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Property Tax Reforms in Kanpur Municipal Corporation: An Impact Study

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INTRODUCTION

URBAN LOCAL Governments are an essential part of the system of government. These are the best instruments that can be fitted into the required organisational set-up for development administration besides their serving as normal units at the grassroots level. Like in many other federations, urban local governments in India are expected to perform many important functions on the strength of their own tax and non-tax revenues as well as the support they receive from the Central and respective state governments from time to time. Urban local governments in India are among the weakest in the world both in terms of capacity to raise resources and financial autonomy. These institutions are being sustained only on minimum resources that are assigned to them. While transfers from state governments and the Government of India have increased in recent years, urban local governments' tax bases are narrow and flexible and lack buoyancy (Ahluwalia: 2011).

It is well recognized that local governments have an important role to play in the democratic process and meeting the basic requirements of people. The old adage "for every citizen, most government is local government" still holds good. It is also recognized that the financial resources available to the urban local governments fall short of what is needed by these grassroots institutions to fulfill their responsibilities. The urban local governments need to do their best to raise as much resources as possible through the various avenues available to them.

Property Tax

Property taxes and octroi have been the major revenue sources of urban local governments in the country. In non-octroi states Property Tax is a potential source of revenue for the urban local governments. Property Tax is a tax levied upon that body of economic goods and

rights of the tax payer which is generally levied for the purpose of producing a recurrent flow of goods and services, known as income, and which under ordinary circumstances is expected to remain intact in the course of the income yielding process. The property tax is not, as the term might enormously suggest, as tax paid out of property. It really aims to reach the income derived by the owner from his possessions and uses property merely as the basis of assessment on the assumption that it constitutes an adequate index of taxable capacity.

In the context of local taxation, property tax may be divided into four principal categories:

(*i*) Taxes on buildings (including taxes on buildings in conjunction with lands and on lands which are vacant but are capable of being built upon);

(*ii*) Taxes on unearned increment in connection with town improvement schemes;

(*iii*) Taxes in the shape of a stamp duty on transfer of property; and

(*iv*) Cess on lands (which are usually cesses on the land revenue to which the lands are assessed).

A perusal of the taxation provisions in the state laws reveals that while power to collect certain taxes is vested with the municipalities, the rates and revision thereof, procedure of collection, method of assessment, exemptions and concessions, etc. are reserved with the state government. There exists substantial scope for revenue enhancement from existing local taxes. However, tax administration is constrained by: (i) not-so-effective tax administration, and (ii) difficulties encountered in administration of the major tax—the Property Tax.

One of the reasons of under-exploitation of Property Tax is the restrictive provision of the rent control laws. The valuation is based on actual rent fixed under the rent control, taxes ranging from World War II period to the post-war period. The rent, thus fixed, becomes static and both-the owner of the property and urban local government are deprived of the increase which in the normal course ought to accrue. The valuation, on the other hand, should be based on annual rent which a property could reasonably be expected to fetch or the actual rent whichever may be greater.

Valuation of Properties

Valuation is an estimate of the value of the property for varied purposes. This 'estimate' is an informed judgement based on the competence, experience and knowledge of the person making the appraisal. The legal concept of 'value' is usually construed to mean what the property can be sold for to a willing and informed buyer in the normal course of business, neither of the parties being under compulsion.

The relevance of valuation of lands and buildings in the urban context has an ever increasing limit. The lands and buildings of municipal areas have to be valued properly for the purpose of municipal taxation. The process involves determination of annual value of such lands and buildings through a process which has a technical genre of its own.

Law has a very wide ranging application in the matter of valuation. The norms of valuation as embodied in the legal code coupled with letter and spirit of judicial verdicts have to be followed. The engineering skill also lies at the core of valuation; particularly the system of quantity surveying. For all lands and buildings, the value of which cannot be easily estimated on a rental approach, an estimate has to be made of the market value with regard to the cost of construction as also that of land. This necessarily involves application of engineering knowledge and expertise for correct valuation.

