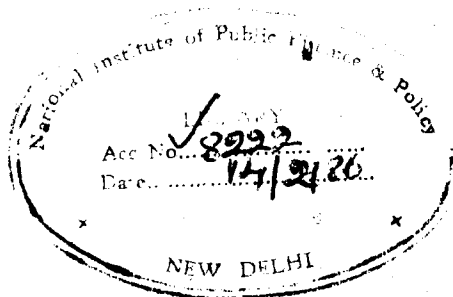




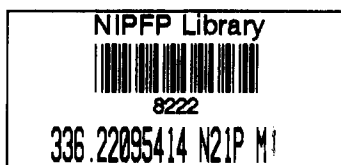
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PROPERTY TAX REFORM IN WEST BENGAL

Final Report
December 1981



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PREFACE

The National Institute of Public Finance and Policy is an autonomous, non-profit organisation whose major functions are to carry out research, do consultancy work and undertake training in the area of public finance and policy.

The study of the Property Tax Reform in West Bengal was entrusted to the Institute by the West Bengal Municipal Finance Commission which has been appointed by the Government of West Bengal in order to make a comprehensive study of finances of local authorities in the State. This report which is being submitted to the Commission was prepared by a staff team of the Institute under the leadership of

A Bagchi, who planned and organised the study, and conducted it in collaboration with Shyam Nath. The report has also been largely drafted by A Bagchi.

It is earnestly hoped that the painstaking work undertaken by the study team and the comprehensive analysis of various issues presented in the report would be found useful for the work of the Commission.

The Governing Body of the Institute does not take responsibility for any of the views expressed by the authors in the research publications of the Institute. The responsibility for the views expressed belongs to the Director and the staff of the Institute and more particularly to the authors of the concerned report.

(R J Chelliah)
Director

December 26, 1981
New Delhi

FOREWORD

The West Bengal Municipal Finance Commission, at whose instance this study was undertaken, desired us to examine the existing system of property taxation by local governments in West Bengal with particular reference to the base and suggest measures for reform in order to improve the system of assessment from the angles of "revenue yield, administrative simplicity, promotion of urban development and equity of tax burden". The study was commissioned in October 1980 and commenced effectively in December 1980. An interim report was submitted in October 1981.

While an attempt has been made in this study to examine the operation of the property tax in the corporations and municipalities of West Bengal in general, special attention has been paid to the problems of the Calcutta Corporation and a few selected municipalities of the State. The conclusions and recommendations, we hope, will be of wider application.

We are indebted to a large number of Government Departments and agencies in West Bengal and several other States for their cooperation and help. Our thanks are due first to the Chairman and Members of the West Bengal Municipal Finance Commission for the interest shown by them in our work and for the consideration and courtesy extended to us. I am personally grateful to Dr. Abhijit Datta for allowing me to approach him whenever I required any help. We are also thankful to Shri T.K. Banerjee, SRO in the Commission's office, for assistance in various forms. Special thanks are due to the Administrator, Calcutta Corporation, and his officers,

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particularly in the Assessment Department, for permitting us to draw on their valuable time over several months. Among the other officials and agencies from whom we received substantial help, mention should be made of the State Bank of India, Calcutta, Rent Controller, Calcutta, Commissioner (Land Reforms) West Bengal, Land Acquisition Collector, Calcutta, Calcutta Improvement Trust, Howrah Improvement Trust, Municipalities of Krishnagar, Howrah and Kamarhati, Calcutta Metropolitan Development Authority, Department of Local Government and Urban Development, Government of West Bengal, General Secretary, West Bengal Vendors' Association, Income Tax Authorities in Calcutta, Bombay and Delhi, the Municipal Corporation of Delhi, the Delhi Development Authority, the Assessor and Collector, Municipal Corporation of Greater Bombay, the Finance Department, Government of Maharashtra and the Directors of Municipal Administration, Andhra Pradesh and Tamil Nadu. Shri M.K. Bhattacharya, who had undertaken a study of property taxation in Calcutta Corporation under an ICSSR project allowed us to use some of the tables prepared by him.

I would like to take this opportunity to express my deep gratitude to my colleagues in the Institute who worked on the project for their unstinted co-operation and hard work. I am particularly indebted to my colleague in the project team, Dr. Shyam Nath, for his valuable co-operation throughout the study. His contribution to the organisation and conduct of the survey and his work on the measurement of the incidence of the property tax deserve special mention. Shri O.P. Bohra and Shri Sudipto Chowdhury deserve special mention for the labour put in by them in collecting

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information from many sources and localities of West Bengal against heavy odds. Shri Dewan Chand and Smt. Vijaya Khari also rendered valuable assistance in tabulating the data and preparing the tables. The computer unit of the Institute (Shri K.K. Atri, Shri A.K. Helen and Miss Geeta Baveja) did an excellent job in helping us to make the best use of the data collected through the surveys. Thanks are due also to the typists of the Institute for typing out the drafts and the reports with patience and care. Among those who bore a heavy burden of typing work ungrudgingly, mention should be made of Miss Sushila Panjwani, my P.A., Shri K.R. Subramaniam, Shri Suhas Kumar, Shri N. Natarajan, Shri Satish Prabhu, Shri R.S. Tyagi and Shri Kulwant Singh. Shri Satya Narayan Sharma and Shri Jagmohan Rawat got the report ready within a short time by putting in extra efforts in cyclostyling. The production of the report was ably supervised by Shri S.C. Tandon.

Lastly, I am deeply indebted to Prof. Raja J. Chelliah for his constant encouragement and advice and for his valuable comments on the draft.

Amaresh Bagchi

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I. PROPERTY TAXATION IN WEST BENGAL :

CALCUTTA

Introductory

1.1 West Bengal is one of the States of the Indian Union having a larger proportion of urban population than the national average. According to the census of 1971, out of a population of 44 million, nearly 11 million, or about 25 per cent, were town dwellers in West Bengal as against about 20 per cent in the country as a whole. Only three States, namely, Maharashtra, Tamil Nadu and Gujarat had a higher proportion of urban population than West Bengal. Figures from the 1981 census released so far reveal that much the same position prevails, except that Karnataka and Punjab have overtaken West Bengal in urbanisation. The proportion of people living in urban areas in the population of West Bengal now is about 26.5 per cent as compared to the national average of 23.6 per cent (Table I.1).

1.2 In the level of civic services, however, West Bengal trails way behind other States with a similar degree of urbanisation and also comes below the national average. As Table I.2 will show, so far as municipal corporations are concerned, as of 1977-78, the latest year for which comparable data are available, per capita revenue expenditure of the Corporation of Calcutta is the lowest among the major municipal corporations and is lower than the national

TABLE I.1

Proportion of Urban Population in Selected States and Union Territories of India

(Population figures in lakh)

State/Union Territories	1971		1981	
	Urban population	Proportion of urban population (per cent)	Urban population	Proportion of urban population (per cent)
	(1)	(2)	(3)	(4)
All India	1091.14	19.91	1556.64	23.65
<u>State</u>				
Andhra Pradesh	84.03	19.32	124.58	23.33
Bihar	56.34	10.00	86.99	12.46
Gujarat	74.97	28.08	105.56	31.08
Haryana	17.73	17.66	28.22	21.96
Karnataka	71.22	24.31	107.11	28.92
Kerala	34.66	16.24	47.71	18.78
Madhya Pradesh	67.85	16.29	105.89	20.31
Maharashtra	157.11	31.17	219.69	35.04
Manipur	1.41	13.14	3.73	26.44
Orissa	18.45	8.41	31.06	11.82
Punjab	32.16	23.73	46.20	27.71
Rajasthan	45.44	17.64	71.40	20.94
Tamil Nadu	124.65	30.26	159.28	32.98
Uttar Pradesh	123.89	14.02	199.73	18.02
West Bengal	109.67	24.75	144.33	26.49
<u>Union Territories</u>				
Chandigarh	2.19	90.11	4.21	93.60
Delhi	36.47	89.70	52.28	84.37

Source: Census of India (1971 & 1981)

TABLE I.2

Per Capita Revenue Expenditure of Major Municipal Corporations

(Rupees)						
Corporation	1960-61	Index	1970-71	Index	1977-78	Index
	(1)	(2)	(3)	(4)	(5)	(6)
Calcutta	24.95	100	46.88	188	75.59 ^{1/}	303
Bombay	39.62	100	89.64	226	188.36	475
Delhi	27.94	100	70.87	254	97.78	350
Madras	23.60	100	61.04	259	99.54	422
Ahmedabad	31.24	100	66.67	213	138.79	444
Bangalore	17.79	100	48.15	271	88.55 ^{1/}	498
Average	27.59	100	63.33	232	111.91	407
Total Corporations*	-		63.15		102.15 ^{2/}	

1/ 1978-79

2/ 1975-76

* NCAER (1980)

Sources : 1. Central Statistical Organisation (1978). Statistical Abstract

2. Calcutta Corporation (1979-80). Budget Documents.

average as revealed in a recent study carried out by the National Council of Applied Economic Research (NCAER, 1980), - Rs 75.59 as against Rs 102.15 for corporations as a whole. Average per capita revenue expenditure of the municipalities in West Bengal is also less than half of that of the municipalities in Gujarat and Maharashtra (Table I.3) and also less than the national average (Rs 29.64 in 1978-79 as against an average of Rs 40.51 for all municipalities in 1975-76). Even these levels, it may be added, fall far below the norms postulated by the Committee on Augmentation of Financial Resources of Urban Local Bodies (1963), known as the Zakaria Committee.

1.3 What causes concern is that the level of per capita revenue expenditure of the Corporation of Calcutta and municipalities in West Bengal has not only been lower than the national average, but has not grown at the rate marking the growth of municipal revenue expenditure in other States. Taking 1960-61 as the base, the index of per capita revenue expenditure in Calcutta in 1978 - 79 was 303, while in all the other major municipal corporations the index stood at a higher level. It was 475 in Bombay in 1977-78 and 498 in Bangalore in 1978-79 (Table I.2). The picture is virtually the same in regard to municipalities as well. In 1978-79, the average per capita revenue expenditure of West Bengal municipalities was Rs 29.64 as against Rs 20.30 in 1975-76, whereas for the country as a whole, the average went up from Rs 24.30 in 1970-71 to Rs 40.51 in 1975-76 (Table I.3). In Maharashtra the level of per capita expenditure of the municipalities increased from Rs 43.08 to Rs 64.37 during the same period.

TABLE I.3

Per Capita Revenue Expenditure of Municipalities in
West Bengal, Gujarat and Maharashtra*

State	(Rupees)	
	1970-71 (1)	1977-78 (2)
West Bengal (69) ^{1/} (73) ^{2/}	20.30 ^{1/}	29.64 ^{2/}
Gujarat (51)	-	73.91 ^{3/}
Maharashtra (210)	43.08	64.37 ^{1/}
Total municipalities**	24.30	40.51 ^{1/}

1/ 1975-76

2/ 1978-79

3/ 1976-77

*

Based on averages of municipalities. Figures within parentheses indicate the number of municipalities from which the average has been worked out.

**

NCAER (1980).

Sources :

1. Office of the West Bengal Municipal Finance Commission (WBMFC)
2. Government of Gujarat, Bureau of Economics and Statistics (1976-77), Statistics of Municipal Towns and Cities.
3. Government of Maharashtra, Bureau of Economics and Statistics (1975), Municipal Year Book.

Trends in Municipal Finances in West Bengal

a. Per capita revenue of major municipal corporations

1.4 What accounts for the relatively low level of civic services in West Bengal and its further decline does not admit of any simple answer. West Bengal has a fairly long experience of municipal administration. Many of the municipalities of the State are more than 100 years old. The first Corporation of Calcutta came into existence as long ago as 1727. The decline in the level of civic services in a State may be a reflection of the deceleration in the growth of economic activity in general, particularly investment, industrial activity, income and employment. The relatively slow growth of urban population in West Bengal during 1971-81 itself is an indication of the slowdown in the pace of non-agricultural activity in the State. Whatever be the ultimate cause, the immediately identifiable reason for the decline in the level of municipal services in West Bengal seems to be the low level of revenue of the municipalities as compared to that of the municipalities in other urbanised States. That this is true of corporations at least can be seen from the fact that the per capita total revenue of the Calcutta Corporation in 1978-79 was Rs 77.41 as compared to Rs 222.36 of Bombay and Rs 96.38 of Delhi in 1977-78. It is not surprising that the per capita revenue expenditure is relatively high in the corporations where the level of per capita total revenue is also high, and, what is more, per capita tax revenue is also high. Per capita tax revenue was Rs 180.14 in Bombay and Rs 69.07 in Delhi in 1977-78, whereas in Calcutta it was Rs ~~48.49~~^{30.40} in 1977-78 (Table I.4).

TABLE I.4

Per Capita Total Revenue, Total Tax Revenue and Revenue from Property Tax in
Major Municipal Corporations

Year	Calcutta			Bombay			Delhi			Madras			Ahmedabad			Bangalore		
	TR	TTR	PT	TR	TTR	PT	TR	TTR	PT	TR	TTR	PT	TR	TTR	PT	TR	TTR	PT
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
1960-61	28.32	17.77	16.13	43.51	38.14	31.28	25.35	14.04	5.52	24.71	16.19	9.76	37.32	30.33	17.89	22.74	13.14	4.16
1970-71	48.93	23.93	21.71	87.28	78.16	46.39	72.34	54.32	16.35	59.33	40.75	22.22	69.59	55.23	26.66	47.19	31.85	11.14
1975-76	60.04	33.21	30.07	157.82	122.25	75.44	90.92	66.07	29.88	66.18	51.29	37.81	120.01	94.88	41.55	76.88	69.73	20.24
1977-78	72.99	38.40	31.73	222.36	180.14	112.31	96.38	69.04	29.31	75.31	51.47	36.68	151.78	122.23	48.23	78.92	70.22	20.32

TR = Total Revenue
TTR = Total Tax Revenue
PT = Revenue from Property Tax

Sources: 1. Central Statistical Organisation (1978).
Statistical Abstract
2. Census of India (1961 & 1971).

1.5 It is also striking that among the major municipal corporations in India, Calcutta derived the largest share of its tax revenue from the property tax (PT), viz., 87.16 per cent in 1976-77. While this share has registered a decline from 90.72 per cent in 1970-71, the contribution of PT to total tax revenue (TTR) is still the highest in Calcutta among the big corporations (Table I.5). The share of the PT in the revenue of the corporations from their own sources (tax and non-tax), i.e., excluding grants, is also the highest in Calcutta (70.73 per cent as of 1976-77). Despite heavy reliance on the PT, revenue from the PT in Calcutta has gone down in absolute terms if reduced to constant prices. Taking 1960-61 as the base, the index of collections from the PT in Calcutta stood at 90 in 1977-78 whereas in Bombay it was 259, in Delhi 379 and in Madras 204 (Table I.6). It is also to be noticed that in Calcutta where the tax plays such a preponderant role among the revenue sources of the corporation, PT per capita is lower than in Bombay (Rs 30.90 as compared to Rs 104.06) and also than in Madras (Rs 40.66), all as of 1976-77 (Table 1.8). Also, during the years 1960-61 to 1976-77, revenue from PT per capita at constant prices registered a decline in Calcutta (the index being 83 in 1976-77 with 1960-61 as the base). whereas in the other cities, there has

TABLE I.5

Relative Significance of Property Tax and Grants-in-Aid in Selected Municipal Corporations

Corporation	PT as per cent of			Grants as per cent of TR
	TTR	TR	TR*	
	(1)	(2)	(3)	(4)
<u>Calcutta</u>				
1970-71	90.72	44.37	47.60	6.80
1976-77	87.16	47.71	70.73	32.55
<u>Bombay</u>				
1970-71	59.36	53.15	53.30	0.27
1977-78	62.35	50.51	51.65	2.21
<u>Delhi</u>				
1970-71	30.10	22.60	27.77	18.60
1977-78	42.45	30.41	36.10	15.76
<u>Madras</u>				
1970-71	54.51	37.45	38.65	3.10
1975-76	73.71	57.13	-	-
<u>Ahmedabad</u>				
1970-71	35.31	20.04	21.35	6.14
1977-78	33.03	18.03	19.39	7.02
<u>Bangalore</u>				
1971-72	22.67	22.72	26.11	4.11
1977-78	27.87	21.83	22.10	1.43

TR* = TR - grants, i.e., Total Revenue from Own Sources

Source : Central Statistical Organisation (1978). Statistical Abstract.

TABLE I.6

Index Number of Property Tax Collections at Constant Prices*
(Base 1960-61 = 100)

Year	Calcutta	Bombay	Delhi	Madras
	(1)	(2)	(3)	(4)
1960-61	100	100	100	100
1961-62	110	102	174	103
1962-63	106	110	116	108
1963-64	103	122	138	114
1964-65	105	117	192	120
1965-66	103	118	222	131
1966-67	90	120	203	124
1967-68	104	112	217	130
1968-69	95	123	240	138
1969-70	97	122	245	148
1970-71	91	133	267	147
1971-72	92	141	276	160
1972-73	97	139	295	176
1973-74	98	144	273	160
1974-75	71	143	280	165
1975-76	90	175	388	186
1976-77	92	245	262	225
1977-78	90	259	379	204

Note: * PT (Property Tax) Source : As for Table I.7
deflated by
Consumer Price
Index Number (CPIN)
for Urban Non-Manual
Workers (1960=100)

TABLE I.7

Property Tax at Current and Constant Prices in Major Municipal Corporations

Year	(Rs. lakh)							
	Calcutta		Bombay		Delhi		Madras	
	PT at curr- ent prices	PT at constant prices*	PT at current prices	PT at constant prices*	PT at current prices	PT at constant prices*	PT at current prices	PT at constant prices*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1960-61	446.76	446.76	1250.67	1250.67	132.46	132.46	183.10	183.10
1961-62	495.57	490.66	1297.37	1271.93	240.77	231.03	198.45	189.00
1962-63	500.16	471.85	1459.00	1376.42	167.68	153.83	218.39	198.54
1963-64	512.06	461.32	1711.42	1529.05	207.92	182.39	238.48	209.19
1964-65	546.45	471.08	1779.16	1458.33	313.36	254.76	269.42	219.04
1965-66	565.08	459.41	1924.23	1490.18	379.82	294.43	315.28	240.67
1966-67	544.47	403.31	2091.42	1504.62	374.41	269.36	324.58	226.98
1967-68	689.46	462.72	2100.82	1400.55	433.92	287.36	365.62	237.42
1968-69	673.58	423.64	2389.14	1541.38	511.38	317.63	388.21	252.08
1969-70	695.28	434.55	2450.54	1531.59	537.89	324.03	427.97	270.87
1970-71	684.71	405.15	2769.94	1658.65	612.85	354.25	463.41	269.42
1971-72	711.56	411.31	3024.72	1768.84	649.69	364.99	539.47	293.19
1972-73	773.14	434.35	3129.00	1738.33	808.02	390.35	644.29	322.15
1973-74	857.72	439.86	3587.92	1802.97	911.00	361.88	650.69	293.10
1974-75	739.27	318.65	4172.64	1790.83	1011.83	370.63	832.02	302.55
1975-76	981.41	402.22	5388.87	2190.60	1397.03	513.61	1054.10	340.03
1976-77	1015.47	411.12	7704.53	3069.53	994.11	347.59	1201.00	411.30
1977-78	1049.32	400.50	8618.62	3240.08	1496.48	502.17	1148.00	373.94

Source: Central Statistical Organisation,
Monthly Statistical Abstract
various issues.

been a rise (vide cols. 4, 8, 12 and 16 of Table I.8)^{1/}. The position in the municipalities, in this regard, is examined in the next chapter. The trend, however, seems to be the same.

b. Growth of revenue from property tax in major municipal corporations

(i) Rates of growth

1.6 The growth of the PT in Calcutta in the last 15 years or so has been the slowest among the municipal corporations of India, whether one measures the rate of growth of the tax in absolute terms or tax per capita or per holding (Table I.9). The growth rate turns out to be negative if the tax revenue is taken at constant prices.

