported to have risen to \$ 28 million. The City seeks to enforce payment of the tax liens that have attached to the Indian property. Specifically, The City seeks a judgment of foreclosure establishing the validity of the tax liens, as well as a judgment against the defendants directing that they pay the amount of taxes, interest and other charges due.

The complaint against Mongolia was similar in relation to its property located at 6 East 77th St. from 1980 to the present. The property in question, like India, was used for housing mission employees other than the head of the mission. As of February 1, 2003, Mongolia owed \$230,042.27 in taxes and charges, and \$1,838,952.73 in statutory interest, for a total of \$2,068,995.00.

Some of the countries have settled their disputes with the city government. Turkey for example settled the claim of \$7.89 million in taxes and \$62.12 million in interest by paying a sum of only \$5.05 million.

A Federal appeals Court has ruled that the city can sue the Indian Government for outstanding dues. There have also been attempts within the US Senate to link the payment of property tax dues by countries and foreign aid given to them by USA

(Source: Information provided by the Embassy of India at New York, US Govt Foreign Office and information available on US Govt websites)

4.3.2 Washington DC

In the Washington metropolitan area, property tax exemption is also obtained through OFM. When a mission submits a request for exemption from real estate taxes, the diplomatic note should include the address of the property, its lot and square number, a description of the property's function, and the date the deed was recorded with the local government. In order

to qualify for exemption from real estate taxes, the deed must be titled in the name of the mission with *one* exception: when the chief of mission resides in his personally owned residence. Otherwise, personally owned residences do not enjoy tax exemption.

4.3.3 No exemption from Charges for Specific Services.

The exemption from real estate taxes *does not include exemption from charges for services* such as the collection of refuse or any other separately identified charges for specific commodities or services that may appear on the tax bill.

A **Front Foot Benefit Tax** is also charged. This is levied on the basis of improvement made by the local body in the utilities that effect the value of the property

4.3.4 Other taxes

4.3.4.1 Real Property Transfer Tax (RPTT)

RPTT is imposed on grants, assignments, transfers, or surrenders of real property in New York City. This includes the sale or transfer of at least a 50 percent ownership interest in a corporation, partnership, trust, or other entity that owns or leases real property; initial transfers of shares of stock in cooperative housing by the sponsor; and subsequent transfers of co-op stock. RPTT applies whenever the consideration for the sale or transfer exceeds \$25,000.

The following are exempt from payment of RRPT:

- The United States and its agencies, insofar as they are exempt from taxation, and
- New York State and its agencies, instrumentalities, political subdivisions, and public corporations. However, a grantee from national or state governmental bodies must still file a return and pay the tax.
- A foreign government, a person acting on behalf of a foreign government, or the head of a foreign government's diplomatic mission, if the premises are used exclusively for diplomatic or consular purposes.

However, where such governmental bodies are transferring property, the transferee must still file a return and pay the tax.

4.3.4.2 Diplomatic Tax exemption program

US has a Diplomatic Tax Exemption Program, which provides sales and use, occupancy, food, airline, gas, and utility tax exemptions to eligible foreign officials on assignment in the United States. Not all foreign missions and their personnel are entitled to tax exemption, because this privilege is based on reciprocity

Those foreign officials who are entitled to tax exemptions are issued a Tax Exemption Card by OFM. For identification purposes, the individual's name, photograph, mission employed by, expiration date, and protocol identification number are provided on the card. There are two different types of Tax Exemption Cards: Personal and Official/Mission. Each card will have one of two different levels of sales and use tax exemption. (The Tax Exemption Card does not allow its holder to purchase gas or utilities free of tax.) The level and kind of exemption are designed to match the levels of exemption encountered by American Embassies in foreign countries. The level of tax exemption is indicated by the color of the card and the written explanation in the colored box.

The cards with a blue stripe exempt the bearer from all state and local taxes nationwide. The cards with a yellow stripe require the bearer to purchase a minimum amount of goods or services before the bearer is entitled to tax exemption. The requirements may range from a specified purchase amount or could exempt certain sectors from exemption, with the most common exclusion being hotel taxes.

The Personal Tax Exemption Card is used at the point of sale for exemption from state and local sales, restaurant, lodging, and similar taxes normally charged to a customer. The Personal Card bears the photograph and identification of a duly accredited consulate, embassy, or eligible international organization employee who is entitled to the tax exemption privileges as stated on the card. This card is only for the personal use of the bearer whose picture appears on the front of the card.

The Mission Tax Exemption Card is used for official purchases of a foreign consulate or embassy. The Mission Card bears the photograph and identification of a consulate, embassy,

or international organization employee who has been allowed official purchasing privileges for that office. This card is for official purchases only. All purchases must be made in the name of the mission and paid for by mission check or credit card (not cash or personal check).

4.4 United Kingdom

4.4.1 In the United Kingdom, there are two categories of property taxes –

- 1) the Council tax – which is levied on residential properties only. It is collected and retained by the local bodies.
- 2) The National Non Domestic Rates – Tax on properties other than residential. This tax is also collected by the local bodies but it is passed on to the Government.

Her Majesty's Government bears the cost of that proportion of municipal dues which represents expenditure from which the sending State or entitled person is deemed to derive no direct benefit. This non-beneficial portion includes such services as education, police, housing and welfare services. The beneficial portion is deemed to cover expenditure on the collection and disposal of household refuse, local highways and streets (eg lighting, maintenance and cleaning), environmental health, fire services, parks and pleasure gardens, public libraries and museums and drainage.

Thus, in London, all diplomatic properties are exempt from council tax. However, the non residential properties, though they are in exempt from Business rates, are liable for the “*beneficial portion*” of the National Non Domestic Rates.

As per the note No A086/02 issued by the Protocol Division of the Foreign and Commonwealth Office, the beneficial portion of the NNDR has been pegged at 6%. Earlier it used to be 14 %. . The beneficial portion of the NNDR represents payment for specific services rendered by the local bodies.

There is no exemption for business properties such as the office of the ITDC

4.4.2 Other Tax exemptions

Heads of diplomatic missions, together with the members of the diplomatic and administrative and technical staffs of missions are exempted from payment of the fee

chargeable on the **issue of driving licences** and from the requirement of passing the **driving** test, to which applicants for such licences are normally subjected, provided they can produce evidence of their competence to drive in the form of a valid national driving licence or an International Driving Permit. The element of Customs duty and VAT contained in the retail price paid for **supplies of hydrocarbon oils** (petrol, diesel fuel and fuel oil) is refunded to entitled members of diplomatic missions. The VAT, car tax and excise duties levied on goods sold in the United Kingdom are indirect taxes of a kind which are normally incorporated in the price of goods or services and are thus excepted from the exemption from taxation prescribed in Article 34(a) of the Vienna Convention. Ex-gratia arrangements exist, however, in the United Kingdom for relieving diplomatic agents from excise duty and VAT on their purchases from bonded warehouses of alcoholic liquor and tobacco products and from VAT, car tax and (where applicable) duty on cars. Heads of Missions may also reclaim VAT on substantial purchases of high-grade British furniture and furnishings destined for the equipment or re-equipment of the reception rooms of their missions or of their official residences.

4.4.3 STAMP DUTIES

Relief from payment of stamp duty (by way of free stamping of the relevant documents) is allowed in relation to properties acquired, whether freehold or leasehold, as premises of a diplomatic mission, within the definition of such premises contained in Article I (i) of the Vienna Convention on Diplomatic Relations (Schedule I of the Diplomatic Privileges Act). The exemption does not apply to the counterparts of conveyances or leases. No other relief from stamp duty is allowed on grounds of diplomatic privilege.

4.4.4 COMMUNITY CHARGE

Local authorities have power to levy a community charge on all individuals (including foreign nationals) living in the local authorities' area, unless they are exempt. The following persons are exempt from all but the beneficial portion of the personal community charge:- 1. Head of Diplomatic Mission and spouse; 2. Diplomatic Agent and spouse; 3. Administrative and technical staff of an and their spouses; 4. Head of a Consular Mission and spouse; 5. Consular Officers and their spouses; 6. Embassy or High Commission Consular employees and spouses;

The exemption of these categories does not extend to UK citizens or foreign nationals permanently resident in the UK. Any entitlement to exemption which extends to an Officer's spouse will also extend to dependent children 18 and over. Under the terms of Articles 23, 34 and 37 of the Vienna Convention whereby entitled persons are liable to pay charges for specific services rendered Her Majesty's Government has decided that, as the community charge is a municipal due, persons entitled to diplomatic exemption and their dependents aged 18 or over should be required to bear the cost of the beneficial portion of the average national community charge. Her Majesty's Government bears the remainder.

(Source: tour report of Dir(Tax), NDMC)

Rent Control Laws in US

6. There are two types of rent regulations in US – rent control & Rent Stabilisation

6.1 Rent Control:

The rent control program generally applies to residential buildings constructed before February 1947 in municipalities that have not declared an end to the postwar rental housing emergency. A total of 51 municipalities have rent control, including New York City, Albany, Buffalo and various cities, towns, and villages in Albany, Erie, Nassau, Rensselaer, Schenectady and Westchester counties.

For an apartment to be under rent control, the tenant (or their lawful successor such as a family member, spouse, or adult lifetime partner) must have been living in that apartment continuously since before July 1, 1971. When a rent controlled apartment becomes vacant, it either becomes rent stabilized, or, if it is in a building with fewer than six units, it is generally removed from regulation. An apartment in a one- or two-family house must have a tenant in continuous occupancy since April 1, 1953 in order to be subject to rent control. Once it is vacated after that date, it is no longer subject to regulation. Previously controlled apartments may have been decontrolled on various other grounds. On rare occasion, a decontrolled apartment is ordered back under rent control as a penalty for certain violations of the rent laws.

6.2 Rent Stabilization:

In NYC, rent stabilized apartments are those apartments in buildings of six or more units built between February 1, 1947 and January 1, 1974. Tenants in buildings of six or more units built before February 1, 1947, who moved in after June 30, 1971 are also covered by rent stabilization. A third category of rent stabilized apartments covers buildings with three or more apartments constructed or extensively renovated since 1974 with special tax benefits. Generally, these buildings are stabilized only while the tax benefits continue.