The process of valuation of urban properties is very much interlinked with the concept of Annual Rental Value (ARV). Under the existing laws of the land, the urban properties are, practically in most of the states, required to be valued for working out municipal taxes on the basis of Annual Rental Value, which is deemed to be gross annual rental of which a holding may be reasonably expected on year-to-year basis. The systems that have so far been followed in determining the ARV have more often than not been subjective in the sense that valuations have been made primarily on the basis of individual judgment of the assessing authority. This has resulted in introducing a scope for human bias. Since the extent of such bias varies from person to person, the quantum of valuation has also differed from one assessor to another. In other words, there has been no standardized procedure in this regard. The scope for exercising such subjective judgements has also introduced an element of corrupt practices leading to further distortion in the valuation process.

It is thus obvious that valuation of properties for purpose of municipal taxation has got a very complex character. On one hand, it

should be in conformity with the broad norms of the science of valuation. For this purpose, the help of various disciplines, such as engineering, economics, statistics, etc. is required to be taken. Then again to make it compatible with the legal provisions, it should conform to the verdicts on the relevant issues. At the same time, the rationale behind the municipal rates has also to be kept in view. The quantum of taxation should have an approximate relationship with the level of services rendered by the municipal body although there may not exist one-to-one ratio between the two. The legal dictum, however, is that there is no *quid pro quo* between levy of taxes and provision of services. The necessity of collection of resources by a municipal body from the tax payers arises primarily from the need for the expenditure incurred for rendering certain communitarian services to the citizens. On this consideration, it will be realistic to determine the total municipal valuation in such a way as to arrive at a tax demand which will be sufficient to meet necessary requirements of the municipality.

The two main components of valuation are 'cost of land' and 'cost of super structure'. The valuation of the former largely depends upon several factors like cost of acquisition, development, location, use, neighbourhood, class and community of persons residing, legal encumberances attached to the land for its sale and transfer. In so far as cost of super structure or improvements to land is concerned, it includes cost of construction, electric installations, water supply and sanitary installations, fixtures and fittings, etc.

Municipal Fiscal Reforms in India

Many municipalities all over the world suffer from the problems of scarcity of municipal revenue to discharge their obligatory functions. Revenue raised depends on the size of revenue base, extent of access to the base, the rates and the collection efficiency. Municipal tax reforms are complex due to a number of factors, most of which are situation specific. However, some general lessons can be drawn from tax reforms undertaken globally. These include:

- There is no optimal tax structure.
- Broadening the tax base or tax net should be given a high priority so as to avoid reliance on relatively high tax rates.
- Tax preferences and exemptions in order to promote economic and social objectives-need to be eliminated or reduced.
- Tax rates should be moderate to ensure better tax compliance and to prevent tax evasion.

- A systematic view of taxes and their institutional and political contexts is important.
- Reforms in tax structure and tax administration should go together.

In India, octroi and property taxes are two most significant municipal taxes from the viewpoint of revenue. Octroi, an indirect tax, was favoured in comparison to property tax, a direct tax, by the urban middle class. After the abolition of octroi in majority of states, property tax is the mainstay presently. It is rated as the single most important tax. Typically, the most important tax levied at local level is property tax, a composite tax levied on properties created in the form of houses and/or land in urban areas. The responsibility of designing the property tax system rests with state government, while urban local governments are allowed to fix rates within a band and prepare a collection strategy. However, the importance of the property tax as a source of financing is often overlooked because fiscal analysis usually focuses on Central Government finances and in that context the property tax is truly a minor source of revenue.

In term of the desirable criteria for choice of municipal tax, property taxes, being taxes on immovable properties, viz. land and buildings, are ideally suited for assignment to and administration by the municipalities. Further, they belong to the class of general benefit taxes. Maladies in tax administration relate to: (*i*) identification of properties; (*ii*) lack of effective and objective valuation of properties; and (*iii*) assessment of demand, billing and collection. Widening of tax- net, addressing the question of under-assessment, review of exemptions of lands and buildings from Property Tax have attracted the attention of urban policy makers and managers. Further, tax rates are archaic and administration is found to be lacking. There are instances when properties of the same values are giving taxes from almost nothing to substantial.