^{1/} The revenue of the corporations from the PT at constant prices has been derived by deflating the revenue figures at current prices by the Consumer Price Index Number (CPIN) for urban non-manual workers in the respective cities. Since the bulk of the expenditure of the municipal corporations is accounted for by the salaries and wages of staff, arguably, a more appropriate deflator would be the index number of emoluments of employees at different points of time. No such index number is available. Nor is it possible to construct such index numbers in the absence of information regarding increases in the emoluments of the employees of municipal corporations/municipalities over the years. Municipal employees are however granted increase in D.A. from time to time to neutralise at least partly the effects of inflation. Since the D.A. increases are usually linked to the CPIN for urban non-manual workers, the CPIN has been used as a proxy. It is possible that this index overcorrects the effect of inflation on the real worth of the revenues of the municipalities. However, since the revenue figures of all the corporations compared here have been deflated by the CPIN for the respective towns, the relative position of Calcutta vis-a-vis the other corporations in the matter of trends in the collections from the PT in real terms is unlikely to change materially even if some other index number was used to adjust for price changes.

TABLE I.8

Per Capita Property Tax and Indices
(Base 1960-61 = 100)

Year	Calcutta				Bombay				Delhi				Madras				(Rs)
	PT _p	I	PT _β	I	PT _p	I	PT _β	I	PT _p	I	PT _β	I	PT _p	I	PT _β	I	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
1960-61	16.13	100	16.13	100	31.28	100	31.28	100	5.52	100	5.52	100	9.76	100	9.76	100	
1970-71	21.71	135	12.85	80	46.39	143	27.78	89	16.35	296	9.45	171	22.21	228	12.91	132	
1976-77	30.90	192	12.51	83	104.06	333	41.46	133	20.34	368	7.11	129	40.66	417	13.92	143	

PT_p = Per capita property tax

PT_β = PT_p deflated by CPIN

I = Index : base 1960-61

TABLE I.9

Growth Rate of Property Tax and Related Magnitudes
in Selected Municipal Corporations

Corporation	PT	PT*	PT _p	PT _p *	PT _H	PT _H *
	(1)	(2)	(3)	(4)	(5)	(6)
Calcutta	5.56	-0.76	4.74	-1.43	3.28 [£]	-2.80 [£]
Bombay	10.73	4.37	6.47	0.37	14.12	6.80
Delhi	13.91	6.35	8.96	1.17	6.96	-1.62
Madras	10.13	4.35	8.57	1.27	10.30	1.57
Ahmedabad	8.88	2.06	5.43	-1.17	-	-
Bangalore	13.46	6.15	10.05	2.96	7.14	0.24

PT = Property tax
 PT* = Property tax (constant prices)
 PT_p = Per capita property tax
 PT_p* = Per capita property tax (constant prices)
 PT_H = Per holding property tax
 PT_H* = Per holding property tax (constant prices)

Period :
 Calcutta - 1965-66 to 1978-79
 £ Calcutta Proper i.e. excluding Tollygange
 Bombay - 1960-61 to 1977-78
 Delhi - 1960-61 to 1977-78
 PT_H, PT_H* - 1970-71 to 1977-78
 Madras - 1960-61 to 1977-78
 PT_H, PT_H* - 1966-67 to 1975-76
 Ahmedabad - 1960-61 to 1977-78
 PT_H, PT_H* - 1964-65 to 1972-73
 Bangalore - 1960-61 to 1977-78

The growth rate of property tax per capita at constant prices has been (-)1.43 per cent during the period under review even though the growth of population in Calcutta has been small as compared to other cities. It cannot be said that the growth of the PT in Calcutta has slowed down because of the poor growth of number of holdings (for growth rate of population and number of holdings, see Table I.10). The growth rate of property tax per holding also is the lowest in Calcutta, viz., 3.28 per cent at current prices and -2.80 per cent at constant prices.

1.7 Dependence on the PT as the principal source of revenue on the one hand and the inelasticity of its yield on the other have resulted in deficits in the budget of the Calcutta Corporation and increasing reliance on grants from the State government. The proportion of grants in the total revenue receipts has gone up from 6.8 per cent in 1970-71 to 32.5 per cent in 1976-77 (Column 4 of Table I.5). No other corporation relies so much on grants from the State government. The grants are obviously necessitated by the growing shortfall in revenue of the Calcutta Corporation relative to its needs. Unlike in the past, throughout the seventies, the revenue account of the Corporation carried a negative balance. The budget for 1980-81 shows a negative closing balance of Rs 37.73 crore as may be seen from the Table I.11.

(ii) Elasticities

1.8 The growth of revenue from the PT is influenced by a number of factors, principally, the growth of population of the town, changes in prices, the level of income of the people living

TABLE I.10

Growth Rate of Population, Number of Holdings and Prices
in Major Municipal Corporations

Corporation	Population (1961 to 1981)	Number of holdings assessed	Prices ^{1/} (1960-61 to 1977-78)
	(1)	(2)	(3)
Calcutta	0.59	0.68 ^{2/} (1965-66 to 1977-78)	16.4
Bombay	3.46	1.32 (1968-69 to 1977-78)	15.7
Delhi	3.10	5.82 (1970-71 to 1977-78)	17.5
Madras	4.63	2.47 (1966-67 to 1976-77)	18.0
Bangalore	4.80	5.90 (1960-61 to 1977-78)	18.0

Note : 1/ CPIN (Urban Non-manual Workers, 1960=100)

2/ Calcutta proper (i.e., excluding Tollygunge)

Figures within parentheses indicate period

TABLE I.11

Calcutta Corporation Municipal Revenue
Fund - Budget Estimates
(Revenue Account)

(Rs lakh)

Year	Opening balance	Receipts during fiscal year	Total	Expenditure during fiscal year	Closing balance
	(1)	(2)	(3)	(4)	(5)
1978-79	-2714	3466	752	3369	-2617
1979-80	-2563	3769	1206	3812	-2606
1980-81	-3522	3792	270	4043	-3773

Source : Calcutta Corporation,
Budget Documents.

in the city, the growth of housing and changes in the price of real property and rental levels. Hence, for a valid comparison of the trends in the revenue from the RT, among cities and judging the efficacy of the tax to

secure revenue in proportion with the growth of population, income, housing and prices, it is necessary to look at the elasticity of the tax with respect to these variables. Data on city incomes, land prices and rental levels are not available on a comparable basis. An attempt was, therefore, made to compute the elasticities of the PT of the major municipal corporations with respect to a few major variables, namely, population, urban income (taken as represented by the non-agricultural income of the State) and cost of construction. The results are set out in Table I.12^{2/}. While the elasticity with respect to population in Calcutta is relatively high (7.9) - presumably because the population of Calcutta is not growing as fast as that of the other cities - with respect to other variables, viz., cost of construction and income, the elasticity of the PT in Calcutta is the lowest. Even with respect to population, the elasticity is lower than in other major cities of India and is in fact negative (-1.14) if revenue is taken at constant prices, i.e., deflated by the consumer price index number for urban non-manual workers (CPIN) as applicable to the respective cities. If measured against the rise in prices of real estate, however, the growth of PT nowhere in India could probably

^{2/} These elasticities have been derived by regressing the property tax revenue on the explanatory variables, viz., population, cost of construction and urban income in separate equations. See Appendix II to this Chapter for regression results.

TABLE I.12

Estimates of Elasticity of Property Tax With Respect to Population, Cost of Construction and Urban Income

Elasticity	Calcutta	Bombay	Delhi	Madras	Ahmedabad	Bangalore
	(1)	(2)	(3)	(4)	(5)	(6)
PT:P	7.90	2.59	2.93	3.35	2.64	3.99
PT*:P	-1.14	1.09	1.39	1.24	0.63	1.83
PT:CC	0.57	1.79	1.24	1.49	-	-
PT:Y _C ^N	0.65 (0.52)	0.83	0.81	0.97	0.81	0.93
PT*:Y _C ^{N*}	-1.35 (-0.04)	0.75	0.32	0.62	-	-

PT = Property tax

PT* = Property tax at constant prices

P = Population

CC = Cost of construction index as computed for different cities by the CPWD

Y_C^N = Per capita non-agricultural GDP of the State multiplied by the population of the city

Y_C^{N*} = Y_C^N at constant prices

Period:

PT:P 1960-61 to 1977-78

PT*:P 1960-61 to 1977-78 except Calcutta 1965-66 to 1978-79

PT:CC Calcutta : 1966-67 to 1978-79; Delhi: 1970-71 to 1977-78; Bombay: 1973-74 to 1977-78; Madras: 1971-72 to 1977-78

PT:Y_C^N 1965-66 to 1976-77 except Delhi: 1970-71 to 1976-77

PT*:Y_C^{N*} Calcutta and Madras: 1965-66 to 1974-75; Bombay: 1965-66 to 1976-77 and Delhi: 1970-71 to 1976-77

Note: Figures within parentheses indicate estimates of elasticity with respect to the City Domestic Product (CDP) of the District of Calcutta which coincides with the Municipal Corporation Area. (Source for the CDP of Calcutta: Bureau of Economics and Statistics, Government of West Bengal).

be regarded as high. For instance, prices of flats in residential areas in Bombay are reported to have gone up from Rs 90 per sq.ft. in 1970 to Rs 1500 per sq.ft. in 1981, i.e., at the rate of about 29 per cent (compound) per annum, and in commercial areas, the rate has increased from Rs 100 per sq.ft. in 1971 to Rs 1000 per sq.ft. in 1981 which works out to a rate of about 25 per cent per annum (India To-day, July 1-15, 1981, p.37). The growth rate of PT in Bombay, which is the highest among the cities under comparison in this study, was 14.12 per cent per annum (Column 5 of Table I.9). But with respect to the growth of population and the rise in construction cost, the PT is found to be elastic in corporations other than Calcutta (except Ahmedabad) even if the revenue figures are taken at constant prices. In Calcutta the elasticity of the PT at constant prices is below unity whether it is measured with respect to population or construction cost.

1.9 As noted already, the elasticity of the PT in Calcutta to population is in fact negative if taken at constant prices. The elasticity of the tax to the growth of incomes of the cities (measured by the per capita non-agricultural income of the State multiplied by the population of the city concerned) is less than unity in all cases but in none of the cities compared is it as low as in Calcutta. In the case of Calcutta, the elasticity of the tax to real income (i.e., when both are taken at constant prices) turns out to be negative. The figures in brackets under Calcutta in the last two lines of Table I.12 show that the elasticity of PT to the City Domestic Product (CDP) of Calcutta is 0.52 at current prices and -0.04 at constant prices.

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(Comparison of elasticities of PT for the other cities could not be made on a similar basis as information on GDP of other cities was not available.) The cost of collection of the PT in Calcutta, on the other hand, is pretty high, over 10 per cent. In Bombay, the cost of collection of the PT is 4 per cent (Table I.13). For income tax, wealth tax and estate duty, the cost of collection, according to the Budget estimates of 1981-82, is less than 2 per cent; for customs duties it is 1.07 per cent, and for Central excise, 0.60 per cent.

Factors Underlying Poor Elasticity of Property Tax in Calcutta

a. Decline in collection efficiency.

1.10 The elasticity of a tax may suffer as a result of, among other causes, either poor collections of the demand raised or as a result of poor growth of the demand itself because of lack of growth in the base of the tax, or both. That there has been a marked decline in the efficiency in collection of the PT in Calcutta over the years will be evident from the fact that the proportion of collections made in a year out of current demand, i.e., demand raised in the year in question has gone down from 73 per cent in 1960-61 to 55 per cent in 1979-80, while in the collection out of arrear demand there seems to have been an improvement, after a steep decline during the early seventies (vide Table I.14) ^{3/}. If collection efficiency is measured by the

^{3/} There is an abrupt rise in the proportion of collection of arrear demand from 9.6 per cent in 1970-71 to 49 per cent in 1971-72. The figures for the period upto 1970-71 and the period 1971-72 to 1979-80 were collected from two different sources; the former from Budget Documents, and the latter from Collector, Calcutta Corporation. The sharp rise raises some doubt about the comparability of the figures of the two periods.

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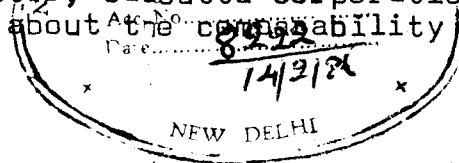


TABLE I.13

Property Tax and its Cost of Collection
in Calcutta and Bombay

(Rs lakh)

	Calcutta		Column (2)	Bombay		Column (5)
	PT	Cost of collection	as percentage of col. (1)	PT	Cost of collection	as percentage of col. (4)
	(1)	(2)	(3)	(4)	(5)	(6)
1971-72	711.56	68.15	9.58	3024.72	-	-
1972-73	773.14	65.15	8.43	3129.00	-	-
1973-74	857.72	87.92	10.25	3587.92	-	-
1974-75	739.27	88.22	11.93	4172.64	207.00	4.96
1975-76	981.41	104.28	10.63	5388.87	229.00	4.25
1976-77	1015.47	108.41	10.68	7704.53	274.00	3.56
1977-78	1049.32	140.52	13.39	8616.62	334.00	3.88
1978-79	1137.52 (RE)	134.30	11.81	-	-	-

- Sources :
1. Corporation of Calcutta
 2. Municipal Corporation of Greater Bombay

TABLE I.14

Demand and Collection of Consolidated Rate
(Calcutta Proper)

(Rs lakh)

Year	Current		Column (2) as percent- age of col. (1)	Arrear		Column (5) as percent- age of col.(4)
	Demand	Colle- ction		Demand	Colle- ction	
	(1)	(2)	(3)	(4)	(5)	(6)
1960-61	452.02	353.10	78.12	366.33	34.10	22.96
1961-62	483.15	375.46	77.71	449.14	121.46	27.04
1962-63	508.52	336.75	76.05	503.36	115.46	29.83
1963-64	534.74	400.61	74.92	546.26	113.35	45.27
1964-65	557.93	416.85	74.71	589.35	131.71	22.33
1965-66	578.55	425.20	73.49	641.85	128.98	20.09
1966-67	627.84	421.55	67.14	737.43	125.32	16.99
1967-68	746.75	516.20	69.13	372.88	177.63	20.35
1968-69	779.30	539.59	69.24	995.07	148.97	14.97
1969-70	303.98	552.41	63.71	1107.07	150.07	13.56
1970-71	860.07	549.80	63.93	1266.43	124.51	9.83
1971-72	890.00	511.32	57.45	430.00	210.75	49.01
1972-73	930.00	542.39	58.32	638.00	253.92	36.91
1973-74	1090.00	591.64	54.23	343.00	455.09	53.98
1974-75	1175.00	546.63	46.53	951.00	369.01	33.30
1975-76	1075.00	531.67	49.46	1223.20	561.42	45.90
1976-77	1100.00	631.64	57.42	1243.20	491.55	39.54
1977-78	1126.00	706.62	62.75	1167.00	493.61	42.30
1978-79	1268.00	781.77	61.65	1605.00	481.27	29.90
1979-80	1334.00	737.22	55.26	2130.00	563.40	26.69

- Sources : 1. Calcutta Corporation, Administration Reports
2. Collector, Calcutta Corporation.

elasticity of collection with respect to the demand for the tax, the efficiency of the Calcutta Corporation compares rather poorly with that of the corporations of Madras, Delhi and Bangalore (Table I.15). The elasticity of aggregate collection to demand was 0.38 during 1960-61 to 1979-80. In Madras, it was 1.26, in Delhi 0.77 and in Bangalore 0.67. The elasticity of collection out of arrear demand was only 0.03 for the period 1961-62 to 1970-71 and that from current demand was 0.52. Regression results are contained in Appendix III to this Chapter.

TABLE I.15

Measure of Collection Efficiency

Elasticity	Calcutta (1960-61 - 1979-80)	Madras (1970-71 - 1976-77)	Delhi (1970-71 - 1977-78)	Bangalore (1960-61 - 1979-80)
	(1)	(2)	(3)	(4)
CC:CD	0.40	1.03	1.09	0.76
AC:AD	0.29	1.16	0.58	0.50
PT:TD	0.38	1.26	0.77	0.67

CC = Collection out of current demand (CD)
 AC = Collection out of arrear demand (AD)
 TD = Total demand

b. Low elasticity of rateable values

1.11 The elasticity of PT with respect to one of the principal determinants, namely, cost of construction may be decomposed into (i) elasticity of the tax yield with respect to the base, i.e., the annual value (AV) or rateable value (RV) and (ii) elasticity of RV to cost of construction, in order to see which is the main factor responsible for the low elasticity of PT. If this is done, it is seen that while the

elasticity of PT per holding^{4/} to cost of construction is 0.49, the elasticity of PT per holding to RV per holding is 1.4 and the elasticity of RV per holding to cost of construction is 0.33 (Table I.16). Thus it is the low elasticity of RV per holding which accounts for the low elasticity of PT to cost of construction. The elasticity of RV per holding to cost of construction is, of course, less than one for the other major corporations also, namely, Bombay, Madras, Delhi and Bangalore but it is the lowest in Calcutta.

1.12 The growth rates of RV in absolute terms as also per holding in current as well as constant prices in Calcutta and other major cities are given in Table I.17. Calcutta has recorded the lowest rate of growth of RV whichever way one looks at it. At constant prices, the growth rate has been negative. It is thus evident that the poor elasticity of the yield of property tax in Calcutta is due mainly to the slow growth of RV which is the base of the tax itself.

1.13 It may be argued that the base of the PT in Calcutta is assessed mainly on the basis of fair rental and, as is well-known, because of the control imposed by law, rental levels cannot move up as fast as prices or cost of construction. Therefore, the growth of RV, one may contend, should be judged against growth of rental levels.

1.14 An attempt was made to construct an index of rent in Calcutta between 1971-72 and 1979-80 on the basis of rents paid by the State Bank of India for premises hired by the bank for its officers. The State Bank has taken out

^{4/} It is felt necessary to measure the elasticity of the PT per holding as otherwise the slow growth of the number of holdings in a city (as in Calcutta) might affect the elasticity of the tax. See Appendix IV to this Chapter for regression results.

TABLE I.16

Elasticity of Per Holding Property Tax

Variable	Calcutta (1)	Bombay (2)	Madras (3)	Delhi (4)
$PT_H : CC$	0.49	1.92	1.21	0.74
$FT_H : RV_H$	1.43	2.82	1.74	0.70
$RV_H : CC$	0.33	0.66	0.66	0.77

PT_H = Property tax per holding	<u>Period:</u> Calcutta : 1966-67 - 1978-79
RV_H = Rateable value per holding	Bombay : 1973-74 - 1977-78
CC = Cost of construction index	Madras : 1970-71 - 1975-76
	Delhi : 1970-71 - 1977-78

TABLE I.17

Growth Rate of Rateable Value

Corporation	RV (1)	RV* (2)	RV_H (3)	RV_H^* (4)
Calcutta	4.63	-1.63	3.80	-2.25 ^t
Bombay	7.72	1.54	6.97	0.09
Delhi	12.54	3.30	6.57	-1.99
Madras	9.34	0.67	6.62	-1.83
Ahmedabad	5.91	1.00	-	-
Bangalore	13.34	6.04	7.03	0.12

Note: RV = Rateable value	<u>Period:</u>
RV^* = RV (constant prices)	Calcutta : 1965-66 to 1978-79 & Calcutta proper
RV_H = Per holding RV	Bombay : 1960-61 to 1977-78
RV_H^* = Per holding RV (constant prices)	Delhi : 1970-71 to 1977-78
	Madras : 1970-71 to 1976-77
	Ahmedabad : 1964-65 to 1972-73
	Bangalore : 1960-61 to 1977-78

premises on rent in different parts of the city. Hence, it was possible to form an idea of the increase in the levels of rent on the basis of information obtained from the bank. It was found that taking 1971-72 as the base, the index of rental level measured in terms of rent per unit of area had gone up to 265 in the year 1979-80. The index of total RV of properties in Calcutta for the same period increased from 100 to 144 (vide Table I.18). If RVs had increased to the same extent as rental values, the total RV of properties in Calcutta should have been Rs 105.79 crore in 1979-80 even without an increase in the number of holdings as against the actual figure of Rs 57.62 crore. It is of interest to note that the total RV of properties in Bombay is Rs 141.20 crore; in Delhi it is Rs 92.13 crore; in Madras it is Rs 37.70 crore, in Ahmedabad, Rs 30.38^{crore} and in Bangalore, Rs 30.10 crore (Table I.19). RV per holding in Calcutta is higher than in Delhi, Madras and Bangalore though lower than in Bombay. Comparison of RV per holding presents problems in the absence of homogeneity of the holdings among the cities and is therefore not pursued further.