Rent control covers about 50,000 apartments occupied largely by an elderly, low income population who have been in occupancy since July 1, 1971 or by their lawful successors. Apartments under rent control become decontrolled upon vacancy. If the apartment is in a building with six or more units it will generally fall under rent stabilization upon vacancy. If in a building with five or fewer apartments it will "go to market," that is, leave rent regulation and become a market-rate rental. Even if the apartment is in a building with six or more units, and it rents for more than \$2,000 it will be fully deregulated. Whether or not the legal rent has surpassed this \$2,000 threshold may be determined in what is known as a Fair Market Rent Appeal.

Tenants protected by rent stabilization have the right to either a one or two year lease when they move into an apartment except under certain circumstances such as, for example, when the apartment is not used as the tenant's primary residence. In New York City, the landlord may not charge more than the legal-regulated rent.

If the apartment is subject to such rent regulation, the rent and subsequent rent increases are set by statute. A tenant may challenge the regulated rent. Landlords of rent stabilized buildings may seek rent increases for certain types of building-wide major capital improvements, such as the replacement of a boiler, and for new services, new equipment or improvements to an apartment in accordance with the law and regulations. Under limited circumstances, a landlord may also apply for a hardship rent increase. Landlords must provide tenants with a written receipt when rent is paid by cash, money order, cashier's check, or in any form other than the personal check of a tenant. Where a tenant pays the rent by personal check, the tenant may submit a written request for a rent receipt from the landlord. The receipt must state the payment date, the amount, the period for which the rent was paid, and the apartment number. The receipt must be signed by the person receiving the payment and state his or her title.

Rent regulated apartments may involve a duty to renew the lease. The renewal leases for rent stabilized tenants must contain the same terms and conditions as the prior lease and rental increases, if any, as prescribed by law but may provide for a rent increase according to rates permitted by the Rent Guidelines Board. Rent stabilized tenants may choose either a one-year or a two-year renewal lease. For New York City rent stabilized tenants, the landlord must give written notice to the tenant of the right to renewal no more

than 150 days and not less than 120 days prior to the end of the lease. After receipt of the notice of renewal, the tenant has 60 days in which to accept. If the tenant does not accept the renewal offer within the prescribed time, the landlord may refuse to renew the lease and seek to evict the tenant through court proceedings.

In New York City, the landlord must serve the tenant with a written termination giving 30 days notice before the expiration of the term. The notice must state that the landlord elects to terminate the tenancy and that refusal to vacate will lead to eviction proceedings.

6.3 Affect of Rent Control on Tax Assessments

Even though the assessments in NYC are based on the capital value of the property, the rent control legislation does reduce the assessments as the property value goes down due to rent control.

In Massachusetts, in the year 1994, voters approved a ballot referendum ending **rent** controls in the three cities that had them: The measure went into effect in 1995, and by the beginning of 1997 deregulation of the rental housing stock in these three cities was complete. It has been reported that there has been an increase in property tax collections because of increase in market rentals of these properties and willingness by landlords to make improvements in these properties.

(Source: tour report of Dir(Tax), NDMC)

SYSTEM OF PAYMENT IN LIEU OF TAXES IN OTHER COUNTRIES

7.1 In the United States, the State owned properties are traditionally exempt from local property taxes under the theory of sovereign immunity. Unlike all other taxes, the property tax is usually a zero-sum game. The city sets its annual property tax levy, which is the actual amount of revenue it must raise from property taxes, and then apportions that amount among the taxable properties within its property tax base at the different rates established for each of its four classes of property. Properties that are tax-exempt are excluded from this base, which means their tax exemption shifts the tax burden to an ever- shrinking realm of taxable properties. In effect, owners of taxable properties are directly subsidizing the tax breaks granted to exempt properties, including those owned and controlled by the State.

In the United States, the government recognises the financial burden of providing services and many states in the US compensate the local bodies for property tax exemptions by either voluntarily waiving the exemption or by making payments in lieu of taxes called PILOT or PILT.

Under the theory of sovereignty or sovereign immunity, higher levels of government traditionally may claim tax exemption for properties they own that are located in lesser governmental jurisdictions. In practice, however, this principle is not absolutely or uniformly applied since the State can choose to waive its immunity.

There are, in fact, many examples of governments waiving their immunity and opting to pay taxes or other compensation for properties they own in lesser governmental jurisdictions. The federal government administers a number of programs to partially compensate local bodies and States for lost property tax revenues resulting from federal ownership land. The federal government does not, however, have any comparable payment programs for developed property it owns in urban centers such as New York City, despite higher property values and thus significant loss of revenues.

Several States in USA also acknowledge and address the fiscal burden that exempt state-owned properties place on the local bodies where they are located, through statutes although

enforcement and quantum of compensation are issues which have not been satisfactorily addressed. The Compensation is usually in the form of PILOTS rather than taxes, and varies enormously from state to state.

Connecticut leads in payment of PILOTs for state-owned land, which are estimated at between 77% to 90% of the revenue losses caused by tax exemptions for certain types of non-profit institutions, such as private universities. The state of Massachusetts, which is the largest owner of tax-exempt property in Boston, compensates that city for lost revenues from its properties, although not on a consistent basis or in amounts that come close to the actual revenue losses caused by its properties. In most states, PILOT payments are subject to annual appropriations by state legislatures and vary significantly depending on the state's financial condition, its other priorities and various other factors unrelated to either the value of the properties or the tax losses to localities.

(Source: desktop research on the basis of information available on websites)

7.2 In UK, though there are exemptions from payment of business rates available to charities, places of worship, agricultural lands etc, but the following categories of buildings are NOT exempt:

- Hospitals
- Schools
- Historic buildings
- LOCAL AUTHORITY BUILDINGS
- GOVERNMENT BUILDINGS.

The diplomatic properties are charged only for the “beneficial portion” of the business rates (6%), but the remaining 94% is compensated by the government.

(Source: tour report of Dir(Tax), NDMC)

APPENDIX-7**STATEMENT OF SERVICE CHARGES FROM CENTRAL GOVT. PROPERTIES**

S. No.	Name of Division	R.V.	Service charges 2005-06	Arrears as on 31.3.05
1.	Ex. Engr. 'B' Div. CPWD	410090/-	82019/-	228467/-
2.	Ex. Engr. 'C' Div. CPWD	6514741/-	1363843/-	91741/-
3.	Ex. Engr. 'D' Div. CPWD	10662281/-	493555/-	8926034/-
4.	Ex. Engr. 'E' Div. CPWD	836883/-	167376/-	55553/-
5.	Ex. Engr. 'F' Div. CPWD	5592312/-	1204337/-	6601401/-
6.	Ex. Engr. 'G' Div. CPWD	4876422/-	975281/-	2814087/-
7.	Ex. Engr. 'H' Div. CPWD	23140381/-	5094121/-	24781941/-
8.	Ex. Engr. 'I' Div. CPWD	1048538/-	209708/-	515823/-
9.	Ex. Engr. 'J' Div. CPWD	3822825/-	822945/-	39567/-
10.	Ex. Engr. 'KB' Div. CPWD	6154651/-	1280852/-	1178084/-
11.	Ex. Engr. 'L' Div. CPWD	421158/-	84232/-	1262682/-
12.	Ex. Engr. 'N' Div. CPWD	35687812/-	9794253/-	32208787/-
13.	Ex. Engr. O & M' Div. BMB/D/B, Kaka Nagar	88612/-	17722/-	Nil
14.	Ex. Engr. Central Sectt. Div. CPWD	3038622/-	674487/-	5456542/-
15.	Ex. Engr. Central Store Div. CPWD	2125261/-	470466/-	259040/-
16.	President Estate Div., CPWD	5975466./-	1354240/-	4902687/-
17.	Ex. Engr. PWD 31 CPWD	4458386/-	1041839/-	9664039/-
18.	Ex. Engr. PWD 1 CPWD	748139	149647	206873
19.	Ex. Engr. PWD II CPWD	6831275	1806593	Nil
20.	Ex. Engr. PWD III CPWD	28070743	7727740	29593663
21.	Ex. Engr. PWD IV CPWD	1009021	201805	1012659
22.	Ex. Engr. PWD XII CPWD	5211177	1263353	Nil
23.	Ex. Engr. PWD Q CPWD	3318568	663712	576615
24.	Ex. Engr. PWD R Div CPWD	3804137	763674	3253361

25.	Ex. Engr. Safdarjung Flyover	257627	51525	158755
26.	Ex. Engr. SSK Hosp. Div CPWD	11642534	2901627	7966103
27.	Ex. Engr. T Div CPWD	3254686	669796	2123206
28.	Ex. Engr. T Div CPWD	3254686	669796	2123206
29.	Ex. Engr. Vigyan Bhawan CPWD	30222373	8809390	Nil
30.	DD(Hort.) West CPWD	55663	11133	Nil
31.	GE Project(East) Tigri Rd.	160504	32101	183442
32.	RML Hosp.	1903274	380656	Nil
33.	Controler Telegraphic Store	319500	63900	Nil
34.	Dir. Medical ESI Dispensary Basi Dara	65705	13141	Nil
35.	Member Secy. Central Board of Irrigation Power	211723	42345	Nil
36.	Asstt. Dir. (TRG) J.B.	59222195	17416325	Nil
37.	Nevel KG School	98574	19715	Nil
38.	Dy. Secy. GOI Deptt. Space S.P. Marg	206735	41347	Nil
39.	Dir. Gen. Ar. Survey of India	28083	5671	Nil
40.	Dir. Institute CMR Medical	760358	160073	Nil
41.	Chief Commission, Income Tax	1035000	208750	2561281
42.	Chief Engr.CWE) A.F. Palam	20036415	5860924	19744748
43.	Registrar Central Tribunal(CAT)	150764910	4372947	4372947
44.	Ex. Engr. Parliament Library project I CPWD	277145820	82993746	19400000
45.	Administrator, National Stadium Mazar Diyan Chand	11006250	3151875	36479322
46.	Dir. Gen. National Archies of India	4126187	1087856	13118889
47.	DCP(L&B) Police HQ	433055	86612	Nil
48.	GE Rao Tula Ram marg	5235042	1191819	4316846
49.	MS Safdarjung Hosp.	5717068	1357405	727981
50.	Officer Incharge Nevel Officer Mess, Kota House	159521	31904	516185