Property tax being the most important municipal tax has been the focal area of reforms in municipal tax structure in the country. After Independence many committees, viz. Local Finance Enquiry Committee, 1949, the Taxation Enquiry Commission, 1953 and the Committee of Ministers on Augmentation of Financial resources of Urban Local Bodies, 1963(known as Zakaria Committee) examined the problems of finances of urban local bodies. These commissions/ committees made various recommendations, but the recommendations were hardly implemented. The Zakaria Committee (1963) observed that "The Property Tax occupies a very important position in our

system of local taxation....It will continue to be the principal source of revenue. It is therefore necessary that it should be administered under conditions which would give the best possible result. This Tax however has not been fully utilized partly because the existing system of valuation of property for assessment purposes is unsatisfactory; and partly because enforcement of collection of even the partly assessed tax has been very slack.....A vigorous effort must be made to rehabilitate the Property Tax to increase its productivity without increasing the burden on tax-payers who have been paying their share and to make it more equitable by bringing all taxable property to the tax-book and maintaining a uniform level of assessment."

The National Commission on Urbanisation (1988) in its report observed that property tax was inadequately exploited and recommended that "The system of assessment should be simplified, with every urban settlement being divided into zones, with an assigned value, with plus and minus factors on a pre-determined basis. This would remove arbitrariness from assessment."

The Constitution (74th) Amendment Act, 1992 introduced two features to strengthen the finances of urban local governments in the country: (*i*) a provision for the setting up of State Finance Commission by the Governor of the state every five years, and (*ii*) a requirement that the Central Finance Commission suggest measures to augment the Consolidated Fund of states for supplementing the resources of urban local governments on the basis of State Finance Commission recommendations.

At the dawn of new millennium, the Government of India through its innovative scheme of Urban Reforms Incentive Fund (URIF) extended financial assistance to the state governments for carrying out a number of municipal reforms. With the launch of much hived mega project for infrastructure development in urban areas, JnNURM and its omnibus schemes of UIDSSMT and IHSDP, the reforms envisaged under URIF scheme were transferred as package of mandatory and optional reforms to this mission mode project. The following fiscal reforms were part of the package of reforms essentially to be undertaken at state and municipality levels:

- Adoption of Accrual based (Double Entry) Accounting System,
- GIS based Property Tax reforms.

The 13th Finance Commission reiterated the need of municipal fiscal reforms like its predecessor commissions. The Commission observed that " Property tax revenues depend upon: (*a*) enumeration

of properties; (*b*) the collection rate; (*c*) the assessment and valuation system; (*d*) the extent of exemptions and (*e*) the level of tax rate. On all these counts, there are serious shortcomings in municipalities today, which hinder efficient collection. Absence of a formal count of properties in municipalities is one of the major handicaps in exploiting the true potential of property tax". The Commission therefore recommended that:

- "States should focus on improving coverage and collection efficiency.
- States should establish a Central Valuation Board...in order to standardise property assessment and valuation. Property values should be indexed and guidance values used.
- States should initiate a GIS system for mapping all properties in cities, which will result in increased coverage.
- The Centre should introduce specific conditionality in JnNURM aimed at reducing the gap between the assessed and market value of properties."

The Second Administrative Reforms Commission in its sixth report on Local Governance (2007) felt that " ...the manner of assessment was opaque and gave a lot of discretion to assessing officials and it (property tax) was inelastic and non-buoyant...It is estimated that only about 60-70 per cent of the properties in urban areas are actually assessed.... Use of GIS for the purposes of mapping of all properties in order to improve the efficiency of collection of property tax. Property tax details for all properties should be placed in the public domain to avoid any type of collusion between the assessing authority and the property owner."