The Base of Property Tax in West Bengal

1.15 In Calcutta and other municipal areas of West Bengal, as in most parts of India, the base on which the PT is levied is the annual letting value of the property.

Section 169 of the Calcutta Municipal Act, 1951 (CM Act) which governs the administration of the PT in the Corporation of Calcutta at present stipulates that for the purposes of assessment to the "consolidated rate" - the name by which the PT is described in the Act - "the annual value of any land or building shall be deemed to be the gross annual rent at

TABLE I.18

Index of the Growth of Rateable
Value Vs. Level of Rent
(Calcutta including Tollygunge)

Year	<u>Rateable value</u>		<u>Level of rent</u>
	<u>Amount</u> (Rs lakh)	<u>Index</u>	<u>(paid by SBI)</u> <u>Index</u>
1971-72	3992	100	100
1972-73	4145	104	120
1973-74	4370	109	141
1974-75	4399	110	172
1975-76	4496	113	187
1976-77	4624	116	213
1977-78	4767	119	248
1978-79	5356	134	255
1979-80	5762	144	265
Annual average growth (per cent)		4.89	18.44

- Sources: 1. For col.(2) Calcutta Corporation, Budget Documents
2. For col.(4), basic data collected from SBI, Calcutta.

TABLE I.19

Rateable Values of Properties in Major Municipal Corporations

Corporation	Rateable value	
	Total (Rs lakh) (1)	Per holding (Rs) (2)
Calcutta (1979-80)	5761.51	5657.75
Bombay (1979-80)	14120.00	7131.31
Delhi (1977-78)	9213.23	2225.42
Madras (1975-76)	3770.49	2792.95
Ahmedabad (1976-77)	3038.14	-
Bangalore (1979-80)	3309.87	1828.66

Source: Official Records
of the Municipal
Corporations.

which the land or building might at the time of assessment be reasonably expected to let from year to year, less, in the case of a building, an allowance of 10 per cent for the cost of repairs and for all other expenses necessary to maintain the building in a state to command such gross rent". The Act, however, provides that where the rent of any land or building has been fixed under the rent control laws of 1950 or 1956, the annual value shall not exceed the annual amount of rent so fixed. The Act also stipulates that where the gross rent of a premises not ordinarily let cannot be easily estimated, the gross annual rent of the premises for purposes of the levy shall be deemed to be 5 per cent of the estimated present value of the land, if it is vacant and, if it contains a building, 5 per cent of the value of the building obtained by adding the estimated cost of erecting it at the time of assessment less a reasonable amount to be deducted on account of depreciation to the estimated present value of the land valued with the building as part of the same premises. In the case of a building used as a public cinema house or theatre or place of public amusement, the gross annual rent is taken at $7\frac{1}{2}$ per cent of the gross annual receipts. Bustees are assessed on the basis of gross annual rent of the land plus that of the huts standing on them less 10 per cent for repairs - the rent being taken at the rate at which the huts might be reasonably expected to let. There are some special provisions for assessment of lands belonging to the Calcutta Improvement Trust (CIT). Thus, barring premises for which rental value cannot be easily determined, the tax is levied generally on the basis of reasonable letting value.

1.16 The maximum rates at which the tax can be levied are also laid down in the Act (Section 165). Places of public worship, public burial and burning grounds are exempt from the tax. The Corporation can at its discretion grant exemption to properties used exclusively for purposes of public charity and properties of which the annual valuation does not exceed Rs 50, subject to certain conditions. Properties of the Central government and Railways constructed after 1937 pay only a part of the consolidated rate by way of service charge. From Table I.20 it will be seen that the RV of bustees constitutes roughly 4 per cent of the total RV of all properties and that of the properties of the Central government (including Railways) and the CIT, about 2 per cent. Properties exempted fully from the tax account for a little over 1 per cent of the total. The remaining 92-93 per cent (excluding municipal properties) thus bears tax at the normal rates. Section 191 of the Act provides that one-half of the consolidated rate shall be payable by the owners of lands and buildings and the other half by the occupier.

Causes of Low Elasticity of Rateable Values

1.17 The CM Act, 1951, also requires every property to be revalued at least once in every six years - "general revaluation" (GR) - and also permits "intermediate valuation" in between two GRs if there has been any new construction or substantial addition or alteration to the existing structure or under certain specified circumstances. Despite these provisions requiring and/or permitting revaluation, RVs have fallen behind market trends of property prices and rents because of several factors. While it is not

TABLE I.20

Proportion of Rateable Value Fully or Partially
Exempt from Consolidated Rate in
Calcutta
(City Proper)

Valuation	(Rs lakh)		
	1978-79 (1)	1979-80 (2)	1980-81 (3)
Total rateable value			
of which:	4554.02	4950.02	5546.40
1. Exempted under Section 167 of the Act*	66.18 (1.45)	67.67 (1.37)	68.23 (1.23)
2. Taxed at lower rates			
i. Central government and railways properties	92.50 (2.03)	92.50 (1.87)	92.50 (1.67)
ii. Calcutta improvement trust properties	15.00 (0.33)	15.00 (0.30)	15.00 (0.27)
iii. Busteas lands	182.32 (4.00)	188.88 (3.82)	222.24 (4.01)

Note: Figures within parentheses indicate percentage to the total rateable value

Source: Calcutta Corporation, Budget Documents

* Calcutta Municipal Act, 1951

possible to identify all such factors or quantify the effect of each, factors which seem to have been mainly responsible for the slow growth of RV in Calcutta are the following: (i) legal constraints, (ii) weaknesses of assessment methods and procedure and (iii) socio-economic environment. The manner in which these factors have operated to undermine the base of the PT and thereby its elasticity and equity is examined briefly below.

a. Legal constraints

i. Interpretation of "fair rent"

1.18 As indicated in para 1.15, generally, the basis of assessment of annual value of a property in Calcutta is "the gross annual rent at which the land or building might at the time of assessment be reasonably expected to let from year to year". In successive judgments, beginning with the celebrated case of Corporation of Calcutta v. Padma Devi^{5/} and culminating with the case of Dewan Daulat Rai Kapoor v. New Delhi Municipal Committee, it has been laid down by the Supreme Court that, in estimating the rent at which a property might be reasonably expected to let, the standard rent determinable under the provisions of the relevant rent control laws must be taken as the basis, no matter what the landlord is actually getting or whether the rent has been actually fixed by the rent controller or not. The history of the evolution of case law on the subject is now well-known and need not be gone into here^{6/}.

^{5/} Citation given at the end of the Report.

^{6/} For an excellent review of the case law on the issue, see Balachandran, M.K. (1980).

The principle enunciated in these cases has been reiterated by the Supreme Court recently in a case arising from the interpretation of "reasonable rent" for purposes of taxation under the Income Tax Act 1961. Noting that the meaning of "annual value" as used in the Income Tax Act, 1961, before it was amended in 1975, is identical with the term used in the municipal Acts of Delhi and Punjab, the Supreme Court has held that even if the standard rent of a building which is situated in an area to which the rent control law applies has not been fixed by the Rent Controller and the prescribed period of limitation for making an application for the fixation of the standard rent has expired, the "annual value" of the building will be the standard rent determinable under the rent control law (Sheila Kaushish v. CIT)^{7/}.

1.19 By virtue of Section 8 of the West Bengal Premises Tenancy Act, 1956 which is the legislation authorising control over rents in the State, "fair rent" in relation to any premises means, where the rent of such premises has been fixed under the legislations of 1948 or of 1950 on rent control, the rent so fixed or, where it has been fixed under the rent control laws of 1943 and 1946, the rent so fixed together with an increase ranging from 5 to 15 per cent depending on the nature of use of the property and the rent fixed earlier. For premises constructed after the commencement of the said Act, fair rent is to be taken as $6\frac{3}{4}$ per cent of the

7/ The relevant provision in the Income Tax Act now stipulates that where the property is let and the annual rent received or receivable by the owner is in excess of the sum for which the property might reasonably be expected to let, the amount so received or receivable shall be deemed to be the annual value of the property.

sum of actual cost of construction and the market price of the land on the date of commencement of construction together with one-half of the municipal rates and taxes payable in respect of the premises. When such premises are first let out the rent agreed upon between the landlord and the tenant shall be the fair rent for eight years after the commencement of the Act. In other cases, such rent as would be reasonable having regard to the situation, location, condition of the premises etc., will be the fair rent but in no case will an increase of more than 10 per cent be allowed over the existing rent.

1.20 According to a study conducted by the All India Institute of Local Self-Government (1973), the Bombay Municipal Corporation was suffering a loss of Rs 18.45 crore annually on account of low valuation of properties as a result of rent control. In his evidence before the Rent Acts Enquiry Committee of Maharashtra, the Municipal Commissioner, Bombay had testified that the Bombay Municipal Corporation was suffering a loss of about Rs 22 crore per annum for the city area and about Rs 10 crore for the suburbs in property tax revenue because of rent control (Rent Acts Enquiry Committee, Maharashtra 1976, para 13.2).

ii. Operation of rent control in Calcutta

1.21 Information collected from the office of the Rent Controller in Calcutta shows that the number of cases going up to the Rent Controller for fixation of fair rent is not large. About 700 to 800 cases are filed on an average every year under the West Bengal Premises Tenancy Act, 1956. Of these not more than 20-25 per cent relate to disputes over fair rent (Table I.21). In recent years, both the number of cases filed and the number of cases relating to fair rent

TABLE I.21

Total Number of Cases Filed with the Rent Controller in
Calcutta and Proportion of Cases Relating
to Fair Rent
(1973-74 to 1979-80)

Year	Total number of cases filed with the Rent Controller	Cases out of Col. 1 involving rent fixation		Cases actually heard	
		No.	Proportion (Col.2 as per cent of col.1)	No.	Proportion (Col.4 as per cent of Col.2)
	(1)	(2)	(3)	(4)	(5)
1973-74	719	177	24.62	24	13.15
1974-75	813	185	22.76	3	1.62
1975-76	795	147	18.49	21	14.29
1976-77	1050	292	27.81	26	8.90
1977-78	811	157	19.36	28	17.83
1978-79	671	113	16.84	2	1.77
1979-80	553	75	13.56	6	8.07

Source : Information collected from the office of the Rent Controller, Calcutta.

seem to have gone down. A sizeable number of fair rent cases are withdrawn before a final decision is taken. On an average not more than 10 to 15 per cent of the fair rent cases filed every year are actually heard and the rent fixed (vide column 5 in Table I.21). During the entire period 1973-74 to 1979-80, rent fixation took place only in 108 cases (110 cases were actually heard). Out of these, rent was reduced in 77 cases and increased in 31. The order of reduction ranged mostly between 20 and 60 per cent and the order of increase was mostly below 20 per cent (Tables I.22 and I.23). The extent of the reduction in the average level of rent of the cases filed with the Rent Controller is shown in Table I.24. The extent of reduction ranged between 12 per cent and 46 per cent with an average of 27 per cent for the entire period 1970-71-1980-81.

1.22 Although the number of cases going up to the Rent Controller does not seem to be large, the rent control legislation has its impact in the form of a deterrent against any significant rise in the level of rent of premises which come within the purview of rent control. A sample survey of holdings carried out for this study showed that the age of tenancy is over 60 per cent of the tenanted holdings in Calcutta is more than 10 years. Over one-third of the holdings let out are under the same tenant for twenty years or more (Table I.25). Further, in over 62 per cent of the cases let out, the rent is fixed on oral agreement which comes within the purview of rent control law as only leases of certain categories are outside its purview (Table I.26). It would, therefore, not be correct to judge the effect of rent control laws on the valuation of properties for municipal

TABLE I.22

Distribution of Fair Rent Cases According to Extent of

Reduction Allowed

~~(1970-71 to 1980-81)~~
1973-74 to 1979-80

(Per cent)

Year	Reduction in rent					Total
	1-20	21-40	41-60	61-80	81 and above	
	(1)	(2)	(3)	(4)	(5)	(6)
1973-74	4	8	4	4	-	20
1974-75	1	-	1	-	-	2
1975-76	7	1	4	3	1	17
1976-77	1	8	9	2	-	20
1977-78	6	4	2	2	-	14
1978-79	-	2	-	-	-	2
1979-80	-	-	2	-	-	2

Source: Information collected from the office of the Rent Controller, Calcutta

TABLE I.23

Distribution of Number of Cases According to the Extent
of Increase in Rent Granted by Rent
Controller
(1973-74 to 1979-80)

(Per cent)

Year	Increase in rent			Total
	1-20	21-40	41-60	
	(1)	(2)	(3)	(4)
1973-74	4	-	-	4
1974-75	1	-	-	1
1975-76	4	-	-	4
1976-77	6	-	-	6
1977-78	11	-	1	12
1978-79	-	-	-	0
1979-80	3	-	1	4

Source: Information collected from the office of the Rent Controller, Calcutta

TABLE I.24

Average Level of Rent Before and After Fixation of Fair Rent

Year	Average level of rent per month in cases filed with Rent Controller (Rs) (1)	Average level of rent after fixation of fair rent (Rs) (2)	Per cent reduction (3)
1970-71	30.52	24.05	21.29
1971-72	106.75	75.70	29.09
1972-73	405.03	218.22	46.12
1973-74	156.70	123.12	15.40
1974-75	74.75	65.00	13.05
1975-76	111.98	78.31	30.07
1976-77	86.46	57.90	33.04
1977-78	102.23	85.57	16.30
1978-79	192.50	145.00	24.68
1979-80	90.63	79.65	12.12
1980-81	113.25	83.30	26.45
Average for the period			26.76

Source: Information collected from the office of the Rent Controller, Calcutta

TABLE I.25

Distribution of Tenanted Holdings in Calcutta According to Age of Tenancy

Age (years)	Proportion (per cent of total)
0 - 5	20.6
6 - 10	19.2
11 - 15	14.3
16 - 20	10.7
21 - 25	7.3
More than 25	27.9
TOTAL	100.0

Source: Sample survey by NIPFP

TABLE I.26

Distribution of Holdings in Calcutta According to Mode of Rent Fixation

Category	Proportion (per cent of total)
Lease: Commercial	3.9
" Industrial	1.9
" Individual	2.1
" Landlord	0.1
Oral agreement	61.8
No lease no oral agreement	30.2
TOTAL	100.0

Source: Sample survey by NIPFP

taxation from the number of cases which are taken to the Rent Controller for fixation of fair rent.

iii. Other judicial rulings

1.23 What has affected the level of assessment of annual rental values is not merely the requirement that reasonable letting value must be determined with reference to the "fair rent" as contemplated in the rent control law, but also the judicial interpretation of the words "to let" to imply that the "rent which the landlord might realise if the house was let is the basis for fixing the annual value of the building" and "the criterion, therefore, is the rent realisable by the landlord and not the value of the holding in the hands of the tenant". (Corporation of Calcutta v. Padma Devi). The emphasis on what the landlord can get under the rent control law irrespective of what the property is actually fetching, e.g., in the case of a property which is sub-let, to the tenant from the sub-tenant, has led to the practice of multiple leasing whereby a property is let out at a nominal rent to a tenant who in turn sublets the property at a much higher rent. It is not easy to establish collusive transactions with evidence and in most cases where this takes place the assessing authorities have to go by what the landlord shows as the rent received by him.

1.24 A study carried out by the Indian Institute of Social Welfare and Business Administration, Calcutta (1973) on the degree of underassessment of properties in Calcutta resulting from rent control and sub-letting revealed that, although there was considerable variation from locality to locality, in most areas of the city the annual value of uncontrolled properties was more than that of controlled ones by 100 to

160 per cent. In Burra Bazar area, the annual value of properties not subject to rent control exceeded that of properties under rent control by about 261 per cent, though in some other areas, namely, Belliaghata, Maniktala and Bowbazar, the annual value of uncontrolled properties exceeded that of controlled ones by not more than 2 to 40 per cent. The study also showed that the actual municipal AV of 408 premises covered in the survey came to Rs 20,37,457, which was approximately the annual value on controlled rent basis. In many localities, however, the actual municipal AV was found to be higher than what was warranted by the controlled rent, e.g., in Ballygunge, Tollygunge and Bhowanipur.

1.25 As for the effects of multiple leasing, the survey revealed that the sub-letting values of properties exceeded their letting value by about 108 per cent on an average, although here also there was considerable variation as between areas. In some areas the sub-letting value exceeded the letting value by as much as 250 per cent and in some, by 58 per cent. Here again it was noticed that in the case of premises which were sub-let, the actual municipal AV (Rs 5,22,478) exceeded the AV worked out on the basis of letting value (Rs 4,30,587). This was accounted for by the fact that though, strictly, AV for municipal taxation must be based on letting value, in some cases ratepayers tolerated some excess over the letting value within limits.

1.26 Assessment of letting value of properties in Calcutta has also been affected adversely by the ruling of the Calcutta High Court in a case that in determining the annual value of a building for purpose of the CM Act, 1951, expenses incurred by the owner as charges for services rendered to the tenants should be excluded from the rent paid by the tenants (Corporation of Calcutta v. India Exchange Ltd.). It appears that this decision goes against a ruling of the Supreme Court to the effect that the term "rent" is comprehensive enough to include the charges for amenities provided by the landlord to his tenants (Karnani Properties Ltd. v. Miss Augustine). However, this has created problems in handling the assessment of letting values in cases where a large sum is taken by the landlord in the form of "service charges".

1.27 Apart from the constraints flowing from the judicial interpretation of some of the basic provisions bearing on annual valuation, municipal assessment in West Bengal seems to be badly affected by litigation on various other issues as well. As indicated in some more detail in Chapter II from discussions with some of the municipalities it was learnt that even revision of annual values made under a general revaluation had to be put aside because of litigation and subsequent court rulings. Inclusion of value of plant and machinery in annual value was reported to have been kept in abeyance in Howrah because of an injunction from the court.

b. Weaknesses of assessment method

1.29 Apart from constraints arising from litigation and court rulings, upward revision of RVs seems to have suffered in Calcutta from certain weaknesses of the methods and procedures of assessment. There is no written code for assessment of properties in Calcutta. The Assessment Manual was said to have been last printed in ~~1959~~¹⁹²⁰. The only written instruction on assessments of lands and buildings brought to our notice is a circular of 1973 (reproduced in Appendix I)^{to this chapter}. This circular lays down certain guidelines for Assessment Inspectors in order to reduce the scope for disputes. In regard to properties which are let out, the circular says that the annual value should be assessed on the basis of the actual rent paid. But it adds, "if there are grounds for deduction on account of suitable services charges, this should be considered". It also adds, "where evidence is available that the rental realized is higher than what is shown, the actual rental minus reasonable service charges should be taken into account". For properties in the occupation of the owner, the circular enjoins that the annual value should be assessed at 6 per cent of the value of land and cost of construction. In the case of buildings partly let out and partly occupied by the owner, assessing officers are instructed to take into consideration the actual rent paid by the tenants and estimated fair rent for the owner occupied portion. For this purpose, the owner, the circular stipulates, should be taken to be the oldest tenant and the fair rent of his portion should be ~~to~~ determined on the basis of rent paid by the old tenants of the locality. "In other words", the circular goes on to say, "the fair rent of the

owner's portion of the building will be somewhat less than the actual rents paid by the tenants of the same building. The circular also enumerates a few deductions "which are normally allowed by the Assessment Department". These are apart from the statutory deduction for repairs -

- i. where rent is inclusive of occupier's share of tax, deduction of proportionate amount of the tax;
- ii. deduction for services and hire charges for furniture, fans, geysers, etc., supplied by the owner, and
- iii. deduction for cost of maintenance and servicing of lifts.