51.	Addl. Dir.(HQ) CGHS Nirman Bhawan	4142263	1092679	5681282
52.	Chief Administrative Officer, GOI Deptt. Of Atomic Energy	3633665	940100	Nil
53.	SO(GAP) Deptt. Of Post Dak Tar Bhawan	103681	105151	Nil
54.	MS SSK Hosp.	9829433	2648830	10483024
55.	Engr. Officer, M/o Development, L&DO Nirman Bhawan	39	8	158
56.	Station Dir.(AIR) Parliament Street	479764	95953	Nil
57.	Station Director Doordarshan Bhawan, Mandi House	4237326	1119232	Nil
58.	Secretary, Railway Board, Rail Bhawan, New Delhi	641920	128384	2229910
59	Asstt. Settlement Commissioner, Land & Building Deptt.	38615	7723	32823
60.	S.S.P.O. New Delhi, Meghdoot Bhawan	6544	1309	1309
61	S.S.P.O. New Delhi,, South West Div. Chanakyapuri	133833	26767	26767
62	Post Master General, Mohan Singh Place	26589	5317	5317
63	S.S.P.O. New Delhi,, South East Golf Link	8036	1607	2970
64	Sr. Supdt. Air Mail Shooting, Safdarjung Air Port	12818	2574	2574
65	Post Master Gen. Lodi Road	16602	3320	3320
66	Chief Post Master, Gole Dak Khana	249202	49840	49840
67	Post Master Lodi Road HPO	1424	285	285
68.	Post Master General, Delhi Postel Circle	104400	104400	20880

69.	Administrative Officer, VSNLS	5704117	1411235	Nil
70.	AGE Water Supply No. 2, Kotwali Raod, Delhi	22748	4550	28108
71.	Chief Post Master General, DelhiCivil, Megh Doot Bhawan	72551620	2026549	2026549
72	Defence Estate Officer, Delhi Circle, Delhi Cantt.	11946890	3424112	34278049
73	Supdt. Engr.(Estate), Northern Railway New Delhi	9617481	2106494	2875861
	TOTAL	67094149	183909067	326612311

DETAILS OF DIPLOMATIC PROPERTIES IN NDMS AREA

S . N o	Name of Country	Address of the property in NDMC Area	Exempt as per International Conventions	Others	Whether Indian Properties are exempted from property tax or service charges
1.	Afganistan	5/50, F, Shanti Path, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of 12 other employees.	Exempted
2.	Algeria	E-120, Malcha Marg	-	Residence of Minister Counsellor	Exempted
3.	Angola	C-101, Anand Niketan, New Delhi	-	Residence of Second Secretary	Exempted
4.	Argentina	130, Golf Links, New Delhi	-	Residence of Minister	Exempted
5.	Armenia	D-133, Anand Niketan, New Delhi	Residence of Ambassador	-	Exempted
6.	Australia	1/50 G, Shanti Path, Chanakyapuri, New Delhi	Residence of High Commissioner	Residence of other 25	Not Exempted
7.	Austria	EP 13, Chandragupta Marg, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 4	Reply not received
8.	Bangladesh	EP 39, Dr. S. Radhakrishnan Marg, Chanakyapuri, New Delhi	Residence of High Commissioner	Residence of other 11	Not Exempted
9.	Belgium	50 N, Shanti Path, Chanakyapuri, New Delhi C-17, Malcha Marg	Residence of Ambassador -	Residence of other 2 Residence of Trade Commissioner	Not Exempted
10.	Bhutan	Chandragupta Marg, Chananyapuri, New Delhi	Residence of Ambassador	Residence of other 9	Reply not received
11.	Brazil	8, Aurangzeb Road, New Delhi	Residence of Ambassador	Residence of other 4	Not Exempted
12.	Bulgaria	EP 16/17, Chandragupta Marg, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 6	Not Exempted
13.	Canada	7/8, Shanti Path, Chanakyapuri, New Delhi	Residence of High Commissioner	Residence of other 47	Not Exempted
14.	Chile	6/32, Shanti Niketan, New Delhi	Residence of Ambassador	-	Reply not received
15.	China	50-D, Shanti Niketan, New Delhi	Residence of Ambassador	Residence of other 9	Not Exempted
16.	Cyprus	106, Jor Bagh, New Delhi E-77, Ist Floor, Anand Niketan, New Delhi D-56, IInd Floor, Anand Niketan, New Delhi	Residence of High Commissioner - -	- Residence of IInd Secretary Residence of Attachee Immigration	Not Exempted
17.	Czech	50 M, Niti Marg, Chanakyapuri, New Delhi	Office of Ambassador	Residence of other 6	Not Exempted

18.	Egypt	1/50 M, Niti Marg, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 12	Not Exempted
19.	Eritrea	D-115, Anand Niketan, New Delhi	-	Residence of IInd Secretary	Not Exempted
20.	Ethopia	7/50-G, Satya Marg, Chanakyapuri, New Delhi E-12, Anand Niketan, New Delhi	Residence of Ambassador - -	- Residence of 1 st Secretary	Exempted
21.	Fiji	F-158, Malcha Marg, New Delhi	-	Residence of 1 st Secretary	Reply not received
22.	Finland	E-3, Nyaya Marg, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 7	Exempted
23.	France	2/50-E, Shanti Path, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 15	Reply not received
24.	Germany	6/50 G, Shanti Path, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 49	Not Exempted
25.	Ghana	50 N, Satya Marg, Chanakyapuri, New Delhi	Residence of High Commissioner	Residence of other 9	Not Exempted
26.	Greece	EP 32, Dr. S. Radhakrishnan Marg, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 6	Not Exempted
27. .	Holy See	50 C, Niti Marg, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 2	Reply not received
28. .	Hungary	2/50 M, Niti Marg, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 3	Not Exempted
29. .	Iceland	5/1, Shanti Niketan, New Delhi	Office of Ambassador	-	Reply not received
30. .	Indonesia	50 A, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 8	Not Exempted
31. .	Iran	5, Barakhamba Road , New Delhi	Residence of Ambassador	Residence of other 15	Exempted
32. .	Ireland	230, Jor Bagh, New Delhi	Residence of Ambassador	Residence of other 2	Not Exempted
33. .	Israel	3, Aurangzeb Road, New Delhi	Residence of Ambassador	Residence of other 28	Not Exempted
34. .	Italy	50-E, Chandragupta Marg, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 18	Exempted
35. .	Japan	50-G, Shanti Path, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 31	Not Exempted
36. .	Jordan	30, Golf Links, New Delhi 17, Moti Lal Nehru Marg	Office of Ambassador Residence of Ambassador	Residence of other 2 -	Not Exempted
37. .	Korea- Republic of	9, Chandragupta Marg, Chanakyapuri Extn., New Delhi	Residence of Ambassador	Residence of other 12	Reply not received

38 .	Kuwait	5A, Shanti Path, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 4	Exempted
39 .	Kyrgyz	C-93, Anand Niketan, New Delhi	Residence of Ambassador	Residence of other 3	Reply not received
40 .	Lebanon	H-1, Anand Niketan, New Delhi	Residence of Ambassador	Residence of 1 st Secretary	Reply not received
41 .	Libya	22, Golf Links, New Delhi	Residence of Ambassador	-	Reply not received
42 .	Malaysia	50 M, Satya Marg, Chanakyapuri, New Delhi	Residence of High Commissioner	Residence of other 10	Not Exempted
43 .	Mauritius	EP 41, Jesus &Marry Marg Chanakyapuri, New Delhi	-	Residence of other 3	Exempted
44 .	Mexico	26-D, Sardar Patel Marg, New Delhi	-	Residence of other 7	Exempted
45 .	Mangolia	34, Archbishop Makarios Marg, New Delhi	-	Residence of other 2	Not Exempted
46 .	Morocco	4, Golf Links, New Delhi 48A, Aradhna Enclave, New Delhi 91, Golf Links, New Delhi	Residence of Ambassador - -	- Residence of Dy. Chief Mission Residence of Counsellor	Not Exempted
47 .	Myanmar	3/50 F, Nyaya Marg, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 10	Not Exempted
48 .	Nepal	Barakhamba Road, New Delhi C-118, Ist Floor, Anand Niketan, New Delhi D-99, Anand Niketan, New Delhi E-16, Anand Niketan, New Delhi D-119, Anand Niketan, New Delhi	Residence of Ambassador - - -	Residence of other 13 Residence of Minister Economic Residence of Military Attachee Residence of Counsellor Residence of Counsellor	Reply not received
49 .	The Netherlan ds	6/50 F, Shanti Path, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 11	Not Exempted
50 .	New Zealand	Sir Edmund Hillary Marg, Chanakyapuri, New Delhi F-160, Ist Floor, Malcha	Residence of High Commissioner	Residence of other 2	Not Exempted

		Marg	-	Residence of IInd Secretary	
51 .	Nigeria	Plot No.EP 4, Chandragupta Marg, Chanakyapuri, New Delhi	Residence of High Commissioner	Residence of other 13	Not Exempted
52 .	Norway	Shanti Path, Chanakyapuri, New Delhi Bungalow No.8, Norwegian Embassy, Chanakyapuri, New Delhi Bungalow No.3, Norwegian Embassy, Kautilya Marg, New Delhi Bungalow No.5, Norwegian Embassy, Kautilya Marg, New Delhi Bungalow No.6, 7 & 9, Norwegian Embassy, Kautilya Marg, New Delhi	Residence of Ambassador - - - -	Residence of Counsellor(Commercial) Residence of Minister Counsellor Residence of Counsellor Residence of other 2 Residence of other 3	Not Exempted
53 .	Oman	EP 10 & 11, Chandragupta Marg, Chanakyapuri, New Delhi E-15, Anand Niketan, New Delhi C-22, Anand Niketan, New Delhi	Residence of Ambassador - -	- Residence of Counsellor Residence of Ist Secretary	Exempted
54 .	Pakistan	2/50 G, Shanti Path, Chanakyapuri, New Delhi 8-B, Pakistan House, Tilak Marg, New Delhi 2/5, Shanti Niketan, New Delhi (GF)	Office of High Commissioner Residence of High Commissioner -	- - Residence of Ist Secretary, Counsellor & Minister (4 nos.)	Not Exempted
55 .	Philippines	50-N, Nyaya Marg, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 11	Not Exempted
56	Poland	50-M, Shanti Path,	Office of	Residence of other 8	Not Exempted