The Government of India in the Ministry of Urban Development in its guidelines issued for Property Tax reforms has mentioned that a good property tax structure should have following principles:

(*i*) Low rate of property tax so as to make it acceptable by the public at large;

(*ii*) Minimise the discretion on the part of assessors in tax levy;

(*iii*) Make the process of assessment, levy and collection transparent and simple;

(*iv*) Ensure equity between classes of tax payers/property owners;

(*v*) Facilitate self-assessment of property tax by property owners/

occupiers.

Property Tax in UP: Legal Provisions

The UP Municipal Corporation Act, 1959 provides for levying property taxes as a major tax by the municipal corporation. The valuation of properties for tax purposes is done keeping in view the location, usage and type of construction of a building. The unit rates are determined by the municipal corporation every two years. For assessing the tax liability, maximum rates have been prescribed by the state government. The property taxes consist of:

- General Tax;
- Water Tax;
- Drainage Tax leviable in areas provided with sewer system; and
- Conservancy Tax in areas in which the corporation undertakes the collection, removal and disposal of excrementitious and polluted matter from privies, urinals and cess-pools.

The system of deriving Annual Rental Value (ARV) has been switched over from letting value to area based method. The valuation of a property is made on the basis of location, construction type and use. The rates for the constituent components are 10 to 15 per cent, 7.5 to 12.5 per cent, 2.5 to five per cent and not more than two per cent respectively, subject to total tax ranging between 22 to 32 per cent of ARV of a building.

In this backdrop, this article is an attempt to highlight the fiscal reforms, especially reforms in property taxes, in one of the 13 municipal corporations in the most populated state in the country. It presents an analysis of impact of property taxes in Kanpur Municipal Corporation, the largest city in Uttar Pradesh.

Kanpur: Through History

Kanpur has a chequered history. It is believed to have been founded by members of the Chandela dynasty from the state of Sachendi. Kanpur's development is unclear until the 13th Century. The history of its two suburbs- Jajmau and Bithoor—can be traced back to pre-13th Century. According to Hindu mythology, just after creating the universe, Lord Brahma performed the Ashvamedha at Bithoor and established a lingam there. It is the place where the famous sage Valmiki is supposed to have written the Sanskrit epic, Ramayana. At

Jajmau, there are remains of an ancient fort, perhaps dating back to the Vedic age. In 1207 Raja Kanti Deo of Prayag (connected with Kannauj) established the village Kohna, which later came to be known as Kanpur. The first mention of Kanpur was made in 1579 during Sher Shah's regime. Up to the first half of the 18th Century, Kanpur was an insignificant village. From 1773 to 1801, it was part of Oudh kingdom and then came into the hands of British, who realized its strategic importance and European businessmen had started establishing themselves in Kanpur. In order to ensure protection of their properties, the European business shifted the 'Awadh local forces' here in 1778. Kanpur passed into British hands under the treaty of 1801 with Nawab Ali Khan of Awadh. Kanpur later became one of the most important military stations of British India. It was declared a district on 24 March 1803.

During the First War of Independence (1857), 900 Britishers were besieged in the fortifications for 22 days by rebels under Nana Sahib Peshwa. After 1857, it became an important centre of the leather and textiles industries. The first cotton textile mill, the Elgin Mills, was started in 1862 and Muir Mills in 1882 and many that followed in the next four decades. The British India Corporation (BIC) was headquartered here and led the development of many industries.

Geographic and Demographic Characteristics

The Government of Uttar Pradesh has carved out a new district Kanpur Dehat from the old Kanpur district. Kanpur city comes under the Indo-Gangetic plains of India. The civic administration is managed by Kanpur Municipal Corporation and Kanpur Development Authority. The metropolitan region area includes the area of Shuklaganj Municipality, Unnao Municipality, Akbarpur Nagar Panchayat and Bithoor Nagar Panchayat. The demographic characteristics are presented in Table 1.