1.29 It can be seen that in trying to remove the grounds for complaint commonly raised by ratepayers and thereby reduce the number of disputes, the circular goes beyond what is permissible ~~in law~~ on a strict interpretation of the law, e.g., when it requires the owner's portion of premises which are partly let out to be valued on the presumption that the owner is the oldest tenant. What is worse, it leaves much to the discretion of the Assessment Inspectors, e.g., when it says that the fair rent of the owner's portion will be "somewhat less". As will be shown presently, in practice the extent of concession given to owner-occupiers varies quite widely, as is to be expected when no limits are laid down. Also, premises used for commercial purposes are given the benefit of this concession

even though it has no sanction in law. Since the occupier's share of the tax is paid in most cases (over 90 per cent, according to a sample survey undertaken for this study), deduction of proportionate amount of the tax is no doubt in order, although, where there is no written agreement between the landlord and the tenant - and, as *noted already* in about 62 per cent of the tenanted holdings there is no written agreement - it is difficult to verify who is actually paying the occupier's share. Where rent is claimed to include service charge in the absence of any indication of what proportion of such charges could be regarded as reasonable in a given situation, it is left open for the assessing staff to decide the deduction to be actually allowed in each case. Such discretion opens up wide scope for subjective judgment and collusion between assesses and the assessment staff. It was thus inevitable that the assessments would be marked by a large degree of arbitrariness and inequity.

c. Imperfections of real estate market

1.30 The situation has been aggravated by the absence of a reliable market for real estate, as a result of which it is difficult for any assessing authority to contest the correctness of the rent disclosed by a landlord as the true rent or to substantiate any estimate however reasonable. What has stood in the way of the functioning of a reliable rental or property market is not merely the imposition of control over rent but the practice of concealing facts about prices and rents at which properties are currently selling and are being let out. It is common knowledge that a good

part of the consideration for the purchase of a property in any big city is often paid "under the table". Rent control is evaded (and so are tax laws) by charging "salamis" (premium) or service charges out of proportion to the value of the service rendered. Informal inquiries revealed that the scale of rent as well as salami has more than doubled in the last ten years (Table I.27). Evidence to substantiate these trends which would be acceptable to courts is, however, not easy to obtain. As a result, assessments are difficult to sustain even when done on a realistic basis and so the valuations proposed on first assessment or reassessment are almost invariably challenged leading to a growing backlog of "objections" to proposed assessments. The proportion of cases where the assessments are not objected to was 6 to 8 per cent of the total between 1968-69 to 1972-73 (Table I.28). Later figures are not available. That the position has not changed is indicated by the fact that the number of outstanding cases where objections have been preferred by taxpayers has gone up from 2304 in 1968-69 to 67,736 in 1978-79 (Col. 8 of Table I.28). The increase in EVs proposed on first assessments or revaluation gets reduced by over 50 per cent on an average every year (Table I.29). The Corporation authorities evidently find themselves unable to defend their proposed assessments when these are contested. The basis on which the reductions are allowed is also not always clear. There does not seem to be any system of maintaining any record of either land prices or rents in a regular or methodical manner. Presumably, the authorities, on hearing ^{the} objections to proposed assessments, decide the

J-ELE 1.27

Trends in Rent and Salami for Properties in North Calcutta
(1970-71 to 1990-91)

Places	1970-71	1975-76	1990-91
	(1)	(2)	(3)
Gareeh Talkies	<p>SHOPS :</p> <p>Salami ₹ 100-150 per sq.ft. Rent ₹ 1 - 1.50 per sq.ft.</p> <p>F.Flats:</p> <p>Salami ₹ 15-25 per sq.ft. Rent ₹ 50-1.00 per sq.ft.</p>	<p>SHOPS :</p> <p>Salami ₹ 225 to 350 per sq.ft. Rent ₹ 1 to 2.50 per sq.ft.</p> <p>F.Flats:</p> <p>Salami ₹ 20 to 50 per sq.ft. Rent ₹ 1 to 1.50 per sq.ft.</p>	<p>SHOPS :</p> <p>Salami ₹ 250 to 400 per sq.ft. Rent ₹ 2 to 3 per sq.ft.</p> <p>F.Flat:</p> <p>Salami ₹ 50 to 80 per sq.ft. Rent ₹ 1.50 to 2 per sq.ft.</p>
Burra Bazar	<p>SHOPS :</p> <p>Salami ₹ 250 to 400 per sq.ft. Rent ₹ 2 to 3 per sq.ft.</p> <p>F.Flat :</p> <p>Salami ₹ 50 to 100 per sq.ft. Rent ₹ 1 to 1.50 per sq.ft.</p>	<p>SHOPS :</p> <p>Salami ₹ 300 to 500 per sq.ft. Rent ₹ 2 to 4 per sq.ft.</p> <p>F.Flat :</p> <p>Salami ₹ 95 to 100 per sq.ft. Rent ₹ 1.50 to 2 per sq.ft.</p>	<p>SHOPS :</p> <p>Salami ₹ 500 to 1000 per sq.ft. Rent ₹ 3 to 6 per sq.ft.</p> <p>F.Flat :</p> <p>Salami ₹ 100 to 150 per sq.ft. Rent ₹ 1.50 to 2.50 per sq.ft.</p>
Shyambazar	<p>SHOPS :</p> <p>Salami ₹ 100 to 150 per sq.ft. Rent ₹ 1 to 1.50 per sq.ft.</p> <p>F.Flat :</p> <p>Salami ₹ 10 to 15 per sq.ft. Rent ₹ .50 to 1 per sq.ft.</p>	<p>SHOPS :</p> <p>Salami ₹ 200 to 300 per sq.ft. Rent ₹ 1.50 to 1.75 per sq.ft.</p> <p>F. Flat :</p> <p>Salami ₹ 15 to 25 per sq.ft. Rent ₹ .75 to 1.50 per sq.ft.</p>	<p>SHOPS :</p> <p>Salami ₹ 300 to 500 per sq.ft. Rent ₹ 2.50 to 3.50 per sq.ft.</p> <p>F.flat :</p> <p>Salami ₹ 25 to 30 per sq.ft. Rent ₹ 1 to 1.50 per sq.ft.</p>
Manicktala	<p>SHOPS :</p> <p>Salami ₹ 50-125 per sq.ft. Rent ₹ .50 to 1 per sq.ft.</p> <p>F.Flat :</p> <p>Salami ₹ 10 to 20 per sq.ft. Rent ₹ .50 to 1 per sq.ft.</p>	<p>SHOPS :</p> <p>Salami ₹ 75 to 150 per sq.ft. Rent ₹ 1 to 1.50 per sq.ft.</p> <p>F.Flat :</p> <p>Salami ₹ 10 to 25 per sq.ft. Rent ₹ .75 to 1.25 per sq.ft.</p>	<p>SHOPS :</p> <p>Salami ₹ 150 to 200 per sq.ft. Rent ₹ 1.50 to 2 per sq.ft.</p> <p>F.Flat :</p> <p>Salami ₹ 15 to 30 per sq.ft. Rent ₹ 1 to 1.50 per sq.ft.</p>

F. Flat = Family Flats

Source : Real Estate Agents of Calcutta

TABLE I.23

Particulars Regarding Objections Filed Against Revaluation
(Corporation of Calcutta)

Year	Percentage of cases which became final without any objection	Cases pending at the beginning of the year	Objection cases filed during the year	Number of objection cases pending for final disposal	Objection disposed of during the year	Cases out of col.5 which were Confirmed	Modified	Cases pending at the end of the year
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1968-69	8.78	20735	10435	31230	8185	635 (7.76)	7550	23045
1969-70	8.60	23045	13122	36167	11824	1250 (10.57)	10574	24343
1970-71	7.90	24114	11214	35328	13070	1550 (11.86)	11520	22258
1971-72	6.33	22258	15263	37521	15280	1648 (10.79)	13632	22241
1972-73	6.29	22241	25995	48236	16139	1725 (10.69)	14414	32037
1973-74	-	-	-	-	-	-	-	-
1974-75	-	-	-	-	-	-	-	-
1975-76	-	-	-	-	-	-	-	-
1976-77	-	32798	15893	48691	7951	-	-	40740
1977-78	-	40740	20500	61240	9146	-	-	52094
1978-79	-	52094	18000	70094	12358	-	-	57736

Note: Figures within parentheses indicate col. 6 as per cent of col.5.

Sources: 1. Corporation of Calcutta, Administration Reports
2. Corporation of Calcutta, Budget Documents.

TABLE I.29

Change in Rateable Value Allowed on Hearing of Objections

Year	Number of objection cases decided	Rateable value (Rs lakh)			Proposed increase (Rs lakh)	Net reduction (Rs lakh)	Per cent reduction over proposed RV as % of col.(3)	Per cent reduction over proposed increase in RV as % of col.(5)
		Pre-vious	Pro-posed	Finalised				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1968-69	7,547	418	653	520	235	135	20.52	56.60
1969-70	10,569	414	755	588	341	167	22.12	48.97
1970-71	11,520	423	770	558	347	212	27.79	61.10
1971-72	13,632	508	822	657	314	165	18.00	52.55
1972-73	18,269	528	863	688	335	175	18.54	52.24

Source: Calcutt Corporation, Administration Reports.

cases entirely to the best of their judgment without any objective basis to guide them.

Undervaluation and Disparities in Assessment

1.31 The combined effect of all this, viz., rent control multiple leasing, heavy reliance on discretionary element in the assessment of annual values providing scope for corruption and collusion, widespread practice of concealing

facts regarding the value of properties and absence of a free and open primary or rental market, has been to keep the RVs of properties depressed chronically below what would be warranted by actual prices and rents of properties and, what is even worse, create wide disparities in the standards of valuations applied to similar properties.

1.32 The criterion usually used in measuring the degree of underassessment or inequality in the valuation of properties is the assessment ratios, i.e., the ratio of assessed value to the market value of properties as revealed in transactions in the market and the dispersion of such ratios. The assessment ratios can, however, be applied with some confidence only where property values are not understated in transfer documents and where the capital value is the base. Since neither of these conditions is satisfied, for obtaining an idea of the degree of underassessment and disparities in valuation standards in Calcutta, an attempt was made to compare the RVs per unit area for similar properties located in different localities of the city and the findings are set out below. Also, an attempt to measure the disparities in the assessments in terms of dispersion of assessment ratios (appropriately defined) has been made in the Appendix on the Equity of the Property Tax in Calcutta.

a. Extent of disparities

1.33 In order to derive an idea of the disparities in the assessments as reflected in the variation of RVs per unit area a sample survey of holdings in selected areas of Calcutta was carried out. While it was not possible to collect information regarding the covered area of properties in all cases because of various difficulties, the survey serves to provide some indication of the gap between the current rates of rent prevailing in the respective localities and the RV on which the majority of the properties in those localities are assessed. The

survey also shows that the RV per unit area varies widely not only from locality to locality but also so between holdings within the same locality and the relatively low valuation of premises in many cases cannot be ascribed to any identifiable factor. The results of the survey are set out in Table I.30. It will be noticed that in Lake Gardens which is a relatively newly developed, homogenous mainly residential, locality, RV varies all the way from Rs 1.30 to Rs 10.07 per sq.ft. (Part A of Table I.30). The holding having RV of Rs 10.07 per sq.ft. happens to be tenanted. Among premises which are "mixed", that is partly tenanted and partly owner-occupied, the RV per sq.ft. ranges from Rs 1.30 to Rs 3.86. Contrary to what might be expected, RV per sq.ft. in quite a few owner-occupied holdings is higher than that of partly tenanted ones. In Alipore, one of the good residential areas of Calcutta, RV per sq.ft. varies between Rs 1.07 and Rs 9.82 per sq.ft. (Part B of the Table). The survey shows that at present the rental levels in this area are high enough to justify assessment of annual value at the rate of Rs 7 to Rs 8 per sq.ft. Out of 7 holdings surveyed, however, the RV of 6 were found to be well below these levels. It is difficult to explain the relatively low RVs of some of the properties in this locality. For instance, the holding at 4 Ashoka Road for which the RV per sq.ft. is over Rs 9 according to the assessment effective from July 1977, the property was purchased in 1972; whereas the RV of a multi-storeyed building in the same locality constructed in 1977 was found to have been assessed at a figure which works out to Rs 4.5 per sq.ft. The valuation was based on the assumption of monthly rental at rates varying from Rs 450 to Rs 680 for fairly spacious flats in the

TABLE I.30

Rateable Value of Sample Holdings in
Selected Areas of Calcutta

Area/Street	House No.	Nature of tenancy	Rateable value (with date from which effective) (Rs)	Rateable value per sq. ft. (Rs)
	(1)	(2)	(3)	(4)
A. <u>Lake Gardens</u>				
1. Lake gardens	166/C/505	O	7560 (1.7.81)	4.50
2. Prince Anwar Shah Road	164/A/7	M	1260 (1.10.76)	1.30
3. Prince Anwar Shah Road	164/IA/2	M	2050 (N. A.)	2.34
4. Lake gardens	512/1	M	2376 (1.10.76)	2.65
5. Lake gardens	154/A	M	2160 (1.4.76)	3.86
6. Lake gardens	117	O	4752 (1.7.79)	4.56
7. Lake gardens	162/B/183	M	1890 (10.5.79)	1.82
8. Prince Anwar Shah Road	164/D/I (A-4)	O	7203 (1.7.79)	7.79
9. Prince Anwar Shah Road	164/D/I (A-5)	O	4428 (1.7.79)	4.79
10. Prince Anwar Shah Road	164/D/I (D-8)	O	7203 (1.7.79)	9.60
11. Prince Anwar Shah Road	164/D/I (D-7)	O	3456 (1.7.79)	4.61
12. Lake gardens	117	T	9004 (1.7.79)	10.07

Note: O = Wholly owner occupied

T = Tenanted

M = Mixed

Contd.....

TABLE I.30 (Contd)

Area/Street	House No.	Nature of tenancy	Rateable Value (with date from which effective)	Rateable value per sq. ft.
	(1)	(2)	(Rs) (3)	(Rs) (4)
B. <u>Alipore Area</u>				
1. Judge's Court Road	7A	O	5624 (1.1.76)	3.36
2. Judge's Court Road	20B	T	122094 (17.2.71)	7.59
3. Belvedere Road	10	T	10584 (1.7.65)	3.29
4. Burdwan Road	2/3	T	5410 (1.7.65)	1.07
5. Ashoka Road	4	O	16200 (1.7.77)	9.82
6. Ashoka Road	8A	O	8100 (1.1.77)	3.74
7. Ashoka Road	11	O	34200 (1.7.77)	4.47
C. <u>Burra Bazar</u>				
8. Netaji Subhash Road	33/1	T	361800 (1.1.69)	3.90
9. Colootola Street	37	T	5271 (1.4.69)	0.70
10. Synagogue Street	5	T	213086 (1.10.75)	6.70
11. Ezra Street	55	T	36296 (1.7.78)	8.30
12. Ezra Street	55	T	12991 (1.7.78)	4.60
D. <u>Bhowanipur</u>				
13. Shyam Prasad Mukherji Road	90B	M	6229 (1.1.76)	0.80
14. Dherendra Nath Ghosh Road	13/1A	O	375 (1.1.70)	0.37
15. Dherendra Nath Ghosh Road	13C	O	918 (1.1.70)	0.26
16. Harish Mukherji Road	50A	M	4552 (1.1.76)	0.90
17. Harish Mukherji Road	50C	M	867 (1.1.70)	0.10
18. Harish Mukherji Road	102B	M	1960 (1.1.70)	0.59
19. Shambhu Nath Pandit Street	82A	T	2940 (N. A.)	0.45
20. Turf Road	41B	M	3510 (1.1.80)	1.83
21. Ashutosh Mukherji Road	2	M	12090 (1.1.70)	0.53

TABLE I.30 (Contd)

Area	Holding no.	Nature of tenancy	Rateable value* (Rs.)	Rateable value per sq. ft. (Rs.)
	(1)	(2)	(3)	(4)
E. <u>Tollygunge Golf Green Urban Complex</u>				
1. Tollygunge golf green	18/2/58J	O	3078	3.82
2. Tollygunge golf green	18/2/58J	O	2916	3.62
3. Tollygunge golf green	18/2/59C	O	3348	4.16
4. Tollygunge golf green	18/2/59D	T	5278	6.56
5. Tollygunge golf green	18/2/59E	T	6718	8.35
6. Tollygunge golf green	18/2/59F	O	3185	3.96
7. Tollygunge golf green	18/2/60J	T	6334	7.87
8. Tollygunge golf green	18/2/63A	O	4050	3.84
9. Tollygunge golf green	18/2/63B	O	4050	3.84
10. Tollygunge golf green	18/2/63C	O	4590	4.35
11. Tollygunge golf green	18/2/63E	O	4472	4.24
12. Tollygunge golf green	18/2/63G	T	7676	7.28
13. Tollygunge golf green	18/2/63H	O	4266	4.05
14. Tollygunge golf green	18/2/68D	T	7678	7.28
15. Tollygunge golf green	18/2/74B	O	4752	3.80
16. Tollygunge golf green	18/2/74C	O	5400	4.32
17. Tollygunge golf green	18/2/74E	O	5238	4.19
18. Tollygunge golf green	18/2/74H	O	4968	3.97
19. Tollygunge golf green	18/2/79A	T	8158	6.53
20. Tollygunge golf green	18/2/88B	T	5759	5.46
21. Tollygunge golf green	18/2/89E	T	7198	6.83
22. Tollygunge golf green	18/2/89F	T	7678	7.28
23. Tollygunge golf green	18/2/92C	T	8158	7.74
24. Tollygunge golf green	18/2/93C	T	9598	9.11
25. Tollygunge golf green	18/2/94B	T	8158	7.74
26. Tollygunge golf green	18/2/94F	T	8158	7.74
27. Tollygunge golf green	18/2/96A	O	5292	4.17
28. Tollygunge golf green	18/2/96C	T	11518	9.07
29. Tollygunge golf green	18/2/100C	T	9598	7.56

* All recent valuations

Source : Survey of Holdings by NIPFP (1981) and Corporation records

building in question. The rental of a flat having 4 rooms, one drawing-cum-dining room was assumed at Rs 675 per month. The rate of rent prevailing in the area for such accommodation is not less than Rs 1500. Rents of posh flats in good localities of Calcutta are reported to be Rs 3000 per month for a three bed-room unit (Indian Express, August 24, 1981). Even in Salt Lake the minimum rent of a flat with 3 bed room and a drawing-cum-dining room is Rs 1500 per month these days (Statesman, November 1, 1981). Presumably the lenient value in the case of ^{the} flats in question was based on the consideration that these were owner-occupied flats, but the property in the same locality for which the RV per sq.ft. has been assessed at Rs 9.82 was also owner-occupied. In Burra Bazar RV per sq.ft. ranges from 70 paise to Rs 8.30 per sq.ft. In Bhawanipur also there is appreciable variation, from 10 paise to Rs 1.83 per sq.ft. (Parts C and D of Table I.30). That there is wide variation in the standards of valuation as between holdings in the same or similar locality and under similar use is borne out by the information furnished by the Calcutta Corporation regarding ^{valuation} per sq.ft. on the basis of which the assessments were made for some of the holdings in one ward (Ward 63) of the Corporation (Table I.31). It will be seen that the rent per sq.ft. adopted as the basis of assessment varies from Rs 0.68 to Rs 1.21 for residential premises, from Rs 0.85 to Rs 2.32 for offices, from Rs 1.16 to Rs 4.20 for shops and Rs 0.76 to Rs 3 for hotels and restaurants.