.		Chanakyapuri, New Delhi 1, Tilak Marg, New Delhi	Ambassador Residence of Ambassador	-	
57.	Portugal	13, Panchsheel Marg, Chanakyapuri, New Delhi	Residence of Ambassador	-	Reply not received
58.	Qatar	EP 31-A, Chandragupta Marg, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of Counsellor & Ist Secretary	Reply not received
59.	Romania	14, Kautilya Marg, New Delhi	Residence of Ambassador	-	Reply not received
60.	Russia	Shanti Path, Chanakyapuri, New Delhi 24, Ferozeshah Road, New Delhi	Office of Ambassador -	Residence of other 52 Residence of IInd Secretary	Not Exempted
61.	Serbia	3/50 G, Niti Marg, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 3	Reply not received
62.	Singapore	E-34, Anand Niketan, New Delhi A-11, Anand Niketan, New Delhi	- -	Residence of Counsellor Residence of Defence Adviser	Not Exempted
63.	Slovak Republic	50-M, Niti Marg, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 6	Reply not received
64.	Spain	12, Prithviraj Road, New Delhi	Residence of Ambassador	Residence of other 3	Exempted
65.	Sri Lanka	27, Kautilya Marg, New Delhi	Residence of High Commissioner	Residence of other 7	Exempted
66.	Sudan	Plot No.3, Shanti Path, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 4	Not Exempted
67.	Suriname	C-15, Malcha Marg, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of Counsellor / Dy. Chief of Mission	Exempted
68.	Sweden	Nyaya Marg, Chanakyapuri, New Delhi 6,Dharam Marg, Chanakyapuri, New Delhi	Residence of Ambassador -	Residence of other 7 Residence of Ist Secretary Development	Not Exempted
69.	Switzerland	Nyaya Marg, Chanakyapuri, New Delhi Chandragupta Marg, Chanakyapuri, New Delhi	Residence of Ambassador -	Residence of other 8 Residence of other 5	Not Exempted

70	Thailand	56-N, Nyaya Marg, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 9	Exempted
71	Trinidad & Tobago	6/25, Shanti Niketan, New Delhi	Residence of High Commissioner	Residence of other 2	Reply not received
72	Turkey	N-50, Nyaya Marg, Chanakyapuri, New Delhi 22, Prithviraj Road, New Delhi	Office of Ambassador Residence of Ambassador	Residence of other 6 -	Not Exempted
73	Uganda	C-114, Anand Niketan, New Delhi	-	Residence of Administrative attachee	Not Exempted
74	United Arab Emirates	EP-12, Chandragupta Marg, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 3	Not Exempted
75	United Kingdom	Shanti Path, Chanakyapuri, New Delhi	Residence of High Commissioner	Residence of other 68	Not Exempted
76	United States of America	American Embassy, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 207	Not Exempted
77	Uzbekista n	EP 40, Dr. S. Radhakrishnan Marg, Chanakyapuri, New Delhi	Residence of Ambassador	Residence of other 3	Not Exempted
78	Venezuela	E-106, Malcha Marg, Chanakyapuri, New Delhi 1, Amrita Shergill Marg, New Delhi	Office of Ambassador Residence of Ambassador	Residence of other 2 -	Not Exempted
79	Vietnam	17, Kautilya Marg, New Delhi C-48, Anand Niketan, New Delhi	Residence of Ambassador -	- Residence of other 3	Not Exempted
80	Yemen	D-32, Ist Floor, Anand Niketan, New Delhi D-23, IInd Floor, Anand Niketan, New Delhi E-29, IInd Floor, Anand Niketan, New Delhi	- - -	Residence of Minister Residence of Minister Residence of Cultural Counsellor	Reply not received
81	European Commissi on	65, Golf Links, New Delhi	Residence of Ambassador	Residence of other 14	Reply not received

New Delhi, the 10th May, 1954.

From

Shri C.S.Krishna Moorthi, IAS,
Deputy Secy. to the Govt. of India.

To

The Chief Secretaries to the Govts. of
All Part 'A' & 'B' States.
(Except Jammu & Kashmir).

Sub: Payment of service charges to local bodies
in respect of Central Govt. properties.

Sir,

Under Clause (1) of Article 285 of the Constitution, the properties of the Government of India are exempt from all taxes imposed by local authorities in the States. It has been represented to the Government of India that notwithstanding this Article the Government should agree at least to the payment of charges for services rendered by local authorities. The Government of India have given careful consideration to such representations in the light of the recommendations made by the Local Finance Enquiry Committee in regard to taxes on Central Government properties. They have decided that payment should be made with effect from April 1, 1954 to local bodies for "Service charges" in respect of Central Government properties on the following basis:-

- (1) The Central Government will make payment in respect of their properties for specific services rendered by local authorities; but such payment of such "service charges" shall be treated not as payment of taxes but of compensation payable in quasi-contract Specific Services will include not only direct services such as water and electric supplies, scavenging etc. but also general services such as street lighting, town drainage, approach roads connecting the Central Government properties, etc. But such items as educational, medical or public health facilities will be excluded.

- (ii) For large and compact blocks of their properties the Central Government will not pay for such specific services as they themselves arrange.
- (iii) As regards assessment, no difficulty should arise in respect of items like metered water or electricity, etc., or where services like drainage and scavenging, etc., are charged for separately. But where some or all such specific services are not charged for separately but are part of a consolidated house or property tax, a suitable percentage of such consolidated tax, representing the element of specific services, will be paid by the Government.

The State Government concerned may kindly fix this percentage on behalf of the Central Government, for each local body concerned and intimate such percentages to the Ministry of W.H.&S., who will arrange to intimate them to all other Ministries of the Government of India and through them to all the Central Government offices concerned. Similarly, the valuation of the Central Government property may be done by the agency which undertakes the valuation of the State Government property and any references regarding changes in valuation should be made to the Ministry of Railways (Railway Board) in the case of Railway properties to the Ministry of W.H.&S. in other cases. (Where any question of principle is involved, the Ministry of Railways will act in consultation with Ministry of W.H.&S.)

iv) A Ministry of the Government of India may also enter into separate contract with any local authority for the supply of water and electricity of scavenging or any other services.

(v) The above arrangement will be subject to review, either in case the Taxati Enquiry Commission suggests any modification or at the end of ten years, to see whether any payment due to local bodies has been denied by the Centre or whether the Central Government has accepted a large liability than is warranted.

(vi) Properties which are already paying service or property taxes under clause (2) of Article 285 of the Constitution will not come within the purview of these orders; nor will properties of Central Government industrial undertaking constituted into private limited companies under the Indian Companies Act.

(vii) These arrangements do not affect the legal rights conferred under the appropriate laws on any property held by the Central Govt. within the jurisdiction of local bodies.

I am to request that the decision of the Govt. of India conveyed in this letter may kindly be intimated to the local authorities within your State.

Yours faithfully,

Sd/-
(C.S. KRISHNA MOORTHY)
DEPUTY SECY. TO THE GOVT. OF INDIA.

- Copy Forwarded to:
- (1) All Ministries of the Govt. of India.
 - (2) All Divisions in the Department of Revenue & Expenditure and Economic Affairs, including Administration Branch.
 - (3) The Comptroller & Auditor General and all State Accountant Generals with the request that they may please intimate the decision to all the authorities under them.
 - (4) The Taxation Enquiry Commission/ the Planning Commission for information.

2. It may be added for the information of the Ministries etc. that Central Government industrial under-takings constituted into private limited companies under the India Companies Act do not enjoy exemption from local taxation under Article 285(1) of the Constitution. Such companies or corporations will have to pay all the usual local taxes. Similarly, article 285 has no application to part 'C' States, and consequently the liability of the Central Government or the State Government in part 'C' States to pay local taxes in respect of Central Government properties will be governed by the provisions of the particular law under which the taxes are levied.

By order, etc.

Sd/-
(C.S. KRISHNA MOORTHY)
DEPUTY SECY. TO THE GOVT. OF INDIA.

No.4(7)-P/65
Government of India
Ministry of Finance
(Deptt. of Coordination)

New Delhi, the 29th March, 1967.

From

Shri J. Murli,
Under Secretary to the Govt. of India.

To

The Chief Secretaries of all the State Govts.

Sub: Payment of service charge to local bodies in
respect of Central Govt. properties.

Sir,

I am directed to refer to this Ministry's letter No.14(1)-P/52-1 dated the 10th May, 1954 and the Ministry of Works, Housing and Supply letter No. Cont.23(13)/59 dated the 4th August, 1961 on the subject cited above.

2. The procedure for arriving at the quantum of service charges payable to the local bodies has been further examined by the Govt. of India and it has now been decided that the service charges should be calculated in the following, manner:-

(i) In respect of isolated Central Government properties where all services are availed of by the Central Govt. in the same manner as in respect of private properties, the Central Govt. will pay service charges equivalent to 75% of the property tax realised from private individuals.

(ii) In the case of large and compact colonies which are self-sufficient with regard to services or where some of the services are being provided by the Central Govt. Deptt. themselves, the service charges will be calculated in the following manner:-

(a) In the case of colonies which do not directly avail of civic services within the area and are self-sufficient in all respects, the payment of service charges will be restricted to 33 1/3% of the normal rate of property tax applicable to private properties.

(b) In respect of colonies where only a partial use of services is made, service charges will be paid as 50% of the normal property tax rate.

No.4(2)-PFI/74
Government of India
Ministry of Finance
Deptt. of Expenditure
Plan Finance Division

New Delhi, the 28th May, 1976.

To

Chief Secretaries of all States.

Sir,

Sub: Payment of service charges to local bodies in
respect of Central Government properties.

I am directed to refer to this Ministry's letter
No.14(1)P/521 dated the 10th May, 1954 and
No.4(7)P/65 dated the 29th March, 1967 regarding
payment of service charges to Local Bodies
in respect of Central Govt. properties.