Kanpur is the most populated city in Uttar Pradesh. In the beginning of the 20th Century, the city contained more than one-fourth of the urban content of the state. However, the proportion went down to about half at the end of the century. The city consists of about one percent of the country's urban content. It is clear from data shown in Table 1 that during 19th Century, the city grew more than ten folds, which further increased during 20th Century. If combined, in 200 years from 1801 to 2001, the city recorded the growth of about 140 folds in its population. The population of the city doubled between first 50 years of the 19th Century, but recorded four folds increase in last five decades.

TABLE 1. DEMOGRAPHIC PATTERN OF KANPUR CITY

Census Year	*Population (Kanpur)*	*Variation (Percent)*	*Urban Population (Uttar Pradesh)*	*Variation (Per cent)*	*Proportion of Kanpur*
1791	17,235	-	-	-	-
1801	20,126	16.77	-	-	-
1851	40,341	100.44	-	-	-
1901	2,02,797	402.71	5,390,611	-	26.58
1951	7,05,383	247.83	8,625,699	60.01	12.23
1961	9,71,062	37.66	9,479,895	09.90	09.76
1971	12,75, 242	31.32	12,388,596	30.68	09.71
1981	16,39,064	28.53	19,899,115	60.62	12.14
1991	20,37,333	24.30	27,605,915	38.72	13.55
2001	27,97,511	37.31	34,539,582	25.12	12.35
2011	30,15,129	07.78	44,470,455	28.75	14.75

Source: *Census of India.*

During the 20th Century, the increase was about three times during British regime and four times since Independence. Surprisingly, between 1901-2001 the population increase was about 13 folds.

Property Taxation: Pre-Reform Scenario

One of the main problems of the Kanpur Municipal Corporation has been the extremely low tax revenues and limited coverage. Kanpur Municipal Corporation (KMC) used to do survey in the gap of every five years and additional properties were marked upon to collect property tax. Due to Annual Rental Value (ARV) method, citizens had to face lot of problems on the assessment basis and rates of payment.

The earlier method for determining ARV was quite subjective and full of discretion by the municipal staff; citizens had to face the non-conformity of the standard rate. Database of the houses were not adequate to take all the properties under tax net. Due to rise in the number of the properties, the demand for services were also increasing which had created too much of animosity between the citizen and administrative wings of KMC.

There were differential rates of property tax for both the industrial and non-industrial buildings though located in the same location. This

used to be the bone of contention between citizens and Kanpur Municipal Corporation. Though, citizens used to pay taxes, most of them were not very regular in payment and thus many times it finally resulted into litigation.

Reforming Property Taxation: Approach

Property tax reforms in KMC established the system of scientific, transparent and self assessed system of tax collection, based on rational parameters which are now acceptable by the citizens. This reform has worked in way that the whole system became responsive to citizens as well as to the service provider.

To streamline the whole process, KMC took the initiative of property tax reforms in its jurisdiction. To start the process, KMC required the latest and accurate database so that they have the exact number of properties. The previous data available was ten years old and additional properties had been constructed. These new constructions were mostly not paying any tax and most of them were illegal and therefore, the municipal authorities were not able to collect property tax from them which resulted in tremendous loss of revenue for KMC.

Kanpur Municipal Corporation involved the Indian Institute of Technology (IIT) Kanpur in this reform process. After a series of meetings with IIT Kanpur, it was decided that GIS mapping of the property can sort out this issue for KMC. Funds available under Urban Reforms Initiative Funds (URIF) were used to kick start the reform.

Goal of the Reform Initiative

The goal of this reform was the improvement of the performance of property tax system, tapping the potential, and making it an important source of revenue for financing and maintaining municipal services and infrastructure. This was attempted to achieve by fulfillment of some of the following objectives:

- Modernisation of property tax system by linking GIS and property data base.
- Reassessment of all properties on unit area basis.
- Improving rentals of municipal properties by amendment of Rent Control Act.