1.34 Even in the new residential colony at Tollygunge Golf Green, RVs per sq.ft. vary quite significantly though there is a greater measure of uniformity among rented flats

TABLE I.31

Rent Per sq.ft. for Assessment of Holdings in Ward 63
of Calcutta Corporation

<u>Nature of occupation</u>	<u>Name of the street</u>	<u>Rent per sq.ft. (Rs)</u>
<u>Residence</u>	Camac Street	0.68
	Middleton Row	0.90
	Park Street	0.90
	Shakespeare Sarani	0.98
	Lord Sinha Road	0.85
	Middleton Street	1.21
<u>Office</u>	Camac Street	2.32
	Middleton Row	1.45
	Park Street	1.30
	Shakespeare Sarani	0.85
	Chowringhee Road	1.50
	Lord Sinha Road	1.00
	Middleton Street	0.75
<u>Shop</u>	Camac Street	4.20
	Park Street	1.16
	Shakespeare Sarani	1.75
<u>Hotel and Restaurant</u>	Park Street	2.31
	Shakespeare Sarani	3.00
	Chowringhee Road	0.76
<u>Laboratory & nursing home</u>	Shakespeare Sarani	0.85

Source: Central Valuation Board,
West Bengal.

and among those which are owner-occupied, but the variation between the RVs of rented flats and owner-occupied ones is considerable - the latter being almost 50 per cent of the former (Part E of Table I.30). It is to be noted that the rent per square foot assumed for assessing owner-occupied flats in this area are almost the same as that assumed for the valuation of owner-occupied flats in Alipore area where levels of rent are much higher than anywhere in Tollygunge. Even allowing for the fact that the valuations of Tollygunge flats are more recent, undervaluation in the case of Alipore premises is unmistakable. It is understood that the valuation of the Tollygunge Golf Green flats has since been reduced on objection from the ratepayers. But the order of reduction does not seem to follow a uniform pattern.

and CIT Road area

1.35. In Shyam Bazar, it was not possible to obtain any measurement of the covered area. The RV per room was worked out for 17 holdings and it was found that annual value was as low as Rs 89.6 per room (about Rs 7.50 per month) in some cases, while in some it was as high as Rs 2,608 or Rs 217 per month (Table I.32). A shed in even a bustee in Calcutta fetches rent at rates not less than Rs 30-40 per month. A comparison of the RVs of these holdings proposed on revaluation with those currently in force shows that the rate of increase varies widely from less than 1 per cent to nearly 24 per cent per annum (compound). The increase was proposed in these cases mainly on grounds of revision of rent or general revision (and not because of any expansion of the building). Assuming that the valuation now proposed are closer to reality, the order of increase in even these few cases reveals the extent of undervaluation in earlier

TABLE I.32

Rateable Value of Sample Holdings in North,
Central Calcutta - Current and Proposed

Area	Holding No./Street (1)	Nature of tenancy (O/T/M) (2)	Rateable Value(C)	Rateable	Rateable	Annual increase
			Rateable Value(P) (Rs.) (3)	value(C) per room (Rs.) (4)	value(P) per room (Rs.) (5)	(per cent per annum) (6)
1. Shyam Bazar	19A/Bagh bazar street	T	2303 (1.4.68) 2498 (1.4.80)	230.3	249.8	0.68
2. Shyam Bazar	21/Bagh bazar street	M	2205 (1.4.74) 3546 (1.4.80)	220.5	354.6	8.24
3. Shyam Bazar	44A/Bagh bazar street	M	2880 (1.4.68) 4063 (1.4.80)	261.8	369.4	2.91
4. Shyam Bazar	16/4B/Bagh bazar street	M	717 (1.4.68) 1714 (1.4.80)	89.6	214.3	7.53
5. Shyam Bazar	76A/Bhupen Bose Avenue	M	3607 (1.4.68) 5415 (1.4.80)	450.9	676.9	3.44
6. Shyam Bazar	43B/Bhupen Bose Avenue	T	8482 (1.4.74) 10236 (1.4.80)	471.2	568.7	3.18
7. Shyam Bazar	70C/Bhupen Bose Avenue	M	5607 (1.4.74) 6660 (1.4.80)	700.9	832.5	2.91
8. Shyam Bazar	70B/Bhupen Bose Avenue	T	597 (1.4.68) 965 (1.4.80)	298.5	482.5	4.12
9. C.I.T. Road	259/C.I.T. Scheme VIII	M	4792 (1.10.70) 9585 (1.10.76)	479.2	958.5	12.25
10. C.I.T. Road	289G/C.I.T. Scheme VIII	M	7668 (1.10.70) 13972 (1.10.76)	511.2	931.5	10.52

Contd.....

TABLE I.32(Contd)

Area	Holding No./Street	Nature of tenancy (O/T/M)	Rateable value(C) Rateable value(P) (Rs.)	Rateable Value(C) per room	Rateable value(P) per room (Rs.)	Annual increase in (per cent per annum)
	(1)	(2)	(3)	(4)	(5)	(6)
11. C.I.T. Road	11/C.I.T. Scheme XXXV	M	<u>24949 (1.10.70)</u> 28321 (1.10.76)	1559.3	1770.1	2.14
12. C.I.T. Road	9/C.I.T. Scheme XXXV	O	<u>14580 (1.10.70)</u> 17172 (1.10.76)	428.8	505.1	2.76
13. C.I.T. Road	13/C.I.T. Scheme XXXV	T	<u>14065 (1.10.70)</u> 14251 (1.10.76)	586.0	593.8	0.22
14. C.I.T. Road	15/Dr. Sundari Mohan Avenue	M	<u>13041 (1.1.72)</u> 16452 (1.1.78)	2608.2	3290.4	3.95
15. C.I.T. Road	P-1/C.I.T. Scheme XXXV	T	<u>6709 (1.1.72)</u> 11933 (1.1.78)	1677.3	2983.3	10.07
16. C.I.T. Road	239B/C.I.T. Scheme VIII	T	<u>1245 (1.1.76)</u> 1408 (1.1.78)	415.0	469.3	6.34
17. C.I.T. Road	28/C.I.T. Scheme VIII	T	<u>5271 (1.1.78)</u> 4648 (1.1.78)	585.7	516.4	-11.82

Note: C = Current
P = Proposed

Source : Same as for Table I.30

assessments and also the disparity in the degree of underassessment as between premises.^{8/}

b. Degree of undervaluation in business premises

1.36 Undervaluation is even more pronounced in the case of some of the business premises. From enquiries made from reliable sources (e.g., Administrator of a building in office areas, appointed by High Court) it was learnt that the rent for office accommodation in the Chowringhee area currently is about Rs 7 per sq.ft.; five years ago it was about Rs 4 per sq.ft. or so. In several instances, it was found that the RV of buildings used for commercial purposes in this area was assessed on the basis of rent of only about Re 1 per sq.ft. As for example, the RV of a five star hotel on the Jagadish Bose Road was assessed at the following rates :

Basement	@ Re 1 per sq.ft.
Other floors (owner-occupied)	@ Rs 1.50 per sq.ft.
Portions let out	@ about Rs 3 per sq.ft. (actual rent)

The RV was assessed on the basis indicated above at Rs 10,05,844 and the tax payable annually on this was about Rs 3,35,000. If the owner-occupied portion (other than basement) was valued on the basis of comparable rent of Rs 3 per sq.ft., the RV of the premises would work out as follows:

^{8/} The degree of disparity in assessment as between the wards and within the wards of the Calcutta Corporation is gone into further in the Appendix on the equity of the property tax in Calcutta.

Basement: 16,480 sq.ft. @ Re 1 per sq.ft.	Rs 16,480
Other floors: 79,745 sq.ft. @ Rs 3 per sq.ft.	Rs 2,39,235
Rent received for asbestos sheds	Rs 500
	<u>Rs 2,56,215 p.m.</u>

or Rs 30,74,580 per annum

Less: 16.75% being occupier's share of the tax	Rs 5,14,992
	<u>Rs 25,59,588</u>
Less: 10% for repairs	Rs 2,55,958
	<u>Rs 23,03,630</u>
Less: for three lifts	Rs 9,000
	<u>Rs 22,94,630</u>

1.37 No deduction on account of occupier's share would be admissible if the premises were assessed purely on owner-occupied basis (it was mainly so used) and the RV would then come to about Rs 27 lakh, the tax payable on which at the rate of 33.5 per cent would be of the order of Rs 9 lakh. The tax payable on the value finally assessed is less than half of Rs 9 lakh (Rs 3.35 lakh). In the GR of 1975-76, the RV was proposed to be assessed at about Rs 18 lakh, but it was reduced to Rs 10 lakh or so although the notings on the records show that on the basis of rental of Rs 1.50 per sq.ft. (even the basement was taken at the rate of Re 1 per sq.ft.) the RV should have been Rs 15.12 lakh. Reasons for fixing the RV at Rs 10 lakh

are thus unclear. It appears that even the valuation of Rs 10 lakh is being contested by the taxpayer and has been taken to the court.

1.38 In another instance, the case of a multistoreyed office block on Chowringhee Road, the assessment has been made on the basis of rental @ Re 1 per sq.ft. for the basement and Rs 2.50 per sq.ft. for other floors. If the rental was taken at Rs 5 per sq.ft. which is currently the rate in the area, the RV would have doubled. In the last GR the RV has been assessed at Rs 47.3 lakh but the valuation is disputed. On another revaluation the RV has been assessed at Rs 84 lakh w.e.f. January 1, 1981 (the rental assessed at rates varying between Rs 2.50 and Rs 4 per sq.ft.) but this valuation is also disputed.

1.39 In another case, a multistoreyed building on Middleton Street, has been leased out by the owner to the Leaseholders' Association of the same building on Rs. 1,46,000 per month plus tax. The RV was proposed to be assessed originally at Rs 17.45 lakh but the valuation was reduced to Rs 13.53 lakh on the objection of the taxpayer. The RV now in force is Rs 16.90 lakh and the tax payable is about Rs 5.6 lakh annually. If the total floor space of about 1,20,000 sq.ft. is assessed on a rental of Rs 5 per sq.ft., the RV would be about Rs 54 lakh and the tax would be about Rs 18 lakh per annum which is over three times the tax payable at present.

1.40 In one case in the B-B-D Bagh area (UBI building on Old Court House Street), the RV of a newly constructed building was proposed on the basis of rental. It is a 13-storeyed building with a total covered area of about 1,43,000 sq.ft. In an intermediate valuation effective from 1973-74 made on the basis of rental, the RV was proposed to be assessed at about Rs 24 lakh. On objection, it was reduced by the Corporation to Rs 17 lakh or so. On further appeal, the Small Causes Court of Calcutta has directed in a recent order that the valuation should be based on 5 per cent of the cost of land and building (Judgement in M.As. Nos. 6/74, 7/74, 8/74 and 9/74). As a result, the RV will be reduced to Rs 7,22,694. The rental method adopted by the Corporation in assessing the building was rejected by the Court on the ground that, first, "the buildings, the Corporation have taken into consideration, are not at all comparable to the disputed building either in respect of the size or structural design. Secondly, most of the witnesses on the side of the respondent have no personal knowledge as to the rate of rent realisable from the buildings mentioned by them." The building is in the heart of a busy office area of the city where evidence of comparable rent is in abundance.

1.41 The extent of under-valuation seems to be equally acute in the case of private markets. The RV of a market in the Sealdah area which is believed to be one of the biggest wholesale markets in India is at present Rs 1,72,701. It is proposed to be raised to Rs 2,53,753 on a recent GR. The recent valuation is based on the following rental incomes:

(i) Annual rental from regular stall holders @ Rs 4,541 per month	Rs	54,492
(ii) Daily rent from vendors: Rs 783 per day or Rs 783 x 365 = Rs 2,84,287 per annum	Rs	2,84,287
	Rs	<u>3,38,779</u>
Less occupier's share of tax @ 16 ³ / ₄ %	Rs	56,831
	Rs	<u>2,81,948</u>
Less 10% for repairs	Rs	28,195
	Rs	<u>2,53,753</u>

1.42 From spot enquiries and also from discussions with the office bearers of the West Bengal Vendors' Association, it was gathered that the number of vendors who came to the market to sell their wares is around 25,000 per day and the rent or fee they have to pay to the landlord for using the space of the market ranges between 40 paise and Rs 3.50 per basket depending on the value of its contents. Assuming that the rent paid by the vendors would on an average be not more than Rs 1.50 per head per day, the total receipt of the landlord from these vendors alone would be not less than Rs 37,000 per day or Rs 11,10,000 per month. Taking a round figure of Rs 11 lakh per month, the total receipts from these vendors may be taken at around Rs 1,20,00,000 per annum. Even allowing for expenses and margins of error, the RV, if assessed on the basis of the correct figure of rent, should be not less than Rs 50 lakh.

1.43 The extent of under-valuation of commercial properties in Calcutta was also brought out in a study carried out by R.M. Kapoor in 1974-75. The main findings of the study which was based on a survey of a sample of 9,604 old properties in the commercial industrial areas of Calcutta, are as follows:

- (i) In the business areas of Dalhousie, Mission Row, Esplanade, Chowringhee and Burra Bazar, the average monthly payment by tenants who are mostly business firms range between Rs 7.50 and Rs 40 or so. Rateable value of over 40 per cent of the properties in these areas fall below Rs 5,000. In the Chowringhee areas, over 50 per cent come within this range.
- (ii) In the private markets and bazars, on a modest assumption of 30 shops per premises, the monthly contribution of each tenant towards property tax works out to Rs 27 or so. As the number of shops is likely to be much more than 30, the payment of property tax probably around Rs 13.50 per month on an average.
- (iii) The Corporation's property tax per tenant in the most important wholesale retail centre of the city is Rs 8 per month on an average. In some areas like the Armenian Street, the average contribution is as low as 56 paise per month.
- (iv) The average monthly payment of all industrial units covered by the Factories Act in the Hide Road, Taratalla, Kidderpur, Watgunge, Cossipore and other industrial areas ranges from Rs 33 to Rs 300 per month. Even in the Hide Road areas, about 42 per cent of units have a rateable value carrying tax at the rate of between 18.5 per cent and 22.5 per cent slab.

1.44 The picture that emerges from the survey carried out for the study and also the studies carried out in the past by others confirms the general suspicion that undervaluation is widespread in Calcutta. In the case of owner-occupied residential buildings, the valuation is made at half or one-third the normal rate of rent prevailing in the areas. The valuation of large properties in every area falls considerably below the level warranted by the prevailing rates of rent. The variations in the RVs cannot also be ascribed to old tenancy or age of the building. Commercial properties seem to have been valued in many instances at about one-third or even less than the value which would work out if based on current rates of rent.

Background for Reform

1.45 Ways in which the present system of property taxation in Calcutta can be reformed to remove the weaknesses of the base are considered in Chapter IV. Before proceeding to discuss alternatives for reform, however, it is relevant to take note of certain factors relating to ownership and occupation of properties in Calcutta and the trends in the growth of housing in the city.

1.46 While it is true that owner-occupied properties are assessed on a concessional basis, withdrawal of the concession will evoke sharp opposition, for nearly 35 per cent of the holdings in Calcutta are owner-occupied (Table I.33).

TABLE I.33

Distribution of Holdings in Calcutta
According to Occupancy

Occupancy	Holdings (Per cent)
Owner occupied	34.7
Tenanted	40.5
Mixed	24.8
TOTAL	100.0

Source: Sample survey by NIPFP

1.47 Also, about 41 per cent of the properties in the city are inherited (Table I.34) and, presumably, old. Because of rent control, the income derived by landlords from these properties must be small judging by what they could earn currently and so they may not be able to bear heavy taxation. Also, more than 50 per cent of the

TABLE I.34

Distribution of Holdings in Calcutta According
to Source of Ownership

Source of ownership	Holdings (per cent)
Inherited	40.9
Self-constructed	44.7
Purchased	11.5
Flats acquired	2.9
TOTAL	100.0

Source: Sample survey by NIPFP

people in Calcutta live in multiple occupancy holdings, that is, holdings having more than one occupier which gives an indication of the crowding in the city (Table I.35). Further, a large number of properties in Calcutta are small. The RV of holdings of nearly

TABLE I.35

Occupancy Structure of Holdings in Calcutta

Occupancy	Holdings		Persons	
	Number (1)	Per cent (2)	Number (3)	Per cent (4)
Single	341	41.3	3162	32.3
Double	151	18.3	1128	11.5
Multiple	334	40.4	5505	56.2
TOTAL	826	100.0	9795	100.0

Source: Sample survey by NIPFP

41 per cent of the total number of holdings falls below Rs 1000 (Table I.36). Also the growth of housing in Calcutta is far from adequate. A large number of people are pavement dwellers. There are no reliable data on the growth of housing in Calcutta. From a survey of the plans submitted for the approval of the Corporation, an idea was formed of the trends in the intention to invest in construction activity in Calcutta in the last 10 years. The index of intent to invest derived from this sample (20 per cent sample was taken of the plans submitted

TABLE I.36 -

Distribution of Assessed Properties and Annual Tax Payable According to Valuation Range in Calcutta

(1979-80)

Annual valuation (Rs)	No. of properties	Percentage of total No. of properties	Annual valuation (Rs in lakh)	Percentage of total valuation	Annual tax (Rs in lakh)	Percentage of total tax
	(1)	(2)	(3)	(4)	(5)	(6)
Below 1000	54466	41.05	305.71	5.89	47.61	3.42
1001- 3000	47506	35.80	868.74	16.73	163.19	11.72
3001- 12000	25100	18.92	1405.63	27.07	330.12	23.72
12001- 15000	1511	1.14	205.13	3.95	58.26	4.19
15001+	4112	3.10	2408.14	46.37	792.84	56.96
15001- 30000	2301	1.73	474.73	9.14	158.14	11.36
30001- 50000	780	0.59	297.78	5.73	99.02	7.11
50001-100000	578	0.44	399.95	7.70	130.36	9.36
100000+	453	0.34	1235.68	23.79	405.32	29.12
TOTAL	132695		5193.35		1392.02	

Source: Calcutta Corporation.

TABLE I.37

Index of Intent to Invest in Construction in Calcutta
(Base : 1970-71 = 100)

	New construction (1)	Construction including substantial addition to existing structures (2)
1970-71	100	100
1971-72	177	77
1972-73	115	158
1973-74	262	366
1974-75	218	247
1975-76	146	209
1976-77	74	89
1977-78	74	121
1978-79	101	122
1979-80	76	91

Source: Sample survey of building plants approved by Corporation

TABLE I.38

Distribution of Holdings in Calcutta According to Use

Use	Per cent of total
Residential	58.5
Commercial	13.5
Industrial	4.6
Mixed	23.3
TOTAL	100.0

Source: Sample survey by NIPFP

TABLE - I.39

Distribution of Holdings According to
Land Use Intensity and Annual Value

(Calcutta Corporation)

AV (Rs.)	Type of Land Use					Total (%)
	Vacant land	Struc- ture with asbe- stos roof	Struc- ture with 1-2 sto- reys*	Struc- ture with 3-4 sto- reys	Struc- ture with more than 4 sto- reys	
	(1)	(2)	(3)	(4)	(5)	(6)
Below 500	577	520	533	34	1	1665 (21)
1,000	196	347	1028	171	3	1745 (22)
3,000	193	283	1407	515	19	2417 (31)
12,000	88	84	659	579	66	1476 (19)
15,000	5	3	35	54	15	112 (2)
50,000	9	7	78	133	58	285 (4)
50,000 & above	10	2	8	22	48	90 (1)
TOTAL (%)	1078 (14)	1246 (16)	3748* (48)	1508 (19)	210 (3)	7790 (100)

1/ Represents asbestos roof and other such.