2. The payment of service charges in respect of
Central Govt. properties should ordinarily be
regulated according to the instructions contained
in these letters. But it has been brought to the
notice of the Govt. of India that there have been
instances where the amounts payable to the
Local Bodies by private parties/State Govts. in respect
of similar properties are less than the service
charges payable for Central Govt. properties on the
basis of the aforementioned circulars. It is, therefore,
clarified that in such cases, the service charges
payable in respect of Central Govt. properties should
be limited to the amounts payable by private parties/
State Govts. in respect of similar properties under
the rates levied by the local body concerned.

Yours faithfully,

Sd/-
(A.V. GANESAN)
DIRECTOR

Copy forwarded for information to:-

1. All Ministries/Deptts. of the Govt. of India.
2. Comptroller and Auditor General of India,
New Delhi.

Sd/-
(A.V. GANESAN)
DIRECTOR.

(c) In respect of colonies where all the services normally provided by the municipal body to the residents of other areas within its limits are being availed of, service charges will be paid as 75% of the property tax rate realised from private individuals.

(iii) The not rateable value/annual value for the purposes of these instructions shall be 9% of the 'capital value' of the property concerned both in respect of residential and non-residential properties. The 'capital value' shall include the cost of acquiring or constructing the building including the cost of site, its preparation and any other capital expenditure incurred after acquisition or construction or when this is not known, the present value of the building including the value of site, as borne on CPWD records or those of the Deptt. concerned.

(iv) The existing arrangements arrived at between the Railways authorities or any Central Government Departments and local bodies in respect of property tax/service charges including the arrangements envisaged regarding Central Govt. properties in Calcutta and as regards the properties in Delhi will not be disturbed by this decision.

3. I am to request request that the decision of the Govt. of India conveyed in this letter may kindly be intimated to the local authorities within your State.

Yours faithfully,

Sd/-

(J. MURLI)

UNDER SECY. TO THE GOVT. OF INDIA.

No.4(7)-P/65

Copy forwarded for information to:-

1. All Ministries/Deptts. of the Central Govt.
2. Comptroller and Auditor General of India, New Delhi.

Sd/-

(J. MURLI)

UNDER SECY. TO THE GOVT. OF INDIA.

A. 64

No. N-12011/9/79-UCD
GOVERNMENT OF INDIA
MINISTRY OF WORKS & HOUSING
(NIRMAN AUR AWAS MANTRALAYA)

New Delhi, dt. the 30th July, 1979.

OFFICE MEMORANDUM

Subject:- Payment of service charges in respect of Central Government properties to local bodies in the Union Territory of Delhi.

The undersigned is directed to observe that various Central Government Departments, like CPWD, MCH and Railways are following different procedures for determining the service charges payable to local bodies. A copy each of the various circulars, issued by the Ministry of Works and Housing and the Policy Cell of the Directorate of Estates in this regard from time to time and a gist of instructions and circulars is enclosed for ready reference.

Sd/- L.P. GUPTA
Research Officer
Tel. No. 381597

Encl. ada

To

All the Central Government Departments, New Delhi
Municipal Committee and Municipal Corporation of Delhi

A 65

No. N-11025/26/94-UCD
Government of India
Ministry of Urban Development

New Delhi, dated the 26th April, 94.

OFFICE MEMORANDUM

Subject: Instructions to Central Government and State Governments regarding levy of service charges on the Central Govt. properties by the Local Bodies.

As you are aware that in terms of article 285 of the Constitution, properties of the Union are exempt from the payment of all taxes imposed by a State or by any authority within a State.

2. Though the properties of the Union is exempted, however, such properties of the Union are liable to pay service charges for the services rendered by the Local Bodies.

3. In this connection, Ministry of Finance had issued broad guidelines in 1954 which were later on amended in 1967. According to the instructions contained in Ministry of Finance's letter No. 14(1)-P/52-1 dated 10.5.1954, No. 4(1)-P/65 dated 29.3.1967, No. 4(2)-FPI/74 dated 29.5.1976 and No. 42(1)-FPI/79 dated 26.8.1986, the service charges on the properties belonging to the Central Govt. are calculated as under:-

- i) In respect of isolated Central Government properties where all services are availed of by the Central Govt. in the same manner as in respect of private properties, the Central Government will pay service charges equivalent to 75% of the property tax realised from private individuals.
- ii) In the case of colonies which do not directly avail of civic services within the area and are self sufficient in all respects, the payment of service charges will be restricted to 33 1/3% of the normal rate of property tax applicable to private properties.
- iii) In respect of colonies where only partial use of the services is made, service charges will be paid as 50% of the normal property tax rate.
- iv) In respect of colonies where all the services normally provided by the Municipal Body to the residents or other areas within its limits are being availed of, the service charges will be paid as 75% of the property tax realised from private individuals.

contd.

4. It was, however, clarified in the Ministry of Finance letter dated 26.8.1986 that wherever services rendered by the local bodies in respect of Central Government properties are measured like metered water supply or electricity, etc. or where services like Drainage and Scavenging, etc. are charged for separately, they will be paid for accordingly. And where such specific services are part of consolidated House or Property Tax, the same will be regulated according to the instructions at Sl. No. (i), (ii), (iii) & (iv) above.

5. It may be seen from the above that the Central Government is obligated to pay service charges to the Local Bodies:-

a) at 100% of charges paid by private individuals where specific charges exist for metered/measured service such as water and electricity; and

b) at 75% of the Property Tax realised from private individuals in respect of isolated Central Govt. Properties where all municipal services are provided by the Central Govt. and at rates ranging from 50% to 75% of the Property Tax realised from private individuals in respect of large and compact Central Government colonies depending upon whether such colonies are fully or partially self-sufficient in the provision of local services.

6. The above instructions have been circulated to all the State Govts./UTs. for their immediate decision of the Govt. of India to Urban Local Bodies for follow up.

7. It has been brought to the notice of this Ministry that some of the Departments of Central Govt., who owned vast properties under them are not paying service charges on regular basis to Urban Local Bodies. Since the service charges on Central Govt. properties payable to the Urban Local Bodies form a vital source of revenue for them, therefore, it is requested that the Ministry of Agriculture, etc. may kindly reiterate upon the concerned authorities under their administrative control to follow the above instructions strictly in regard to the payment of service charges in respect of Union Properties on regular basis to Urban Local Bodies. Similarly, the Public Sector Undertakings under their administrative control may also be advised to pay the property tax/other taxes in respect of properties owned by such Public Sector Undertakings to Urban Local Bodies on regular basis.

(PARSEM TAL)
DIRECTOR (ISC)
Tele: 3017252

- To
1. All Ministries/Depts. of Central Govt.
 2. DG(W), C.M.D.
- Copy forwarded for information to Secretary (ISC/UD) of all the State Govts./UTs. by Delhi

HIA (G)

GOVERNMENT OF INDIA
CENTRAL PUBLIC WORKS DEPARTMENT

Nb. WH(A) 8(7)/64-III Dated, New Delhi the 29th September, 1964

Memorandum

Sub: Payment property tax/services charges in respect of Central Government properties in the Union Territory of Delhi.

In continuation of this office memo of even number dated 16.5.64 on the above subject. Superintending Engineers/Executive Engineers may kindly find enclosed a copy of letter Nb.19/8/64-Acc.I dated 14.9.64 with its enclosure from the Ministry of Works and Housing for information and guidance.

Sd/-

(M.S. Talang)

For Add. Chief Engineer(I)

To

1. All the Executive Engineer(Civil) in Zone(I)
2. All the Superintending Engineers (Civil) in Zone I
3. Executive Engineer(Rent) Co., CPWD, New Delhi(with ten spare copies).

Copy forwarded in continuation of this office endorsement of even number dated 1.7.64 to the following officers.

1. ACE(II) (FOOD WING) CPWD, New Delhi (with ten spare copies).
2. ACE(II) CPWD, New Delhi. (with ten spare copies).
3. ACE, Delhi Administration Zone, CPWD, New Delhi (with 20 copies spare)
4. W(CE) Section, COWPD, New Delhi for information.
5. FA(I)/Engineer Officer I (A) CO, CPWD, New Delhi.

Sd/-

(M.S. Talang)

For Additional Chief Engineer(I)

No.4(7)-P/65
Government of India
Ministry of Finance
(Deptt. of Coordination)

New Delhi, the 29th March, 1967.

From

Shri J. Murli,
Under Secretary to the Govt. of India.

To

The Chief Secretaries of all the State Govts.

Sub: Payment of service charge to local bodies in
respect of Central Govt. properties.

Sir,

I am directed to refer to this Ministry's letter No.14(1)-P/52-1 dated the 10th May, 1954 and the Ministry of Works, Housing and Supply letter No. Cont.23(13)/59 dated the 4th August, 1961 on the subject cited above.

2. The procedure for arriving at the quantum of service charges payable to the local bodies has been further examined by the Govt. of India and it has now been decided that the service charges should be calculated in the following manner:-

(i) In respect of isolated Central Government properties where all services are availed of by the Central Govt. in the same manner as in respect of private properties, the Central Govt. will pay service charges equivalent to 75% of the property tax realised from private individuals.

(ii) In the case of large and compact colonies which are self-sufficient with regard to services or where some of the services are being provided by the Central Govt. Deptt. themselves, the service charges will be calculated in the following manner:-

(a) In the case of colonies which do not directly avail of civic services within the area and are self-sufficient in all respects, the payment of service charges will be restricted to 33 $\frac{1}{2}$ % of the normal rate of property tax applicable to private properties.

(b) In respect of colonies where only a partial use of services is made, service charges will be paid as 50% of the normal property tax rate.

(c) In respect of colonies where all the services normally provided by the municipal body to the residents of other areas within its limits are being available, service charges will be paid by 75% of the property tax rate realised from private individuals.

(iii) The not rateable value/annual value for the purposes of these instructions shall be 9% of the 'capital value' of the property concerned both in respect of residential and non-residential properties. The 'capital value' shall include the cost of acquiring or constructing the building including the cost of site, its preparation and any other capital expenditure incurred after acquisition or construction or when this is not known, the present value of the building including the value of site, as borne on CPWD records or those of the Deptt. concerned.

(iv) The existing arrangements arrived at between the Railways authorities or any Central Government Departments and local bodies in respect of property tax/service charges including the arrangements envisaged regarding Central Govt. properties in Calcutta and as regards the properties in Delhi will not be disturbed by this decision.