Implementation Strategies

No proper map of the Kanpur city or the areas of tax collection were available. Nobody actually knew how many taxable property units were there in Kanpur because of constant construction work. The tax collectors (Revenue Inspectors) had minimum training to use any computer assisted methods and the present assessment method was extremely tedious resulting in a growing number of unassessed property. To implement the reform and to get the revenue collection on a systematic track, it was necessary to agree on the following:

- A new base map was needed to make it possible to identify all taxpaying units (houses).
- A method of identification of the taxpaying units needed to be developed.
- A supporting Geographical Information System (GIS) Base was needed to be developed.
- The revenue collection needed to be reorganised to utilise the GIS application.
- The staff needs to be trained to utilise the new system.

Kanpur Municipal Corporation issued notice and tender regarding this reform, conventional method of preparing a base map was adopted and survey was started with enthusiasm to know the existing situation of the city.

Once the survey was in its initial stage, there were protests and agitations from the citizens which took place because a message went to citizens that the Government was trying to set up a new mechanism wherein the tax would increase manifold. This wrong impression resulted in snatching of instruments from surveyors and other forms of aggression and non-cooperation from the people. Though mass awareness programmes were taken up through the mass media, the survey had to be stopped resulting in loss of instruments and injuries to the surveyors.

Even the elected representatives opposed the tax reforms and survey done by KMC but KMC tried to convince them with logic and broaden their vision for future profit and the survey work restarted. This time with police protection and with the help of mass media, the surveyors reached every nook and corner of the city. Extensive media campaign was done which helped in eliminating the communication

gap between the KMC and citizens, and finally citizens were assured that the reform was for their benefit.

As a part of the e-governce initiatives, KMC envisaged development of an online web and GIS based property tax calculation information and payment system as a pioneering effort in the country. The scope of this work covered the follwing areas for the major activities:

(*i*) Creation of a GIS based spatial property database involving:
- Procurement and supply of Quick bird Image (0.6m resolution) for the entire area under the KMC jurisdiction.
- Geo-rectification of the satellite image form the GCPs collected from DGPS survey.
- Updation of digital GIS maps of KMC with the help of geo-corrected Quick bird data and preparation of data for assessment list.

(*ii*) Conduct a property level survey for every property unit;

(*iii*) Development of informative and interactive web GIS system for online property tax calculation and payment;

(*iv*) Development of desktop application for property database repository and tax assessment;

(*v*) Supply and installation of software's, hardware and networking with server and additional peripherals;

(*vi*) Training of KMC personnel; and

(*vii*) Renumbering of properties with unique premises number and fixing of house number plates.

Outcome of the Reform

The outcome of the reform was very productive as the number of properties covered under the tax net increased manifold and added to the revenues of the KMC. The increased revenue was used for infrastructure development.

(*i*) Information Availability
- ❑ An overview of the city
- ❑ On-line property tax calculation
- ❑ Hassle free online property tax payment facilities

- A facility to access different maps based on zones, wards and property
- GIS based spatial searching and identification of properties
- Per sq. feet rental rates used for calculation of property tax.
- Circle rates of property used for the calculation of property tax for non-residential properties.
- Ward wise/property wise maps with civic infrastructure details like roads, lanes, by lanes, parks, electric poles, telephone poles, railway lines, hotels, hospitals, police stations, schools, cinema hall, etc.

(*ii*) Process Re-Engineering

- Information collection system changes as follows:-
- Kanpur city level information collection system:
- Kanpur city level information specially the basics of the city and landmark are available on-line.
- Digital maps of the city are available
- The city map which was previously on tracing paper and ammonia print is available in 1:1000 scale in digital format with details up to the property level.

(*iii*) Property Tax Data

- Property tax data which was available on paper only, now it is globally available through website.
- Property tax liabilities
- Existing status of paid taxes
- Annual taxes due to be paid
- Tax calculation system:
  - (a) Previously it was manually calculated
  - (b) Now software based calculation on the unit area method and on-line tax payment is available on-line through KMC website.
  - (c) One can calculate and view stepwise calculation with all relevant details.