Source: (Bhattacharya, M.K.(1980))

* Out of which: One storeyed = 1,584
(20% of total)

Two storeyed = 2,164
(28% of total)

every year) showed that though there was a rise in the intent to invest in construction in the early seventies, the index registered a sharp fall since 1975-76 (Table I.37).

1.48 Nevertheless, it would not be correct to underestimate the scope for improving the yield of property tax in Calcutta. There is no reason why properties in commercial use should be under-assessed or for that matter, residential properties with large potential for earning rental incomes should not be assessed on their correct market values. Although about 58 per cent of the properties are under residential use (Table I.38), the rest, that is, over 40 per cent are used either for commercial or industrial purposes or for residential and commercial purposes together. Also, if the city is to be developed, proper use must be made of the **scarce** space. A recent survey of land use of properties in Calcutta shows that 14 per cent of the holdings have vacant land, 16 per cent have asbestos roofing and 48 per cent have only 2 stories. Only 3 per cent of the holdings have more than three stories (Table I.39). Obviously, there is gross under utilisation of land and there is enormous scope for development. The problem of reform of property tax in Calcutta has to be approached against this background.

CORPORATION OF CALCUTTA
Assessment Deptt.

Dated the 5th March, 1973

Circular No.7 of 1972-73

In regard to determination of annual valuation of lands and buildings in Calcutta, conforming to a common pattern that may be generally acceptable to the rate-payers, the following orders of the Administrator dated 2.3.73 are circulated for the guidance of all officers and staff in the Assessment Department:

"Guide-lines for assessment of lands and buildings

Assessment of annual valuation of house properties in Calcutta made by the Assessment Inspectors is often disputed. As a result, objections are filed and pending disposal of such objections bills cannot be prepared and realisation comes to a stand-still. It is, therefore, essential that in the interest of the Corporation assessment of valuation should be done as correctly as possible so that objections on this account may be minimised if not obviated. With this end in view, the following guide-lines are laid down for the guidance of all officers and staff working in the Assessment Department:-

Rented Premises

2. Premises let out on rent should be assessed on the basis of the actual rent paid. If there are grounds for deduction on account of suitable service charges, this should be considered. Where evidence is available that the rental realised is higher than that is shown, the actual rental minus reasonable service charges should be taken into consideration. It should be borne in mind that the Corporation as a service organisation is to realise what is legitimately payable under the law by the property owners and NOT to harass them.

Premises exclusively occupied by the owner

3. Premises not let out and in occupation of the owner should be assessed on the basis of the value of land and the cost of construction of the building. The gross annual rental of the building should be determined at the rate of six per cent of the sum-total of the value of land and the

cost of construction of the building. Disputes may arise in regard to the total value of the property. Where the Income-tax authorities have arrived at any valuation, it should be accepted. Otherwise, the total value of the property has to be estimated. (In this connection, section 8 of the West Bengal Premises Tenancy Act, 1956 may also be referred to).

Premises partly let out and partly occupied by owners

4. In the case of buildings partly let out on rent and partly occupied by or kept in the possession of the owners, the actual rent paid by the tenants and an estimated fair rent for portion occupied by the owners should be taken into consideration. It may not always be possible to adopt the procedure laid down in clause (b) of paragraph 3 of Assessor's Circular No. 29 of 1955-56. In those case the owner should be taken to be the oldest tenant and the fair rent of the owner's portion should be determined on the basis of rent paid by the old tenants of the locality. In other words, the fair rent for the owner's portion of the building will be somewhat less than the actual rents paid by the tenants of the same building. The annual rental value will, thus, be the sum total of the aforesaid two elements.

Public buildings

5. In the case of public buildings like hospitals, schools libraries, colleges, etc., the procedure laid down in section 168 (3) of the Calcutta Municipal Act, 1951, should be adopted to arrive at the gross annual rent from which statutory deduction of 10 per cent is to be allowed for repairs and maintenance, etc. The market value of the land as also the cost of construction of the building are to be estimated and the total of the two is to be taken as the value of the premises. In terms of the provision of section 168 (3) of the Act, 5 per cent of this value should be taken as the gross annual rent of the building for the purpose of assessment.

Cinemas and Theatres

6. In respect of cinema and theatre buildings the special provision of assessment as contained in section 168 (4) of the Calcutta Municipal Act, 1951, should be followed.

Multi-storied Buildings

7. In regard to multi-storied buildings which are exclusively let out or partly occupied by the owners/purchasers and partly let out, the same principles as in 2 and 3 above should be followed for the purpose of assessment. In multi-storied buildings there are certain special features and as such reasonable deductions on account of service charges, maintenance of common facilities, lifts, guarding arrangements etc. should be taken into consideration. In many cases, apartments in multi-storied buildings are provided with special fixtures, fittings including air-conditioners, refrigerators, fans, geysers, etc. Reasonable deduction on this account should be allowed.

Deductions

8. There are a few deductions which are normally allowed by the Assessment Department:-

- (1) Where rent is inclusive of occupier's share of tax, deduction to the extent of proportionate amount of such tax should be allowed from the gross annual rent;
- (2) Deductions for services and hire charges for furniture, fans, geysers etc., supplied by the owner to the tenant should also be allowed;
- (3) In regard to lifts, cost of maintenance and servicing should be taken into account and deduction thereof given for assessment of the annual rental value;
- (4) Statutory deductions for repairs etc. shall invariably be allowed".

Orders of the Administrator dated 2.3.73

"Let this be circulated for the guidance of all officers and staff in the Assessment Department".

R.N.Basu. 5.3.73
Assessor (Actg.).

Regression Results

Calcutta Municipal Corporation

Log PT	=	-20.6979	+	7.9016	Log P	$R^2 = 0.9014$
(t-Ratio)		(-7.9267)***		(10.4763)***		N = 14
Log PT*	=	9.9853	-	1.1425	Log P	$R^2 = 0.1268$
(t-Ratio)		(3.3331)***		(-1.3203)		N = 14
Log PT	=	4.2369	+	0.5697	Log CC	$R^2 = 0.8380$
(t-Ratio)		(12.6094)***		(7.1920)***		N = 13
Log PT	=	-0.5237	+	0.6528	Log Y_C^N	$R^2 = 0.8670$
(t-Ratio)		(-0.5936)		(8.0724)***		N = 12
Log PT	=	0.9149	+	0.5170	Log Y_{CC}^N	$R^2 = 0.8286$
(t-Ratio)		(0.8465)		(5.3858)***		N = 8
Log PT*	=	13.3594	-	1.0469	Log Y_C^*	$R^2 = 0.0277$
(t-Ratio)		(0.5919)		(-0.4773)		N = 10
Log PT*	=	6.4704	-	0.0435	Log Y_{CC}^N	$R^2 = 0.0012$
(t-Ratio)		(1.1712)		(-0.0861)		N = 8

Greater Bombay Municipal Corporation of Greater Bombay

Log PT	=	-2.5056	+	2.5904	Log P	$R^2 = 0.9273$
(t-Ratio)		(-3.4382)***		(14.2873)***		N = 18
Log PT*	=	3.0613	+	1.0892	Log P	$R^2 = 0.7434$
(t-Ratio)		(4.7606)***		(6.8080)***		N = 18
Log PT	=	0.5447	+	1.7860	Log CC	$R^2 = 0.9221$
(t-Ratio)		(0.4014)		(5.9597)***		N = 5

Log PT	=	-1.6366	+	0.8323	Log	γ_C^N	$R^2 = 0.8878$
(t-Ratio)		(-1.5028)*		(8.8933)**			N = 12
Log PT**	=	-0.7270	+	0.7471	Log	γ_C^{N*}	$R^2 = 0.6015$
(t-Ratio)		(-0.3446)		(3.8849)**			N = 12

Delhi Municipal Corporation

Log PT	=	-4.2061	+	2.9295	Log	P	$R^2 = 0.9568$
(t-Ratio)		(-7.5830)***		(18.8220)***			N = 18
Log PT*	=	0.7643	+	1.3855	Log	P	$R^2 = 0.8083$
(t-Ratio)		(1.2713)		(8.2135)***			N = 18
Log PT	=	1.3517	+	1.2390	Log	CC	$R^2 = 0.8169$
(t-Ratio)		(1.2712)		(5.1745)***			N = 8
Log PT	=	-2.2374	+	0.8127	Log	γ_C^N	$R^2 = 0.7800$
(t-Ratio)		(-1.0443)		(4.2103)***			N = 7
Log PT*	=	2.6597	+	0.3182	Log	γ_C^{N*}	$R^2 = 0.1030$
(t-Ratio)		(0.6129)		(0.7579)			N = 7

Madras Municipal Corporation

Log PT	=	-4.2316	+	3.3469	Log	P	$R^2 = 0.9115$
(t-Ratio)		(-5.2546)***		(12.8350)***			N = 18
Log PT*	=	1.7329	+	1.2432	Log	P	$R^2 = 0.8470$
(t-Ratio)		(4.2472)***		(9.4101)***			N = 18
Log PT	=	-0.6462	+	1.4935	Log	CC	$R^2 = 0.9436$
(t-Ratio)		(-0.8017)		(9.1489)***			N = 7
Log PT	=	-3.6123	+	0.9705	Log	γ_C^N	$R^2 = 0.9697$
(t-Ratio)		(-6.5124)***		(17.8878)***			N = 12
Log PT**	=	-0.3513	+	0.6232	Log	γ_C^{N*}	$R^2 = 0.8214$
(t-Ratio)		(-0.3583)		(6.0662)***			N = 10

Ahmedabad Municipal Corporation

Log PT	=	-1.1702	+	2.6395	Log P	$R^2 = 0.8777$
(t-Ratio)		(-1.7457)*		(10.7176)***		N = 18
Log PT*	=	3.7918	+	0.6335	Log P	$R^2 = 0.2491$
(t-Ratio)		(5.0659)***		(2.3037)**		N = 18
Log PT	=	-2.1023	+	0.8108	Log Y_C^N	$R^2 = 0.7721$
(t-Ratio)		(-1.4859)*		(5.8200)***		N = 12

Bangalore Municipal Corporation

Log PT	=	-5.7346	+	3.9934	Log P	$R^2 = 0.9631$
(t-Ratio)		(11.5044)***		(21.6829)***		N = 20
Log PT*	=	-0.4541	+	1.8262	Log P	$R^2 = 0.8519$
(t-Ratio)		(-0.9267)		(10.1743)***		N = 20
Log PT	=	-3.6745	+	0.9338	Log Y_C^N	$R^2 = 0.5650$
(t-Ratio)		(-1.4836)*		(3.2234)***		N = 12

* Significant at 1 per cent.

** Significant at 5 per cent.

*** Significant at 10 per cent.

$Y_{CC}^N = Y_C^N$ for the city of Calcutta.

Regression ResultsCalcutta Municipal Corporation

Log CC	=	187.0797	+	0.4005	Log CD	R ² = 0.8579
(t-Ratio)		(5.4758)***		(10.4260)***		N = 20
Log AC	=	0.6212	+	0.2884	Log AD	R ² = 0.5250
(t-Ratio)		(0.0095)		(4.4608)***		N = 20
Log PT	=	125.7344	+	0.3773	Log TD	R ² = 0.8398
(t-Ratio)		(1.7150)*		(9.7136)***		N = 20

Madras Municipal Corporation

Log CC	=	-0.6002	+	1.0276	Log CD	R ² = 0.9992
(t-Ratio)		(-1.3625)		(15.7892)***		N = 7
Log AC	=	-2.0882	+	1.1642	Log AD	R ² = 0.9188
(t-Ratio)		(-2.0808)**		(7.5254)***		N = 7
Log PT	=	-2.6160	+	1.2566	Log TD	R ² = 0.9424
(t-Ratio)		(-2.5682)		(9.0461)***		N = 7

Delhi Municipal Corporation

Log CC	=	-0.9950	+	1.0896	Log CD	R ² = 0.9328
(t-Ratio)		(-1.2328)		(9.1294)***		N = 8
Log AC	=	1.6388	+	0.5834	Log AD	R ² = 0.6325
(t-Ratio)		(1.3413)		(3.2133)***		N = 8
Log PT	=	1.1547	+	0.7658	Log TD	R ² = 0.8827
(t-Ratio)		(1.3610)		(6.7176)		N = 8

Bangalore Municipal Corporation

Log CC	=	-10.4316	+	0.7585 Log CD	R ² = 0.9506
(t-Ratio)		(-1.0010)		(18.6104)***	N = 20
Log AC	=	-0.1342	+	0.4965 Log AD	R ² = 0.9205
(t-Ratio)		(-0.0313)		(14.4397)***	N = 20
Log PT	=	-9.9862	+	0.6720 Log TD	R ² = 0.9545
(t-Ratio)		(-0.7679)		(19.4236)***	N = 20

Appendix IV

Regression Results

Calcutta Municipal Corporation

Log PT_H	=	4.5040	+	0.4865	Log CC	$R^2 = 0.7032$
(t-Ratio)		(8.4680)***		(4.0729)***		N = 9
Log PT_H	=	-5.1831	+	1.4260	Log RV_H	$R^2 = 0.7075$
(t-Ratio)		(-1.7997)*		(4.1148)***		N = 9
Log RV_H	=	6.8547	+	0.3273	Log CC	$R^2 = 0.9146$
(t-Ratio)		(40.7425)***		(8.6611)***		N = 9

~~Bombay~~ Municipal Corporation of Greater Bombay

Log PT_H	=	-0.8533	+	1.9201	Log CC	$R^2 = 0.9406$
(t-Ratio)		(-0.6765)		(6.8932)***		N = 5
Log PT_H	=	-16.3865	+	2.8180	Log RV_H	$R^2 = 0.9444$
(t-Ratio)		(-4.8285)***		(7.1375)***		N = 5
Log RV_H	=	5.6177	+	0.6580	Log CC	$R^2 = 0.9290$
(t-Ratio)		(11.8091)***		(6.2632)***		N = 5

Madras Municipal Corporation

Log PT_H	=	0.4102	+	1.2104	Log CC	$R^2 = 0.8725$
(t-Ratio)		(0.3162)		(4.5309)**		N = 5
Log PT_H	=	-7.1274	+	1.7399	Log RV_H	$R^2 = 0.9624$
(t-Ratio)		(-4.6531)***		(8.7570)***		N = 5
Log RV_H	=	4.5066	+	0.6598	Log CC	$R^2 = 0.8154$
(t-Ratio)		(5.1206)***		(3.6404)**		N = 5

Delhi Municipal Corporation

Log PT _H (t-Ratio)	=	2.3047 (2.1410)**	+	0.7414 Log CC (3.0722)**	R ² = 0.6537 N = 7
Log PT _H (t-Ratio)	=	0.3681 (0.1361)	+	0.7018 Log RV _H (1.9386)**	R ² = 0.4291 N = 7
Log RV _H (t-Ratio)	=	4.0565 (5.3039)***	+	0.7652 Log CC (4.4627)***	R ² = 0.7993 N = 7

II. PROPERTY TAXATION IN WEST BENGAL: MUNICIPALITIES

Introduction

In discussions on problems of municipal finances and administration in West Bengal, the focus is usually on the affairs of the Corporation of Calcutta. Little attention is paid to the state of the municipalities which are supposed to look after the civic welfare of the people living in the towns outside Calcutta. Concern for Calcutta is understandable as it has the highest concentration of population - one of the highest in the world - and accounts for nearly 30 per cent of the population of the State living within a municipal area (Table II.1). It should not, however, be overlooked that in West Bengal more than double the number of people living in Calcutta depend for their civic amenities on municipal bodies other than the Calcutta Corporation. The state of finances of these municipalities has a vital bearing on the quality of life of a sizeable section of the population of the State. The need for improving the financial position and management of the municipalities in the districts has assumed further urgency in view of the fact that in the last 10 years their population has grown at a faster rate than that of Calcutta (column 4 of Table II.1) and the proportion of urban population living within their jurisdiction in the total number of town dwellers has increased while that of Calcutta has come down (columns 2 and 3 of Table II.1). If the concentration in the City is to be reduced further and the district towns are to develop, the

TABLE II.1

Area and Population of Municipalities in
West Bengal (1981)

Corporation/ Municipali- ties	Area sq.km.	(Population '000)		Growth rate (per cent per annum)	Population density per sq.km.	
		1971	1981		1971	1981
	(1)	(2)	(3)	(4)	(5)	(6)
Calcutta	104	3149 (33.59)	3292 (29.73)	0.50	30279	31654
CMD	415.26	3694 (39.40)	4534 (40.95)	2.25	8896	10918
Non-CMD*	816.99	2533 (27.02)	3246 (29.32)	2.50	3100	3973
Total	1336.25	9376 (100)	11072 (100)	1.75	7017	8286

* Excluding Beldanga, Durgapur and Kharagpur municipalities

Source: For area, Office of the West Bengal Municipal Finance Commission (WBMFC). For population, census data.

standard civic facilities in the municipalities outside Calcutta has to be improved.

2.2 Apart from the Corporation of Calcutta, there are at present 103 municipal bodies in West Bengal. Of these, one is a corporation (Chandernagore), 94 are municipalities, 4 are notified area authorities and 4 town committees.

There is going to be one more corporation shortly as the municipality of Howrah is to be upgraded under the Howrah Municipal Corporation Bill, 1980^{1/}. Among the municipalities there is a large concentration of population in the towns located in areas in the neighbourhood of Calcutta designated as the Calcutta Metropolitan District (CMD) comprising 34^{2/} municipalities. The density of population in these areas is higher than in municipalities outside the CMD (column 6 of Table II.1). The level and pattern of economic activity in the CMD municipalities are also significantly different from those of towns outside the CMD because of a relatively high degree of industrialisation and the proximity to the metropolis. Hence the problems and needs of these municipalities are usually considered on a separate footing. The finances and management of all the municipalities of the State whether within or outside the CMD, however, exhibit broadly the same characteristics and suffer from the same basic problems. Moreover, there are several municipalities outside the CMD which have a larger population, and also higher population density, than many of the CMD municipalities (e.g., Asansol, Siliguri, Burdwan and Balurghat vide Statistical Appendix Table). For these reasons and also in the interest of balanced urban development of the State, attention needs to be paid to the municipalities in the non-CMD areas in equal measure. For purposes of comparison, however, it is convenient to group the municipalities separately under CMD and non-CMD. This grouping has been followed in the

^{1/} The Bill is reported to have received the President's assent recently.

^{2/} At present the number is 37 including notified area authorities.

present study. A further classification has been made among the "CMD" and "non-CMD" municipalities according to size of population. Municipalities with population of more than 1 lakh are classified as "A" class, those with population between 50,000 and 1 lakh as "B" class, and municipalities having population less than 50,000 as "C" Class.