3. I am to request request that the decision of the Govt. of India conveyed in this letter may kindly be intimated to the local authorities within your State.

Yours faithfully,

Sd/-

(J. MURLI)

UNDER SECY. TO THE GOVT. OF INDIA.

No.4(7)-P/65

Copy forwarded for information to:-

1. All Ministries/Depts. of the Central Govt.
2. Comptroller and Auditor General of India, New Delhi.

Sd/-

(J. MURLI)

UNDER SECY. TO THE GOVT. OF INDIA.

No.20011(5)/70-Pol-1
Government of India
Ministry of Works and Housing
Directorate of Estates
(Policy Cell)

New Delhi, dated the 20th August, 1975.

To

- (i) The Commissioner,
Municipal Corporation of Delhi,
Town Hall, Delhi.
- (ii) The President,
New Delhi Municipal Committee,
New Delhi.

Subject:- Payment of service charges in respect of Central Government properties in the Union Territory of Delhi.

Sir,

The undersigned is directed to say that the question of payment of service charges to the Delhi Municipal Corporation and the New Delhi Municipal Committee, on Union properties in the Union Territory of Delhi had been under review of Government for some time. In consultation with the Ministry of Finance, it has now been decided in partial modification of office Memorandum No.29/11/63-Delhi, dated 30th April, 1964 from the Ministry of Home Affairs and of letter No. 4(7)-P/65 dated the 29th March, 1967 of the Ministry of Finance (Department of Co-ordination) that service charges under clauses A(ii), A(iii) and B(ii) of para 3 of the OM dated the 30th April 1964 will be paid to these bodies calculated as under:-

(1) RATE OF SERVICE CHARGES:

- (a) 100 percent service charges instead of 75 percent will be paid to the local bodies with effect from the 1st April, then, whichever date is later.

Provided that 75 percent service charges will be paid in respect of those properties for which the local bodies have yet to provide complete services or in respect of which such services are not needed by the owner's department.

Note:- Even if one of the services is not taken over by the local bodies and other services have been taken over 75 percent service charges should be paid.

- (b) Where internal municipal services in an estate are retained by a department, e.g. Railways, etc. and service charges are paid only at the rate of 75 percent the local bodies will have full responsibility for the

P.T.O.

services outside the estate but not within the estate. However, in the event of fire, the local bodies will provide the services within the estate without extra charges.

- (c) No service charges shall be payable on vacant land belonging to the Central Government and the Delhi Administration. However, when a building is put up on such land, service charges will be payable from the date of completion or occupation of the building whichever is earlier.

(2)

BASIS FOR DETERMINING SERVICE CHARGES:

Although the Delhi Municipal Corporation have introduced slab system of property tax with effect from the 1st April, 1968, service charges against general tax payable to the Delhi Municipal Corporation and the New Delhi Municipal Committee should be determined with effect from the 1st April, 1968 at the rate of 75 percent of the amount arrived at by adopting the uniform tax rate of 12% of the rateable value/annual value in respect of the properties in the Corporation as well as Committee areas. The service charges in lieu of other property taxes, such as water tax, scavenging tax and fire tax, will continue to be paid at the rate of 75% of such taxes as determined by the Delhi Municipal Corporation/New Delhi Municipal Committee from year to year.

Provided that with effect from the 1st April, 1970 all the service charges will be payable at 100% instead of 75%, except where all the Municipal services have not been provided by the local bodies.

(3)

RATEABLE VALUE/ANNUAL VALUE:

The rent determined in respect of the buildings (including office buildings constructed after 26.1.1950) under FR45-B from time to time shall be taken as the rateable value/annual value.

2. Payment of property tax in respect of properties constructed prior to the 26th January, 1950 would continue to be regulated by the orders dated the 30th April, 1964. In respect of such properties the following would apply in regard to determination of the units:-

- (i) In respect of single storeyed structure, each house or flat should be taken as a unit.
- (ii) In respect of multi-storeyed construction, each physically separated block should be taken as a unit.
- (iii) In the case of two storeyed quarters and four storeyed quarters, the unit of property shall be 4 quarters served by one stair-case and 8 quarters served by one stair-case respectively.

Contd....

DETERMINATION OF LAND VALUE FOR THE PURPOSE OF
CALCULATING HOUSING PROPERTY TAX/SERVICE CHARGES

In view of the decision in the preseding paragraph to the effect that rent determination in respect of buildings under F.R. 45-B would be taken as the basis for assessing the rateable value/annual value, the question of determination of land value sperately for the purpose of calculating property tax/service charges does not arise, because rents under F.R.45-B take into account the value of land. Rents under F.R.45-B are also revised periodically.

4. If a particular bill of the local body is not settle within a month by the CPWD Division, the Commissioner of Delhi Municipal Corporation or the President, New Delhi Municipal Committee as the case may be, should be taken up the matter with the Chief Engineer, CPWD and there after, if necessary, with the Ministry of Works & Housing. In regard to the Delhi Administration, help from the Secretary(I.SG) should be availed of in such cases. Similarly, the matter should be taken up by the local bodies at appropriate level with other concerned Ministries/Departments of Government.

5. The CPWD should furnish information to the local bodies as soon as possible, indicating the rent under F.R.45-B in respect of each building, including office buildings. The work should be taken up arear-wise and lists should be furnished every two months to the local bodies in respect of areas concerned. The work should be completed within six months.

6. The local bodies may present provisional bills on the earlier basis and the concerned Departments should make ad-hoc payment at least to the extent payments were made last year, subject to final adjustment. The Departments should also seek adequate budget provision in the revised estimates for 1975-76 to meet the arrear and current liabilities.

7. This issues with the concurrence of the Ministry of Finance vide their U.O. No. 6038 W&E/75 dated 13.8.75.

Yours faithfully,
Sd/-

(H.R. Goel)

Deputy Director of Estates.

Copy forwarded for information to:-

1. All Ministries/Departments of the Central Govt. of India
2. Comptroller and Auditor General of India, New Delhi.
3. Chief Engineer(NDZ) CPWD, New Delhi.
4. The Chief Secretary(Shri J.K. Kohli), Delhi Administration
Delhi.

Sd/-

No. N-12011/9/79-UCD
GOVERNMENT OF INDIA
MINISTRY OF WORKS & HOUSING
(NIRMAN AUR AWAS MANTRALAYA)

New Delhi, dt. the 30th July, 1979.

OFFICE MEMORANDUM

Subject:- Payment of service charges in respect of Central Government properties to local bodies in the Union Territory of Delhi.

The undersigned is directed to observe that various Central Government Departments, like G.P.D., M.C.S. and Railways are adopting different procedures for determining the service charges payable to local bodies. A copy each of the various circulars, issued by the Ministry of Works and Housing and the Policy Cell of the Directorate of Estates in this regard from time to time and a gist of instructions and circulars is enclosed for ready reference.

Sd/- L.P. GUPTA
Research Officer
Tel. No. 381597

Encl. apa

To

All the Central Government Departments, New Delhi
Municipal Committee and Municipal Corporation of Delhi

A-74

SUBJECT:- Payment of service charges in respect of Central Govt. properties to local bodies in the Union Territory of Delhi.

Comprehensive orders regarding payment of service charges to Delhi Municipal Corporation/New Delhi Municipal Committee on Union properties were issued by the Ministry of Works and Housing vide letter No. 20011 (5)/70-Pol. dated 20.8.75 addressed to the Commissioner, M.C.D. and President N.D.M.C.

Payment of property tax in respect of properties constructed prior to the 26th January, 1950 would continue to be regulated by the orders dated the 30th April, 1964. In respect of such properties the following would apply in regard to determination of the units:-

- (i) In respect of single storeyed structure, each house or flat should be taken as unit.
- (ii) In respect of multi-storeyed structure, each physically separately block should be taken as a unit.
- (iii) In the case of two storeyed quarters and four storeyed quarters, the unit of property shall be 4 quarters served by one stair-case and 3 quarters served by one stair-case respectively.

The above orders were in partial modification of Memo. No. 20/41/63-Delhi dated the 30th April, 1964 from the Ministry of Home Affairs and of letter No. 4(7)/P/65 dated 29th April 1967 of the Ministry of Finance. (Department of Coordination) service charges under clauses A(ii), A(iii) and B(ii) of the O.M. dated the 30th April, 1964 will be paid to local bodies, calculated as under:-

contd- 2

A-75

- (a) 100 per cent service charges instead of 75 per cent will be paid to the local bodies with effect from the 1st April, 1970 or from the date full services were provided by them, whichever date is later.

Provided that 75% service charges will be paid in respect of those properties from which the local bodies have yet to provide complete services in respect of which such services are not needed by the owner department.

Note: Even if one of the services is not taken over by the local bodies and other services have been taken over, 75% service charges should be paid.

- (b) Where internal municipal services in an estate are retained by a department, e.g. Railways, etc., and service charges are paid only at the rate of 75 per cent, the local bodies will have full responsibility for the services outside the estate but not within the estate. However, in the event of fire, the local bodies will provide the services within the estate without extra charge.

- (c) No service charges shall be payable on vacant land belonging to the Central Govt. and the Delhi Administration. However, when a building is put up on such land, service charges will be payable from the date of completion or occupation of the building whichever is earlier.

While laying down the basis for determination of service charges, it was decided that "although the D.M.C. and N.D.M.C. had introduced slab system of property tax w.e.f. 1.4.1968, service charges against general tax payable to the rate of 75 percent of the amount arrived at by adopting the uniform tax rate of 12½ per cent of the rateable value/annual value in respect of the properties in the Corporation as well as Committee areas. The Service charges in lieu of other property taxes, such as water tax, scavenging tax and fire tax, will continue to be paid at the rate of 75 per cent of such taxes determined by the Delhi Municipal Corporation/ New Delhi. cipal Committee from year to year.

Provided that with effect from the last April, 1970 the services charges will be payable at 100 per cent

Contd...3..

instead of 75 per cent, except where all the Municipalities have not been provided by the local bodies —

Definition of the Rateable Value/Annual Value laid down for the purposes of levy of service charges is as under:-

"The rent determined in respect of the buildings (including office bldg. constructed after 26.1.1950) under F.R. 45-B from time to time shall be taken as the rateable value/annual value".