(*iv*) On-line birth and death registration

- Birth and death registration is now available on-line, previously it was on paper.

(*v*) Different type of reports based on above mentioned facilities are always available on server or on-line.

(*vi*) Citizen centricity and user convenience

(*vii*)The functionalities in the website provide following services/ conveniences to stakeholders:

- On-line property tax calculation and view steps of calculation;
- Online property tax payment facilities;
- A facility to access different maps based on zones, wards and property (restricted to Governments use);
- GIS based spatial searching and identification of properties;
- Ward wise/Property wise maps with civic infrastructure details like roads, lanes, by lanes, parks, electric poles, telephone poles, railway lines, hotels, hospitals, police stations, schools, cinema halls, etc. The information is being used for R&D, planning of infrastructure and other projects.

(*viii*) Transparency in Government Process

- Almost 100 per cent property tax coverage in the KMC area.
- Transparency and speed in working.
- Online tax payment and status verification facility removes intermediary agents
- Better revenues for investments into civic facilities
- Property details (attribute data) and GIS database (spatial data) available at the click of mouse.

(*ix*) Time saving/efficiency improvement initiatives

- Reduction of time in surveying the area and mapping.
- Time saving in tax calculation.
- Better understanding of property tax calculation.
- User friendly application for day-to-day tax management

Web application for hassle free tax calculation and payments

- Creation of GIS based spatial property database
- Map based tracking of property tax defaulters
- Revenue generation efficiency.
- Renumbering of properties with unique premises number and fixing of house number plates.

Base data generated during this reform has been used by the KMC at different fronts which includes citizen centric initiatives to make government more responsive for development purposes.

Additional use of GIS Map

(a) For planning and revenue generation

(b) Delimitation of KMC Wards

(c) Ward wise Backward Population Survey

(d) BPL (Below Poverty Line) Survey

(e) For planning, design/implementation of water supply and sewerage projects under JNNURM

(f) By Kanpur Electric supply Company (KESCO) for power distribution planning and revenue generation

(g) Census -2010-11 for enumerator block boundaries

(h) For development of city mobility plan by UMTC

Achievements of Reform

This reform became a huge success in Kanpur to create an umbrella effect for covering large number of properties under it. The data below gives out an outlay of the assessed properties after GIS Survey.

(i) Increase in number of Properties

The data compiled in Table 2 show that in every zone number of properties and also that of tax assesses have increased tremendously. In one zone number has just doubled. Surprisingly in one zone number has decreased. It needs further probing. However, overall the number of properties increased from 2, 74,205 to 4, 76, 253 showing more than 70 per cent increase. The increase in number of assesses has been about

TABLE 2: ASSESSEES AND PROPERTIES ADDED TO TAX NETWORK

Properties Added in Tax net After GIS Survey Till 31/03/2012				
Zone	*No.of Assessies before GIS survey Year-2007-08*	*No.of Property Assessies after GIS Survey till 31/03/2012*	*No. of Properties added after GIS survey*	*No. of Assessies added after GIS survey*
Zone-I	22,313	29,523	52,875	7,210
Zone-2	1,04,889	1,16,797	1,32,179	11,908
Zone-3	22,710	59,709	71,480	36,999
Zone-4	11,609	28,638	39,650	17,029
Zone-5	70,522	68,387	83,970	-2,135
Zone-6	42,162	88,976	96,105	46,814
Total	2,74,205	3,92,032	4,76,253	117,827

SOURCE: *KMC; data adapted from KMC Records*

50 per cent. This is bound to make an impact on revenue income of the Kanpur Municipal Corporation.

The addition in number of properties as result of GIS survey undertaken across the corporation area is shown in Chart-1. It is quite clear that in all zones except Zone-5 the number of properties have increased. It is of much interest as to what caused reduction in number of properties. One reason may be that the old buildings or group of buildings earlier assessed as separate properties would have been converted into high rise building as a single unit.