2.3 In undertaking a study of the finances of local authorities in West Bengal one encounters a serious handicap because of lack of adequate and reliable data. There is at present no regular official publication on the affairs of the West Bengal municipalities. A statistical handbook for municipalities which was brought out earlier seems to have been discontinued. The Government of West Bengal is now bringing out a handbook on Municipal Administration in West Bengal, but the data available in this handbook are not adequate for a meaningful study of the finances of the civic bodies of the State or their time trend. There are a few studies on the finances and administration of the West Bengal municipalities done by some official as well as non-official agencies. Reference may be made to the two studies on CMD municipalities by the Town and Country Planning Department (T&CP) of the Government of West Bengal, (T &CP, 1974 and 1976), and the one on municipalities outside the CMD (T&CP, 1980). A study on the municipalities of West Bengal was carried out also by Kapoor, R.M. (1979). Although they provide very valuable data for the past years, their sources and methodology not being uniform, reliance on the data available in these studies for analysing the time trends

presents some problems. The information contained in them is also not up-to-date. For more recent data, on the activities and finance of the municipalities, the West Bengal Municipal Finance Commission (WBMFC) issued a questionnaire to all municipalities of the State. Information on the finances of the municipalities contained in the replies to the questionnaire was made available for the present study. The information so obtained covered only 73 municipalities. Data relating to others were either not received or were incomplete. Gaps and inconsistencies were noticed in the data in respect of even the 73 municipalities which furnished replies to the questionnaire. For essential information relating to the property taxation in the municipalities a letter was addressed by this Institute to the Chairmen of all municipalities in West Bengal, but only 21 of them responded. No authentic data could be obtained from Howrah on such important items relating to property taxation as total rateable value of the holdings. For getting ^a first hand idea, a visit was undertaken by the research team of the Institute to a few municipalities in the districts. The broad picture emerging from the analysis of the information obtained from different sources is presented below.

a. Level of revenue expenditure and revenue in West Bengal Municipalities

2.4 A glance at the figures of revenue and expenditure of West Bengal municipalities shows that while there are variations as between municipalities, their pattern and trend are by and large the same as that of the Corporation

of Calcutta, namely, low level of per capita revenue expenditure resulting largely from the heavy reliance on the PT on the one hand and the poor growth of the revenue from the PT on the other, leading to a growing gap between their own revenue and expenditures and the increasing dependence on grants from the State government for meeting current expenditures.

i. Per capita revenue expenditure

2.5 As noted in Chapter I, as of 1978-79, the per capita revenue expenditure (RE) of the municipalities of West Bengal was on an average around Rs 30 as against the all India average of about Rs 41 for 1975-76; Rs 74 in Gujarat in 1976-77 and Rs 64 in Maharashtra in 1975-76 (vide Table I.3 of chapter I). If the municipalities are classified according to population, it is noticed that the level of civic amenities provided in West Bengal is below that of Maharashtra and Gujarat by wide margins. In the A class municipalities, per capita^{RE} was only around Rs 27 in West Bengal in 1978-79 whereas it was about Rs 81 in Maharashtra in 1975-76 and Rs 76 in Gujarat in 1976-77 (Table II.2). Per capita RE of the B and C class municipalities also is lower in West Bengal than in Maharashtra and Gujarat. These comparisons may be snagged by the fact that the responsibility for some of the services traditionally provided by the municipalities has been taken over in some States by the State government: (e.g., primary education and health). However, as the general pattern of municipal services still remains the same, the comparisons may not be altogether wrong.

TABLE II.2

Per Capita Revenue Expenditure in the Municipalities of West Bengal, Gujarat and Maharashtra

Population class	Per capita revenue expenditure			
	West Bengal		Maharashtra	Gujarat
	1975-76	1978-79	1975-76	1976-77
	(1)	(2)	(3)	(4)
<u>A class</u> (1 lakh and above)	19.68	27.12	81.02	76.45
<u>B class</u> (50,000 - 1 lakh)	21.49	33.06	68.17	74.18
<u>C class</u> (0 - 50,000)	19.85	30.06	49.73	72.39

- Source :
1. Government of Maharashtra, Bureau of Economics and Statistics (1975), Municipal Year Book
 2. Government of Gujarat, Bureau of Economics and Statistics (1976-77) Statistics of Municipal Towns and Cities
 3. Office of the West Bengal Municipal Finance Commission (WBMFC)

2.6 It is also striking that in West Bengal per capita current expenditure of the A class municipalities was lower than that of the smaller ones. Taking the CMD and non-CMD municipalities separately, in 1978-79, per capita RE of the A class local bodies in CMD was Rs 26 as against Rs 30 of the B class and Rs 38 of the C class ones; in non-CMD municipalities the relevant figures are Rs 33, Rs 36 and Rs 27 respectively

TABLE II.3

Revenue Expenditure of the Municipalities
Total and Per Capita
(1975-76 and 1978-79)

Name of Municipality	Total revenue expenditure (Rs lakh)		Per capita	
	1975-76	1978-79	1975-76	1978-79
	(1)	(2)	(3)	(4)
<u>CMD</u>				
A class	305.32	512.16	18.62	25.70
B class	102.45	230.31	18.43	29.53
C class	59.56	92.20	31.68	37.94
<u>Non-CMD</u>				
A class	109.87	163.51	23.38	32.59
B class	202.30	340.06	23.47	35.95
C class	100.80	196.37	16.26	27.39
Total	880.30	1539.61	20.30	29.64

Source of basic data: Office of the West Bengal Municipal Finance Commission (WBMFC)

(Table II.3). In 8 out of 27 municipalities in CMD and 11 out of 46 in non-CMD, per capita RE was less than Rs 20 (Table II.4). These include 6 class 'A' municipalities of which 4 are in CMD (Titagarh, Panihati, Kamarhati and South Dum Dum) and 2 outside CMD (Balurghat and Kharagpur). Only in 4 CMD municipalities, and one outside CMD, per capita RE exceeded Rs 50 a year (these are Chandernagore, Budge Budge,

TABLE II.4

Distribution of Municipalities of West Bengal According to Per Capita Revenue Expenditure (1978-79)

Per capita RE (Rs)	CMD				Non-CMD			
	A	B	C	Total	A	B	C	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Less than 20	4	2	2	8	2	1	8	11
Rs 20 - 30	2	4	1	7	2	7	8	17
Rs 30 - 40	2	2	1	5	0	3	6	9
Rs 40 - 50	1	0	2	3	1	2	5	8
Above 50	1	2	1	4	0	1	0	1
Total	10	10	7	27	5	14	27	46

Source of basic data : Office of the
West Bengal
Municipal
Finance Commission

^{Rishra}
Kalyani and Darjeeling). We do not have figures of the RE of the Howrah municipality. However, from the figures given in the Hand Book on Municipal Administration (hereafter Handbook), it appears that the total expenditure of the municipality in the year 1977-78 came to Rs 132.24 lakh. With a population of about 6.5 lakh, the per capita expenditure of Howrah works out to around Rs 20 which is less than 1/3rd of the RE of Calcutta Corporation for the same year and falls below the average per capita RE of West Bengal municipalities as a whole.

2.7 The level of per capita current expenditure being so low, the quality of services provided by the municipalities cannot but be poor. The following ^{observations} ~~operations~~ of the T & CP study on Municipal Finances outside CMD (T&CP, 1980) gives a graphic description of the state of civic services in the non-CMD municipalities of West Bengal:

"With the exception of Darjeeling, Kalimpong and Kurseong municipalities in North Bengal and Asansol and Burdwan municipalities in the southern plains, no other municipality outside CMD area has sewer facilities. Most of the other municipalities have open surface drains and a few have "Box Surface Drains" which simultaneously serve the dual purposes of sewerage and drainage. The Municipalities by and large continue to have service privies which bear testimony to their poor condition and backwardness. In spite of a long record of civic administration, they have not attained the minimum standard of civic facilities expected in urban areas. Existing method of disposal of night soil is verging on the primitive with the system of head load, wheel barrow and in a few cases the use of tractors." (T&CP, 1980, p.10)

Judging by the level of their expenditure, the picture is unlikely to be very different in the CMD municipalities.

2.8 Of course, there has been some growth in the RE of the municipalities over the years but part of the increase has been neutralised by inflation. Between 1975-76 and 1978-79, the rate of growth in per capita revenue expenditure in nominal terms seems to have been of the order of about 13 per cent per annum^{3/}. But consumer prices increased at the rate of about 4 per cent per annum during the same period^{4/}. There has thus been a growth in per capita RE in real terms at the rate of about 9 per cent per annum during the three years 1975-76 to 1978-79. Despite such increase, the gap between the standard of services provided by the municipalities of West Bengal and the all-India average has widened as may be seen from the figures of per capita RE given in Table I.3 of Chapter I.

2.9 Lack of resources is the obvious constraint on the capacity of the municipalities to improve their services. During the years 1975-76 to 1978-79, the total revenue of 69 municipalities from their own sources (that is, total revenue excluding grants) amounted to Rs 562 crore while in 1978-79 the total revenue of 73 municipalities stood at Rs 643 crore (Table II.5). The revenue

^{3/} For the municipalities in respect of which relevant information is available. Unless otherwise specified, growth rates refer to compound rates (per cent) per annum throughout.

^{4/} The index number of consumer prices (urban non-manual) for Calcutta stood at 232 in 1975 and 262 in 1978 (1960=100). The rationale for using this index in the present context is indicated in a footnote on page 12 in Chapter I.

TABLE II.5

Budgetary Position of Municipalities in West Bengal

(Amounts in Rs lakh)

Municipalities	Year	Total revenue expenditure	Total revenue	Grants	Total revenue excluding grants (col.4-3)	Surplus (+) deficit (-) (col.5-2)
	(1)	(2)	(3)	(4)	(5)	(6)
A Class	1975-76	415.19	513.79	212.08	301.71	(-) 113.48
	1978-79	680.67	795.21	431.29	363.92	(-) 316.75
B Class	1975-76	304.75	289.29	110.77	178.52	(-) 126.23
	1978-79	570.37	403.22	212.56	190.66	(-) 379.71
C Class	1975-76	160.36	138.14	56.79	81.35	(-) 79.01
	1978-79	288.57	195.31	107.55	88.26	(-) 200.31
All Municipalities	1975-76*	890.30	941.22	379.64	561.58	(-) 318.72
	1978-79**	1539.61	1394.24	751.40	642.84	(-) 896.77

* 69 municipalities

** 73 municipalities

Source: Replies to questionnaire issued by WBMFC.

expenditure of the municipalities in question was Rs 880 crore and Rs 1540 crore during the two years respectively. To meet the gap, the municipalities had to rely heavily on grants from the State government . In 1975-76, 69 municipalities faced a deficit of Rs 319 crore. In 1978-79, the deficit of 73 municipalities came to Rs 897 crore. These deficits were met largely out of grants from the State government (Table II.5). The Howrah municipality has been experiencing a deficit in its Budget every year since 1960-61 (Table II.6). Between 1970-71 and 1975-76 the deficit exceeded a crore of rupees every year. Data for the later years are not available. However, from the large amounts of ways and means advances provided by the State government during the years 1977-78 to 1979-80 - it was more than Rs 7 crore every year (16 and 10, 1981, Annexure-D) - it is evident that the revenue position of the municipality has not shown much improvement since 1975-76.

ii. Dependence on the property tax

2.10 As in the case of the Calcutta Corporation, the stagnation in the revenues of the municipalities of West Bengal is attributable primarily to (i) their almost total dependence on the PT and (ii) the lack of elasticity in the revenue from the tax.

TABLE II.6

Budgetary Position of the Howrah Municipality

(Rs lakh)

Year	Revenue income excluding grants (1)	Revenue expenditure (2)	Surplus (+)/ deficit (-) (3)
1960-61	68.76	77.07	(-) 8.31
1961-62	67.62	78.79	(-) 11.17
1962-63	46.89	77.69	(-) 30.80
1963-64	72.51	80.35	(-) 7.84
1964-65	149.48	218.74	(-) 69.26
1969-70	71.15	150.54	(-) 79.26
1970-71	63.02	194.74	(-) 131.72
1971-72	69.27	196.70	(-) 127.43
1972-73	N.A.	N.A.	N.A.
1973-74	89.79	202.76	(-) 112.97
1974-75	132.10	288.40	(-) 156.30

N.A. = Not available Source: T & CP (1976)

2.11 In 1978-79, 86 per cent of the total tax revenue (TTR) of the municipalities was derived from the PT. In the A class municipalities, the share of the PT in TTR was higher - nearly 90 per cent; in the B and C class ones it was around 88 per cent (Table II.7). Between 1975-76 and

TABLE II.7

Proportion of Property Tax in the Total Tax Revenue of
Municipalities in Selected States

(In per cent)

	West Bengal (1)	Mahara- shtra (2)	Gujarat ^{1/} (3)	Kerala ^{2/} (4)	Andhra Pradesh ^{3/} (5)
<u>A Class</u>					
1975-76	91.53	27.40	31.95	58.14	-
1978-79	89.75	-	-	50.68	92.53
<u>B Class</u>					
1975-76	85.92	24.37	29.26	56.32	-
1978-79	88.45	-	-	48.15	89.13
<u>C Class</u>					
1975-76	90.03	27.42	27.64	55.89	-
1978-79	87.60	-	-	55.80	88.51
<u>All</u>					
1975-76	89.49	26.10	31.65	56.48	-
1978-79	85.95	-	-	51.59	90.69

1/ 1976-77

2/ 1976-77 and 1978-79

3/ 1979-80

Source: For West Bengal, Office of the WBMFC.

For Maharashtra, Gujarat and Kerala, publications of the respective governments mentioned under Table II.2.

For Andhra Pradesh, Government of Andhra Pradesh.

1978-79, the share of the PT in TTR recorded a slight decrease in the A and C class bodies while in the B class municipalities it increased from 86 to 88 per cent. While the PT constitutes an important source of revenue of the local governments in all the States, its share in the TTR is not so large in the other States as in West Bengal except possibly in one or two. In Gujarat and Maharashtra, the PT accounts for not more than 32 per cent or so of TTR and in Kerala, about 52 per cent, though in Andhra Pradesh the proportion is as high as 91 per cent; (Table II.7). Only in 2 out of 74 municipalities of West Bengal for which information is available (North Dum Dum and Chakdah), the share of the PT in TTR is less than 50 per cent; in 13 (2 CMD and 11 non-CMD), the proportion is less than 80 per cent (Table II.8). In Howrah, the proportion has come down from 92 per cent in 1975-76 (Rs 106 lakh out of Rs 115 lakh) to 86 per cent in 1978-79 (Rs 118 lakh out of Rs 138 lakh), but the trend is not clear as the proportion had increased to 88 per cent in 1977-78.

iii. Revenue from the property tax

2.12 Although the PT constitutes the principal source of revenue for the local bodies of the State, the level of the PT per capita in West Bengal is lower than in the other States for which comparable data are available (Table II.9). For the municipalities as a whole the PT per capita in West Bengal works out to only about Rs 11 in 1978-79 as compared to Rs 16 in Gujarat (1976-77), Rs 12 in Maharashtra (1975-76) and Rs 10 in Kerala (1977-78). In Andhra Pradesh, where the reliance on the PT is comparable to that in West Bengal, the PT per capita in 1979-80 was about Rs 20 (Table II.9).

TABLE II.8

Distribution of West Bengal Municipalities According to
Proportion of Property Tax to Total Tax Revenue
(1978-79)

Percentage group	CMD				Non-CMD				Total			
	A	B	C	Total	A	B	C	Total	A	B	C	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Less than 50	-	1	-	1	-	1	-	1	-	2	-	2
Between 50-80	1	-	1	2	-	4	7	11	1	4	8	13
More than 80	10	9	6	25	6	8	20	34	16	17	26	59
Total	11	10	7	28	6	13	27	46	17	23	34	74

Source of basic data: Office of the WBMFC

TABLE II.9

Per Capita and Per Holding Property Tax in the Municipalities of Selected States

	(Rupees)				
	West Bengal (1)	Maharashtra (2)	Gujarat ^{1/} (3)	Kerala ^{2/} (4)	Andhra Pradesh ^{3/} (5)
A Class					
Per capita					
1975-76	12.27	16.73	19.40	10.09	-
1978-79	11.02	-	-	9.04	25.07
Per holding					
1975-76	109.93	117.90	141.90	-	-
1978-79	180.77	-	-	-	-
B Class					
Per capita					
1975-76	8.87	11.89	14.57	15.50	-
1978-79	10.69	-	-	12.59	18.82
Per holding					
1975-76	65.34	72.00	63.19	-	-
1978-79	111.07	-	-	-	-
C Class					
Per capita					
1975-76	9.11	8.50	11.68	11.31	-
1978-79	9.67	-	-	10.43	15.20
Per holding					
1975-76	50.80	61.17	49.93	-	-
1978-79	58.98	-	-	-	-
All					
Per capita					
1975-76	10.34	11.93	15.81	11.31	-
1978-79	10.73	-	-	10.43	20.13
Per holding					
1975-76	75.96	106.23	66.62	-	-
1978-79	136.41	-	-	-	-

1/ 1976-77.

Source : 1. As for Table I.3

2/ 1976-77 and 1977-78.

2. For Kerala: 1976-77: Govt of Kerala (1976) Municipal Finance Enquiry Committee; 1977-78: Govt of Kerala (1979), Administration Report of the Department of Municipalities for the year 1977-78.

3/ 1979-80.

3. For Andhra Pradesh: Govt of Andhra Pradesh, Director of Municipal Administration.

It will be noticed from Table II.9 that the level of PT per capita in West Bengal is lower than in Maharashtra, Gujarat and Andhra Pradesh for A and B class of municipalities (Table II.9). In 21 out of the 74 municipalities of West Bengal (that is, in about 30 per cent of the total) the PT per capita is less than even Rs 5 (Table II.10). In Howrah, which is now going to have a corporation, the PT per capita was only a little over Rs 14 in 1978-79 as against Rs 32-33 of Calcutta.

2.13 The level of the PT per holding in West Bengal is also lower than in Maharashtra for the municipalities of all classes taken together, and also for each class. As of 1975-76, the PT per holding for West Bengal municipalities as a whole was Rs 76 while in Maharashtra it was Rs 106 (Table II.9). It was, however, higher than in Gujarat (Rs 67 as of 1976-77). In 43 per cent of the municipalities of West Bengal (32 out of 74) the PT per holding works out to less than Rs 50 per annum, that is, less than Rs 5 per month (Table II.11).

2.14 In Howrah, the PT seems to be yielding a revenue of Rs 110 lakh a year realised from about 55,000 holdings which comes to about Rs 200 per holding. An earlier study on CMD municipalities showed that over 50 per cent of the holdings in Howrah had annual value (AV) of less than Rs 300 (T&CP, 1974). Taking the average AV of holdings in the range Rs 0 - 300 to be Rs 150, the tax per holding for the majority of the premises in Howrah turns out to be less than Rs 50 per annum (the tax rate in Howrah being 25 per cent

TABLE II.10

Distribution of Municipalities According to
Per Capita PT:1978-79

Per capita PT (Rs)	CMD				Non-CMD			
	A	B	C	Total	A	B	C	Total
Less than 5	0	1	2	3	2	3	13	18
5 - 10	4	3	1	8	1	5	11	17
10 - 15	5	4	1	10	2	4	1	7
15 - 20	2	1	1	4	1	0	1	2
20 - 25	0	1	1	2	0	1	1	2
25 - 30	0	0	0	0	0	0	0	0
30 - 40	0	0	1	1	0	0	0	0
More than 40	0	0	0	0	0	0	0	0
Total	11	10	7	28	6	13	27	46

Source of basic data : Office of
WBMFC (vide
Tables in the
Statistical
Appendix).