In accordance with the instructions issued by the Ministry of Works and Housing vide their letter No. 20011/Pol.I dated 12.1.76 endorsed to all concerned vide Executive Engineer(LF) Memo. No.6/18/75-R(Service Cell) dated 19.1. following elements are to be taken into account for working out the rent under F.R. 45-B:-

- (i) Interest on the cost of land.
- (ii) Interest, maintenance both annual and special on the cost of the building including cost of out houses and cost of preparation of site.
- (iii) Interest, maintenance, both the annual and special and depreciation charges at prescribed rate on cost of E.I. and Cost of Water supply and sanitary installations.
- (iv) Interest on the cost of layout of the garden.

The following elements are not to be included for working out the rent under F.R. 45-B:

(a) Departmental charges:- Reference Ministry of Works and Housing letter No. 20011(5)/70-Pol. dated 8.9.76.

these

(b) Property tax:- It has also been decided by the Ministry of Works and Housing vide above quoted

.....

LUTYEN'S BUNGALOW ZONE RESIDENTS WELFARE ASSOCIATION (Regd.)

**President :**

Jai Prakash Agarwal, MP (Rajya Sabha)

Secretary :

Naveen Jindal, MP (Lok Sabha)

Mrs. Sindhushree Khullar, (IAS)
Chairperson of the Committee
For Assessment of Property Tax,
NDMC,
Pallika Kendra, Parliament Street,
New Delhi

November 1, 2006

✓ Please examine & place before U and Committee
 and reply
 Chairperson 2/6/06
 ✓ Dir. (Proj.)
 Dir. (Tax)

1649/PAT/Dir (Proj.)
 2/11/06
Subject: Computing Housetax in Lutyen's Bungalow Zone

Madam,

In continuation to its letter dated 29.9.2006 on the above cited subject, the Lutyen's Bungalow Zone Residents Welfare Association wants to place the following points for computing the house tax in the Zone on unit area basis:-

1. Prior to the 2003 amendment in the Delhi Municipal Act, 1957 the properties were taxed on the basis of the annual rent (Ratable Value) at which the such land and building was reasonably expected to be let out from year to year basis. The ratable value method became questionable on grounds primarily on equity since it created wide disparity in property tax of similarly placed properties in the same locality, subjectivity in assessments and excessive corruption.
2. Realizing the need to plug the deficiencies in the existing system of property tax as well to bring administrative reforms in the methods of assessment the Govt. of NCT of Delhi constituted a Committee of experts headed by Sh. K. Dharamrajan which submitted a report in January 2003 and based on its recommendations the Delhi Municipal Act, 1957 was amended by the Delhi Municipal Corporation



President :

Jai Prakash Agarwal, MP (Rajya Sabha)

Secretary :

Naveen Jindal, MP (Lok Sabha)

(Amendment Act) 2003, whereby a new system of valuation of property for the purpose of computation of property tax was introduced. With the amendment the Unit Area Method for computation of property tax was introduced in MCD areas. The Unit Area method is much simpler and had many advantages over the ratable value method of calculating property tax. It rationalized the structure of property tax and brought in parity and equality in the method of computation of property tax. By making the property tax structure simple MCD was able to widen and increase its tax base and consequently the revenues.

3. The Unit area based property tax method is based on fixing a unit area value per square meter of covered space for calculation of property tax. The tax for particular property is based on the annual value of the property arrived at by multiplying unit area value assigned to the colonies/localities (areas being divided into 8 categories from A to H, areas in category A being charged the highest at Rs. 630 per square meter and category H being charged the lowest at Rs. 100 per square meter) by the covered area of the property and the multiplicative factors for occupancy, age, structure and use. Under this system property owners can self assess their tax and submit the returns in the prescribed form.
4. But despite the huge success of the Unit Area Method the NDMC has still not adopted it and still charge property tax on the old basis of ratable value of the property. Despite MCD and NDMC being part of the same state i.e. Delhi, there exists huge disparity in the incidence of

LUTYEN'S BUNGALOW ZONE RESIDENTS WELFARE ASSOCIATION (Regd.)



President :

Jai Prakash Agarwal, MP (Rajya Sabha)

Secretary :

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property tax in areas under the MCD vis-à-vis NDMC areas. Further the disparity becomes more prominent when any property is sold/purchased. Since ratable method is based on the value of the property, a property where no transaction has happened for a very long period of time will be assessed at a very low rate but since the rates of property have considerably appreciated in recent times any property that is recently purchased will be assessed at a very high rate. This leads to huge disparity in similarly placed properties even in the NDMC areas.

5. At present due to the different formulas being adopted in different municipalities in Delhi even the best localities in MCD areas have to pay miniscule property tax as compared to areas under the NDMC. The functions and amenities provided by MCD & NDMC are same, both being the municipal departments of their respective areas, therefore there is no justification in NDMC using such a discriminatory method for computation of property tax.
6. The main reasons given by NDMC for not adopting the Unit Area Method of computation of property tax is that almost 80 per cent of the properties under NDMC are government buildings on which property tax cannot not be levied, and only a handful of properties in the NDMC area were such that came under the property tax purview, therefore the MCD and NDMC areas cannot be compared and applying the same tax structure would not be appropriate. In-fact, in Lutyens' Delhi, of the total of over 12,000 properties, only 1,883 are residential properties that come under the property tax net.



President :

Jai Prakash Agarwal, MP (Rajya Sabha)

Secretary :

Naveen Jindal, MP (Lok Sabha)

Interestingly, of them around 66 are such that contribute nearly two-third of the total property tax collection.

7. The argument of NDMC for not implementing the better and more convenient Unit area method are not tenable on the following grounds:
- a. The NDMC to increase its revenues has to bring the government owned properties under the tax net rather than charging the few private properties at exorbitant rates. To increase its tax collection the NDMC has to increase its base of taxable properties and not pass on the burden of property tax on to the few private buildings in its areas. The NDMC cannot overburden a few people and pass on the advantage of the same to the government properties.
 - b. Further, too high rates of taxes have led to tax avoidance and breeds corruption. The MCD by reducing and simplifying the property tax structure has in-fact increased its revenues manifold. NDMC by continuing the ratable method of computation is therefore losing out on potential revenue.
 - c. If in case the NDMC feels that the revenues are not adequate then it should increase the rates of tax/unit area value to some extent rather than using the outdated method of ratable value of property tax. For the properties situated in NDMC areas the Unit Area Method can be modified so as to keep the unit area

UTYEN'S BUNGALOW ZONE RESIDENTS WELFARE ASSOCIATION (Regd.)



President :

Jai Prakash Agarwal, MP (Rajya Sabha)

Secretary :

Naveen Jindal, MP (Lok Sabha)

value higher as compared to Unit Area value for MCD areas. This will be more in sync with the facilities and the location of the property.

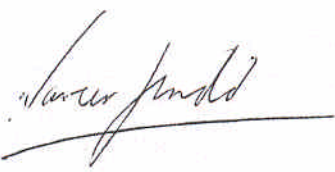
- d. It would not be out of place to mention that by introducing unit area method in the MCD areas, the procedure of calculation and payment of property tax have become much simpler and the people have themselves started coming forward to pay the tax rather than getting away and adopting all sort of corrupt method to pay the same.

Therefore, it is the considered view of the Association that by adopting the Unit Area Method with appropriate changes, both the NDMC as well as the property tax payer shall benefit immensely. It will make the tax system transparent and people friendly. For the tax payers the new system shall bring parity and equality with the other areas/properties as also a few properties which are being overcharged as of now will pay tax at a reasonable rate.

With regards,

Yours sincerely,


(JAI PRAKASH AGARWAL)
President


(NAVEEN JINDAL)
Secretary



Babar Road Colony Lease Holders Association

(REGISTERED UNDER THE SOCIETIES REGISTRATION ACT) REG. NO. 2057 OF 1962-63

RESIDENT WELFARE ASSOCIATION BABAR ROAD COLONY (BENGALI MARKET)

ALSO KNOWN AS : LEASE HOLDERS ASSOCIATION BABAR ROAD

Correspondence Address : 4, Central Lane, Babar Road, New Delhi - 110 001

Vasudav Kutumbkam
वासुदेव कुटुम्बकम्

ADVISORS

NAKUL BHARGAVA

☎ : 23714907

IMMEDIATE PAST PRESIDENT

GOPAL K. KOTWALWALA

☎ : 23317681

PRESIDENT

A.K. GOEL

☎ : 23310641

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☎ : 23713334

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☎ : 23722355

VIRENDER M. GUPTA

☎ : 23714970

GENERAL SECRETARY

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☎ : 9968096074

ADDL. GENERAL SECRETARY

RAKESH JAIN

☎ : 23718092

SECRETARY

RAJINDER KEDIA

☎ : 23317329

TREASURER

RAGHU SARAN

☎ : 9810127382

EXECUTIVE MEMBERS

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SHIV GARG ☎ : 23356364

DR. A.K. BAIJAL ☎ : 23317329

LALIT CHANDIWALA ☎ : 23319371

SUNIL GUPTA ☎ : 23319250

CONVENORS

CULTURAL ACTIVITIES

SHYAM GOPAL ☎ : 23716829

COMMUNITY CENTRE

AMIT GOEL ☎ : 23356442

HOUSE TAX

ANIL SINGHLA ☎ : 23312667

SUNIL GUPTA ☎ : 23319250

SENIOR CITIZENS

N.C. GOELA ☎ : 23731651

NDMC AFFAIRS

RAJINDER KHOSLA ☎ : 23710755

LADIES WING

SMITA GUPTA ☎ : 23323556

CO-CONVENOR

NIPA GOEL ☎ : 23356364

NEERU GUPTA ☎ : 23355133

SANGEETA KEDIA ☎ : 23714489


View of our Association on introduction of UNIT AREA METHOD with regard to assessment of property tax in respect of properties situated in NDMC areas

1. High Power Committee which was set up by the Lt.Governor of Delhi on 05.05.89 had recommended that there should be one common system of assessment of property tax applicable for both MCD and NDMC and said recommendation were accepted by MCD, NDMC, Govt. of NCT Delhi and Central Government
2. All the taxation provisions of NDMC Act, 1994 are pari-materia with the corresponding provisions of Delhi Municipal Act, 1957.
3. The Hon'ble Supreme Court/Delhi High Court in various judgments have also opined that there should be unanimity in assessment of charges relating to public utility services Viz electricity charges, water charges; method of electric and water connection etc. among residents within a city like Delhi.
4. The same is even policy of the Government of NCT Delhi which is clearly intended by introducing unit area method of assessment of property tax in respect of the properties situated in the MCD area which has been implemented w.e.f.01.04.04.
5. The Unit Area Method for property tax assessment is applicable in most part of the Delhi and it is welcome step towards minimisation of Inspector Raj, arbitrariness and corruption in assessment of property tax.
6. Unit Area Method has resultantly caused minimization of litigation in the courts with

regard to house tax matter and even as reported not crossed in two figures in past 3 years of implementing Unit Area Method.