(ii) Increase in Demand of Tax

Increase in number of properties has obviously resulted into corresponding increase in demand of property tax. Interestingly, tax demand in post-GIS era was found to be increased manifolds. The demand nearly doubled even in the zone recording decrease in number of properties (Chart-2). This has caused due to unprecedented increase in number of properties identified through GIS survey and assessed for tax purposes. The tax network has increased tremendously and coverage widened. This has led to increase in tax demand even without any increase in tax rates.

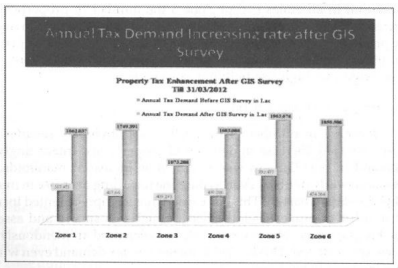
CHART-1
ADDITION OF PROPERTIES IN TAX NETWORK

ADDITIONAL REVENUE GENERATION

Property Tax Demand Enhancement After GIS
Till 31/03/2012

Zone	Annual Tax Demand Before GIS Survey (in Lac) (2007-2008) INR	Revised Annual Tax Demand After GIS Survey (in lac) till (31/03/12) INR	Difference Tax (in Lac) INR
Zone-1	587.471	1667.037	1254.248
Zone-2	487.648	1749.391	1308.748
Zone-3	489.293	1073.788	754.782
Zone-4	498.086	1683.086	1203.220
Zone-5	892.477	1963.676	978.216
Zone-6	474.564	1850.506	1297.488
Total	334.953	9981.986	6632.453

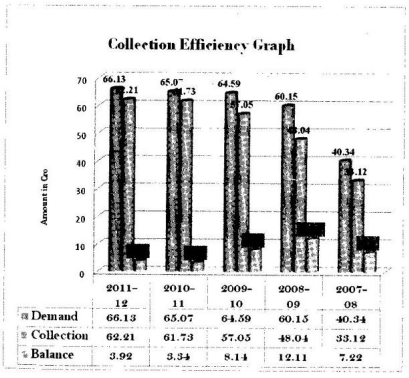
CHART-2
(ADAPTED FROM KMC RECORDS)



(iii) Increased Efficiency in Collection

The inclusion of all properties under tax network and adoption of area-based system of valuating properties has eliminated the element of discretion and it has resulted into efficient collection of property taxes. The tax payers are coming forward to self-assessment of tax liability on their properties and paying tax in time. It has almost eliminated the tax-related litigations. (Chart-3)

CHART-3
ADAPTED FROM KMC RECORDS



	2011-12	2010-11	2009-10	2008-09	2007-08
Demand	66.13	65.07	64.59	60.15	40.34
Collection	62.21	61.73	57.05	48.04	33.12
Balance	3.92	3.34	8.14	12.11	7.22

SUMMING UP

It is undoubetedly clear that the property tax reforms initiated in Kanpur have resulted in improving the revenue income of the city government. The implementation of GIS has been helpful in bringing all the properties under tax network. The addition of numerous properties enjoying the benefits of civic services without contributing any penny to the municipal corporation. It has almost eliminated the

scope of discretion of tax authorities in identifying the properties. Once the properties are brought into tax network the authorities have to apply the same rules on all the properties without any hesitation. The introduction of self-assessment has ushered the transparency in assessing the tax liability, thus eliminating heart burning among the tax payers and reducing tax related litigations. The resultant increase in tax demand and collection has facilitated the initiation of developmental activities besides bringing efficiency in delivery of improved services. The city government has now introduced a number of initiatives for bringing good governance. The innovation has resulted into a number of prestigious awards to KMC. The efficient financial management may improve not only efficiency in delivery of services but would help improve the image of the KMC.

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