7. Many Urban Local Bodies in the state of Andhra Pradesh, Tamil Nadu, Gujarat, Karnataka and Bihar have introduced property tax reforms on the basis of Unit Area Method thereby attempted to uniformity in the tax assessment procedures. Even many states are intending to introduce Uniform method of assessment of property tax in local bodies areas including local bodies of Jaipur, Kolkata, Mumbai.
8. Unit Area Method has been globally praised as the Commonwealth Association for public Administration and Management (members 150 countries) has picked up Unit Area Method as the semi-finalist from all entries on administrative reforms submitted by member countries.(Press reporting in Hindustan Times dated 29.12.06, copy enclosed).
9. The DDA, DMC and NDMC all have same and similar building bye-laws ie. Unified Building Bye-Laws,1983 to regulate building activities in the National Capital Territory of Delhi hence equality and equity requires that there must be uniform method of assessment of property tax ie. Unit Area Method for all civic bodies in Delhi including MCD, NDMC.
- 10.The right to equality ie. fundament right as provided under Article 14 of the constitution of India demands that the house owners in NDMC area vis a vis similarly situated person in MCD areas availing similar basic civic amenities so there must be unanimity in the assessment of property tax.
- 11.The principle of equity, justice, fair play and good conscious also make obligation on the NDMC to adopt Unit Area Method with regard to assessment of property tax in properties situated in NDMC areas on similar terms as applicable in MCD areas.

Date: 22.01.07



A.K.Goel
President



GOLF LINKS ASSOCIATION

COMMUNITY CENTRE, GOLF LINKS, NEW DELHI-110 003
Ph. 41743012.

JULY 27, 2006

Office Bearers

President

A.P. Singh
Ph. 24611179

Secretary

Lalit Mehra
Ph. 24631230

Jt. Secretary

Vishnu Lall
Ph. 24633055

Treasurer

Ajay Mathur
Ph. 24625515

Past President

Vikram Bakshi
Ph. 24604047

Sub-Committee Chairpersons

Sports

Social & Cultural
Harkirat S. Sodhi
Ph. 41000222

Constitution

Amir Pasricha
Ph. 24641957

Horticulture

Nirmala Lall
Ph. 24633055

To

✓ The Director, Tax
NDMC
New Delhi

Sub: Suggestions regarding House Tax

Dear Sir,

During a recent meeting that our office bearers had with Ms Sima Gulati, Member NDMC, she advised that you were in the process of reviewing the system of house tax in the NDMC area and were open to suggestions from the RWAs. She suggested that we submit our suggestions to you at the earliest.

We have discussed this matter internally and are pleased to enclose herewith a brief note giving our views in this regard. We can elaborate on these at your request.

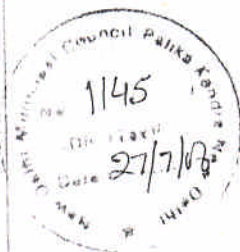
We do hope that we will get an opportunity to be heard as you proceed further in this matter.

Thanking you,

Yours faithfully
For Golf Links Association

Lalit Mehra
Secretary

CC : 1. Ms Sima Gulati, Member, NDMC
2. Chairperson, NDMC
3. Smt. Tajdar Babar, Vice Chairperson, NDMC



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+ Sh Arun Singh Goul

1160/PA/Dir(Project)/06
28/7/06

Suggestions on House Tax

1. RATEABLE VALUE

Determination of the Rateable value for purposes of assessing house tax has, for the past several years, been based on:

- In the case of self-occupied property: on the basis of standard rent based on cost of construction.
- In the case of rented property: on the basis of the rent received

When a property shifted from being rented to self-occupied, the rateable value reverted to that determined on the basis of cost of construction.

In the recent past various Court judgments have created an anomalous situation where self-occupied property constructed after changes in the Rent Control Act, are being assessed on the basis of comparable rent and not on the basis of cost of construction. This has led to considerable heart-burn and extreme hardship.

While Section 61 of the NDMC Act does make a distinction between residential and commercial properties, it does not suggest any further sub division of residential property into self-occupied or rented property.

The concept of comparable rent may be useful as a means of determining value for the purpose of property tax. However, this can fluctuate widely as it depends on many factors. No authority can be expected to maintain upto-date information about every single rental property in the entire area so as to get an average. The tendency, therefore, is to go by the expensive rentals which generally involve recently constructed / renovated or special featured premises rented to large or international organizations. No effort is made to compare rent with older rentals or lower rent due to specific attribute of the property. **Any system based on a subjective assessment of comparable rent cannot be equitable and can only lead to frustration, hardship and litigation.**

The introduction of the Unit Area Method by the MCD has led to greater inequity in rateable values of properties in the NDMC and MCD areas. **Comparable properties in comparable colonies in the MCD areas have a rateable value significantly lower than that proposed by NDMC for certain rented properties in Golf Links.**

The Golf Links Association therefore respectfully submits that:

- the concept of determining rateable value based on the cost of construction in the case of houses constructed prior to the changes in the Rent Control Act, continue.
- the rateable value of the houses constructed after the changes in the Rent Control Act, be based on using the calculations of the Unit Area Method applied by MCD to colonies in their jurisdiction which can be considered to be comparable to Golf Links (e.g. Sunder Nagar)
- the rateable value of rented properties be determined on the basis of the actual rent received.

2. RATE OF HOUSE TAX

NDMC has increased the minimum rate of House Tax by 60% within a short span of 7 years (from 12.50% in 1994-95 to 20% in 2001-02). This is hardly justified as there has been little or no improvement in the civic amenities provided by NDMC and the quality of service has deteriorated over the years. In fact properties with ARV of Rs. 10 to 20 lacs are now assessed to house tax @ 25% and @ 30% if ARV exceeds Rs. 20 lacs. Treating residential properties with ARV above Rs. 10 lacs on par with commercial properties is morally and legally untenable.

3. REBATES

The rebate of 25% for wholly self-occupied residential properties should also be applicable to residential properties which are partly self-occupied and partly tenanted. A special rebate of 30% should be allowed to senior citizens, lady owners, physically handicapped persons and ex-servicemen (as being done by MCD).

4. DEDUCTION FOR REPAIRS / MAINTENANCE

The 10% deduction currently being allowed for repairs is inadequate keeping in view the ever increasing maintenance costs and other expenses incurred by house owners. For instance, one month's rent plus service tax is payable to property dealers each time a fresh lease is signed and this alone can be upto 9% of the annual rent. Adding the cost of repairs / maintenance, insurance premium, stamp duty, registration fee, collection charges, legal expenses etc., the deduction from ARV should be increased to at least 25%. (Income Tax authorities are currently allowing a standard deduction of 30% on the annual rental income).

5. TIME LIMIT FOR PAYMENT OF PROPERTY TAX

The time limit of 15 days for depositing house tax is unrealistic. To provide the tax payer adequate time to arrange for funds, NDMC should allow at least 60 days from the date of receipt of Bill. Furthermore, no penalty should be levied if house tax is deposited before the end of the relevant financial year. IN fact it would be desirable to offer some incentive for early payment as is being done by MCD.

6. VACANCY REMISSION

Each time a tenancy expires, the premises have to be repaired / repainted to make it tenantable once again. Finding a new tenant also takes time and, in the absence of any rental income during the intervening period, there can be no justification on the part of NDMC to allow only 2/3rd remission in house tax for the period of vacancy and that too if the property remains vacant for a minimum period of 60 days. Full rebate should be allowed for any period of vacancy.

Expenditure incurred on essential services during last 5 years

Rs. in thousand

Head of Account	Description	2004-05			2003-04			2002-03			2001-02			2000-01		
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
D.2.17	Sewer & Storm Drains															
	Plan	0	7715	7715	0	8235	8235	0	6816	6816	0	16581	16581	0	7517	7517
	Non-Plan	199584	10666	210250	174714	28379	203093	92760	26767	119527	131575	49195	180770	118013	42703	160716
	Total	199584	18381	217965	174714	36614	211328	92760	33583	126343	131575	65776	197351	118013	50220	168233
D.2.16	Removal of Garbage															
	Plan	0	5233	5233	2062	194	2256	0	0	0	0	0	0	0	0	0
	Non-Plan	244971	592	245563	213998	860	214858	183642	12706	196348	171136	2689	173825	181589	1293	182882
	Total	244971	5825	250796	216060	1054	217114	183642	12706	196348	171136	2689	173825	181589	1293	182882
G.1	Road Civil Works															
	Plan	0	57500	57500	0	63035	63035	0	24753	24753	0	446565	446565	0	34034	34034
	Non-Plan	47061	38424	85485	52820	145117	197937	55550	59892	115442	44069	66375	110444	17227	79494	96721
	Total	47061	95924	142985	52820	208152	260972	55550	84645	140195	44069	512940	557009	17227	113528	130755
G.2	Road Electric Work															
	Plan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Non-Plan	47378	188	47566	60418	35	60453	47923	971	48894	40078	0	40078	25227	342	25569
	Total	47378	188	47566	60418	35	60453	47923	971	48894	40078	0	40078	25227	342	25569
	Total Plan	0	70448	70448	2062	71464	73526	0	31569	31569	0	463146	463146	0	41551	41551
	Total Non-Plan	538994	49870	588864	501950	174391	676341	379875	100336	480211	386858	118259	505117	342056	123832	465888
	Grand Total	538994	120318	659312	504012	245855	749867	379875	131905	511780	386858	581405	968263	342056	165383	507439

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