TABLE II.11

Distribution of West Bengal Municipalities According to
Property Tax Per Holding
(1978-79)

Property tax per holding (Rs)	CMD				Non-CMD			
	A	B	C	Total	A	B	C	Total
Less than 50	1	2	3	6	1	5	20	26
50 - 100	4	2	1	7	3	6	4	13
100 - 200	3	4	2	9	1	1	1	3
200 - 300	3	2	0	5	1	1	2	4
More than 300	0	0	1	1	0	0	0	0
Total	11	10	7	28	6	13	27	46

Source of basic data: Office of
WBMFC (vide Tables in
the Statistical Appen-
dix).

of the AV). The distribution of holdings according to annual valuation range for a sample of 18 municipalities shows that, in the majority of the towns covered in the sample (13 out of 18) holdings with valuation of less than Rs 100 account for more than half the total holdings, and holdings of less than Rs 200 account for over 2/3rds of the total (Table II.12). The property tax is levied in these municipalities at rates varying between 11 and 26 per cent. Assuming that the average AV of the holdings in the range Rs 0 - 200 is Rs 100 and the tax rate on the average is 25 per cent, the tax per holding comes to Rs 25 per annum or about Rs 2 per month. It would, therefore, not be wrong to conclude that most of the property owners in the municipalities of West Bengal do not pay more than Rs 2 per month for their municipal services. Based on an analysis of data for the late sixties, the T&CP study of the finances of CMD municipalities had concluded that "...nearly half the house-holders of CMD outside Calcutta pay little or nothing for civic services" (T&CP, 1974, p.45). The proportion of households paying little or nothing for the civic services enjoyed by them seems to have gone up since then to 2/3rds.

iv. Revenue from the PT -- growth rate and elasticity

2.15 This is not to suggest that there has been no growth at all in the revenue of the West Bengal municipalities from the PT. Growth rates worked out from time series built up by putting together the data available from different sources show that during the seventies (1970-79), on the average, the revenue from the PT increased at the rate of 5 to 10 per cent per annum (Table II.13). For the majority

TABLE II.12

Distribution of Holdings According to Valuation Range and
Rate of Tax in Sample Municipalities

Municipality	Percentage of Holdings with Annual Value (Rs)		
	0-50	50-100	100-200
	(1)	(2)	(3)
Budge Budge	35.04	20.53 (55.57)	17.62 (73.19)
Chamdany	45.52	22.82 (68.34)	17.65 (85.99)
Bansberia	45.63	21.60 (67.23)	15.47 (82.70)
Bhadreswar	42.69	18.29 (60.98)	19.91 (80.89)
North Barrackpore	19.80	25.66 (45.46)	24.12 (69.58)
Garden Reach	15.90	15.39 (31.29)	19.98 (51.27)
Barasat	19.38	51.05 (70.43)	14.32 (84.75)
New Barrackpore	12.92	39.79 (52.71)	20.70 (73.41)
Asansol	5.50	12.17 (17.67)	12.61 (30.28)
Ranaghat	23.06	23.14 (46.20)	16.63 (62.83)
Cooch-Bihar	28.68	18.99 (47.67)	15.00 (62.67)
Balurghat	25.93	23.86 (49.79)	17.53 (67.32)
Chandrakona	66.23	18.21 (84.44)	9.65 (94.09)
Tamluk	3.86	36.09 (39.95)	17.18 (57.13)
Ghatal	72.75	11.07 (83.82)	7.32 (91.14)
Jhalda	0.38	57.97 (58.35)	17.35 (75.70)
Sonamukhi	28.70	23.28 (51.98)	17.28 (69.26)
Birnagar	37.75	37.45 (75.20)	16.03 (91.23)

Note: Figures within parentheses indicate cumulative relative frequencies.

Source: (Kapoor, R.M. 1979).

TABLE I.13

Distribution of Municipalities in West Bengal According to Growth Rate of Revenue From Property Tax

	CMD				Non-CMD				Total			
	A	B	C	Total	A	B	C	Total	A	B	C	Total
Negative	-	-	-	-	-	1	2	3	-	1	2	3
0 - 1	-	1	-	1	-	1	1	2	-	2	1	3
1 - 3	-	1	-	1	-	-	3	3	-	1	3	4
3 - 5	-	1	-	1	-	3	5	8	-	4	5	9
5 - 7	3	3	2	8	2	2	5	9	5	5	7	17
7 - 10	3	4	-	7	1	2	8	11	4	6	8	18
10 and above	1	-	2	3	1	2	2	5	2	2	4	8
Total	7	10	4	21	4	11	26	41	11	21	30	62

Source of basic data: Office of WBMFC (vide Tables in the Statistical Appendix).

of the municipalities the rate of growth has been less than 7 per cent. Growth rate of the PT per capita also has been not more than 7 per cent in the majority of the municipalities; in 9 out of 55 municipalities the growth of PT per capita has been negative (Table II.14).

2.16 Part of the growth of the PT is attributable to the increase in the number of holdings. Time series of the number of holdings of all the municipalities in West Bengal are not available. From the fragmentary data available from different sources it would seem that in 58 municipalities for which information is available, the number of holdings increased at the rate of 2-3 per cent per annum during 1970-79 (Table II.15). Thus, the growth of the PT per holding has been not more than 4 to 5 per cent per annum. The annual increase in prices (both wholesale as well as consumer price index) during the seventies (1970-79) was of the order of 6-7 per cent. Thus, prima facie, the elasticity of the PT per holding with respect to prices was less than unity during the seventies and in the majority of the municipalities the PT per holding in real terms seems to have declined.

2.17 Since, by and large, the PT is levied in West Bengal at a flat rate on the annual value (AV) or rateable value (RV) of properties determined either on the basis of rental or capital value, the revenue from the tax, it may be presumed, should ordinarily be elastic to changes in real property values or factors affecting property values like rent, land value and construction cost, and not just wholesale or consumer prices. Any appreciation in the property values should lead to a proportionate increase in the revenue from the PT.

TABLE II.14

Distribution of Municipalities in West Bengal According
to Growth Rate of Per Capita Property Tax Revenue
(1970-71 - 1978-79)

	CMD				Non-CMD				Total			
	A	B	C	Total	A	B	C	Total	A	B	C	Total
Negative	-	2	-	2	-	2	5	7	-	4	5	9
0 - 1	-	-	-	-	-	-	1	1	-	-	1	1
1 - 3	-	-	-	-	1	3	4	8	1	3	4	8
3 - 5	2	2	1	5	-	2	2	4	2	4	3	9
5 - 7	1	2	1	4	2	1	5	8	3	3	6	12
7 - 10	1	2	-	3	-	-	6	6	1	2	6	9
10 and above	1	-	2	3	1	2	1	4	2	2	3	7
Total	5	8	4	17	4	10	24	38	9	18	28	55

Source of basic data : Office of WBMEC
(vide Tables in the
Statistical Appendix).

TABLE II.15

Distribution of Municipalities in West Bengal
According to Growth Rate of Number of Holdings
 (1970-71 - 1978-79)

	CMD				Non-CMD				Total			
	A	B	C	Total	A	B	C	Total	A	B	C	Total
Negative	1	-	-	1	-	-	2	2	1	-	2	3
0 - 1	-	-	-	-	1	4	4	9	1	4	4	9
1 - 3	7	6	3	16	2	4	13	19	9	10	16	35
3 - 5	1	4	3	8	1	1	-	2	2	5	3	10
5 - 7	1	-	-	1	-	-	-	-	1	-	-	1
7 - 10	-	-	-	-	-	-	-	-	-	-	-	-
10 and above	-	-	-	-	-	-	-	-	-	-	-	-
Total	10	10	6	26	4	9	19	32	14	19	25	58

Source of basic data: Office of
 WBMFC (vide Tables in
 the Statistical Appen-
 dix).

Hence in measuring the elasticity of the PT with respect to factors governing the growth of the base, it is necessary to have information regarding the extent of appreciation in real property values, costs of construction and the levels of rent within the jurisdiction of each municipality. Reliable data on land values are difficult to come by. Although it is common knowledge that urban properties have appreciated quite sharply in most towns - and there are indicators which provide some inkling of the order of increase^{5/} - no index of land prices is available for even the major cities, not to mention the district towns. Nor is there any readily available index of cost of construction or rents in different towns although, as may be seen from the case studies presented in the appendix, local inquiries in some of the towns show that the rents have gone up by 10 to 12 per cent per annum in the last ten years. Costs of construction also have increased at about the same rate.^{6/} Hence although it is not possible to

5/ Such as the rate of compensation paid for land acquired by the government for public purposes. These rates are revised from time to time and can form a basis for deriving the index. For instance, the rate of compensation for land acquired for public purposes in the town of Haldia is reported to have gone up from Rs 800 per acre in 1959 to Rs 1700 in 1964, Rs 2500 in 1969, and Rs 15,000 in 1981 - an increase of 16 per cent per annum in 12 years between 1969 and 1981 (Paribartan, March 19, 1981, pp.10-11).

6/ This is based on the index numbers of residential building cost for low income group houses for different State capitals available in Housing Statistics 1980 (Government of India, NBO, 1981, Table 9.6). The index for West Bengal is not available. However for Orissa the index stood at 247 in 1979 and 277 in 1980 (1971 = 100) which shows that costs of construction in Orissa have increased at the rate of about 12 per cent per annum. The increase in construction costs in West Bengal is unlikely to be less than in Orissa.

measure the elasticity of the tax in each municipality with precision from rough calculations it is evident that the revenue from the PT has not been elastic with respect to appreciation in property values and rents.^{7/}

b. Factors underlying the poor elasticity of the PT

i. Slow growth of the base

2.18 As noted in chapter I, lack of elasticity in a tax with respect to variables determining its base may be due to (a) poor elasticity of the tax yield with respect to the base (because of poor collections etc.) or (b) low elasticity of the base of the tax with respect to its determinants, or both. Hence for identifying the factors responsible for the low elasticity of the tax, it is helpful to decompose the elasticity into its two components so that it can be seen what really constitutes the drag on its growth. Since, as mentioned already, the rate of the PT in West Bengal is proportional, any variation in RVs should lead to a proportionate change in the PT. Therefore, if the elasticity of the PT is low it is useful to examine first whether this is due to poor elasticity of RVs with respect to its determinants.

^{7/} In measuring the elasticity of a tax the impact of discretionary changes made in the base or the rate (s) of the tax should, as far as possible, be removed. During the period under consideration (i.e. the 1970s) discretionary changes in the PT have been few. In some municipalities, the rate of tax was raised (e.g. Kamarhati; vide Appendix to this chapter). Measurement of elasticity without correcting the revenue figures for such changes would impart an upward bias to the estimate.

2.19 Data problems again stand in the way of decomposing the elasticity of the PT in each municipality into the elasticity of the tax to the base and of the base to the variables governing its growth. However, some rough idea of their likely order can be had by comparing the rate of growth of the base with those of value of land, changes in the level of rents and construction costs. From available information it appears that over the period 1970-71 to 1978-79, the total RV of holdings in West Bengal municipalities recorded a growth of about 6-7 per cent per annum on the average (Table II.16). The growth of RV was slightly higher in the non-CMD bodies. Since a part of the growth in the aggregate RV of holdings in a municipality can be due to the increase in the number of holdings, to see whether the base of the RV is elastic with respect to its determinants like rent and real estate prices, it is necessary to look at the growth rate of RV per holding rather than the growth of the total RV of the municipality. The growth rates of RV per holding between 1970-71 and 1978-79 for 56 municipalities (24 CMD and 32 non-CMD) are given in Table II.17. The average ^{growth} rate of per holding RV during the period under review comes to about 3-5 per cent per annum. In the majority of the municipalities the growth rate seems to have been around 4 per cent per annum. In the case of CMD municipalities the average growth of per holding RV was about 2-3 per cent per annum. Taking the growth of property prices and rents to be of the order of 10-12 per cent per annum, the elasticity of RV per holding for the municipalities of the State works out to 0.3 to 0.4. While this has been the broad trend, there are variations in the trend as between municipalities. In 6 municipalities (all CMD), the growth of RV per holding has been negative.

TABLE II.16

Distribution of Municipalities in West Bengal
According to Growth Rate of Rateable Value
 (1970-71 - 1978-79)

Growth rate of RV (% per annum)	CMD				Non-CMD				All			
	A	B	C	Total	A	B	C	Total	A	B	C	Total
Negative	-	-	-	-	-	-	-	-	-	-	-	-
0 - 1	-	-	1	1	-	-	2	2	-	-	3	3
1 - 3	3	1	-	4	-	1	1	2	3	2	1	6
3 - 5	2	4	2	8	-	2	7	9	2	6	9	17
5 - 7	2	1	1	4	1	2	4	7	3	3	5	11
7 - 10	2	2	1	5	3	4	4	11	5	6	5	16
10 and above	-	1	1	2	-	-	1	1	-	1	2	3
Total	9	9	6	24	4	9	19	32	13	18	25	56

Source of basic data : Office of
 WBMFC
 (vide Tables in
 the Statistical
 Appendix).

TABLE II.17

Distribution of Municipalities of West Bengal According to
Growth Rates of Rateable Value Per Holding

(1970-71 - 1978-79)

Growth rate (per cent per annum)	CMD				Non-CMD				Total			
	A	B	C	Total	A	B	C	Total	A	B	C	Total
Negative	3	1	2	6	-	-	-	-	3	1	2	6
0 - 1	1	2	1	4	-	-	2	2	1	2	3	6
1 - 3	3	2	-	5	1	2	2	5	4	4	2	10
3 - 5	1	2	1	4	1	3	8	12	2	5	9	16
5 - 7	1	1	1	3	-	2	5	7	1	3	6	10
7 - 10	-	-	-	-	2	2	2	6	2	2	2	6
Above 10	-	1	1	2	-	-	-	-	-	1	1	2
Total	9	9	6	24	4	9	19	32	13	18	25	56

Source of basic data : Office of
WBMFC
(vide Tables
in the
Statistical
Appendix).

ii. Decline in collection efficiency

2.20 It would not be correct to blame the slow growth of RVs alone for the poor elasticity of the PT. The elasticity of the yield of a tax depends both on the elasticity of the base to its determinants and also on the elasticity of tax revenue to the base. Where the amounts realisable from a tax do not get collected in full, the overall elasticity may suffer even if the base happens to be elastic. In the case of the PT in West Bengal, there is evidence to show that the collection efficiency of the municipalities is low compared to that of their counterparts in other States and it has suffered a marked decline in the last 10 years.

2.21 That a good part of the amounts due as PT remains uncollected every year can be seen from the large size of the arrears of the tax. At the end of 1978-79 the accumulated arrears of the property tax in the 73 municipalities of the State came to Rs 722 lakh, which is roughly 66 per cent of the amount of annual demand of the tax (Rs 1084 lakh). The distribution of the municipalities according to the volume of arrear demand in 1973-74 and 1978-79, separately for CMD and non-CMD areas, is given in Table II.18. In 1978-79, 24 out of 28 municipalities of CMD had arrears of more than Rs 5 lakh; 15 of them had arrears exceeding Rs 10 lakh and 8 more than Rs 20 lakh. In the case of non-CMD municipalities 17 out of 49 had arrears of more than Rs 5 lakh and 26, more than Rs 3 lakh. It will be noticed that between 1973-74 and 1978-79 the proportion of municipalities having arrears of PT of more than Rs 5 lakh increased from 67 per cent to 86 per cent of the total in the case of CMD municipalities while in the case of municipalities outside

TABLE II.18

Distribution of Municipalities in West Bengal
According to Amount of Arrear Demand

Amount (Rs lakh)	No. of municipalities			
	CMD		Non-CMD	
	1973-74	1978-79	1973-74	1978-79
	(1)	(2)	(3)	(4)
Less than 1	1	0	12	10
1 - 3	6	3	13	13
3 - 5	4	1	6	9
5 - 10	7	9	14	10
10 - 20	5	7	4	5
20 - 25	1	2	1	0
25 and above	9	6	1	2
Total	33	28	53	49

- Source : 1. For col.1 and 3,
Town and Country
Planning Department
(1980), pp.20 & 28.
2. For columns 2 and 4,
office of the WBMC

the CMD there was a slight decrease in the proportion, from 38 to 35 per cent.

2.22 At present most of the municipalities seem to be collecting less than 50 per cent of their demand, both arrear and current. The all-India average of collection of PT was about 60 per cent of the demand in 1978-79 (NCAER, 1980). Whereas there has been some improvement since 1973-74 in the recovery of arrear demand, the position regarding collection of current demand does not seem to have improved. The proportion of municipalities collecting less than 25 per cent of the current demand has increased in both CMD and non-CMD municipalities (Table II.19). A class municipalities in both the CMD and non-CMD areas exhibited poor collection performance with the maximum concentration in the less than 50 per cent group (Table II.20). The proportions of collections out of arrear and current demand in Howrah municipality for the years 1975-76 to 1979-80 are shown in Table II.21. Significantly, there was a marked improvement in the collection efficiency of the municipalities in the year 1975-76 (vide T & CP, 1976, and also our study on Krishnagar municipality in the appendix *to this chapter*).

2.23 There can be little doubt that poor collections have been a serious drag on the elasticity of the PT in the municipalities of West Bengal. It is also to be noted that though the collection efficiency is low, the cost of collection is markedly high as compared with the cost of collection of other taxes, as also, the cost of collection of PT in the other States. In the majority of the municipalities the cost of collection is between 10-25 per cent of the yield. In some, it is as high as 50 per cent or

TABLE II.19

Distribution of Municipalities According to Proportion of Collection to Demand

Per cent group	Number of municipalities							
	Collection out of arrear demand				Collection out of current demand			
	CMD		Non-CMD		CMD		Non-CMD	
	1973-74	1978-79	1973-74	1978-79	1973-74	1978-79	1973-74	1978-79
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Less than 25	22	8	26	11	6	18	3	20
25 - 50	11	10	23	25	13	5	26	19
50 - 75	-	9	4	9	9	3	22	9
75 and above	-	1	0	4	5	2	2	1
Total	33	28	53	49	33	28	53	49

Source of basic data : Office of WBMFC
 (vide Tables in the
 Statistical Appendix)

TABLE II.20

Collection Performance According to Class of Municioalities
(1978-79)

Proportion of collection to demand (per cent)	CMD				Non-CMD				Total			
	A	B	C	Total	A	B	C	Total	A	B	C	Total
A. Collection out of arrear demand												
Less than 25	2	3	3	8	-	4	7	11	2	7	10	19
25 - 50	4	6	1	11	6	4	15	25	10	10	16	36
50 - 75	6	2	1	9	-	3	6	9	6	5	7	18
75 and above	-	-	1	1	-	2	2	4	-	2	3	5
Total	12	11	6	29	6	13	30	49	18	24	36	78
B. Collection out of current demand												
Less than 25	8	7	4	19	4	7	9	20	12	14	13	39
25 - 50	2	1	2	5	2	3	14	19	4	4	16	24
50 - 75	2	1	-	3	-	2	7	9	2	3	7	12
75 and above	-	2	-	2	-	1	-	1	-	3	-	3
Total	12	11	6	29	6	13	30	49	18	24	36	78
C. Total collection out of total demand												
Less than 25	4	5	3	12	1	2	7	10	5	7	10	22
25 - 50	7	3	2	12	5	9	18	32	12	12	20	44
50 - 75	1	3	-	4	-	2	4	6	1	5	4	10
75 and above	-	-	1	1	-	-	1	1	-	-	2	2
Total	12	11	6	29	6	13	30	49	18	24	36	78

Source of basic data : Office of WPMFC. 1
(vide Tables in the

TABLE II.21

Collection Performance of the Howrah Municipality

(Amounts in Rs lakh)

Year	Demand			Collection			Collection as % of demand		
	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1975-76	362.52	100.00	462.52	66.01	39.55	105.56	18.21	39.55	22.82
1976-77	356.96	100.03*	456.99	47.00	35.02	82.02	13.17	35.01	17.95
1977-78	374.97	110.51*	485.48	86.08	42.69	128.77	22.96	38.63	26.52
1978-79	356.96	110.51*	467.47	72.12	45.91	118.03	20.20	41.54	25.25
1979-80	349.19	110.51*	459.70	58.58	47.60	106.18	16.78	43.07	23.10

- Source :
1. The Collector's Office of the Howrah Municipality, for the years: 1976-77 to 1979-80.
 2. For the year 1975-76: As per Table III.3.

TABLE II.22

Distribution of West Bengal Municipalities According to
Cost of Collection of Property Tax
(1978-79)

Cost of collection as per cent of PT	Class A		Class B		Class C		Total	
	CMD	Non-CMD	CMD	Non-CMD	CMD	Non-CMD	CMD	Non-CMD
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
0 - 5	0	0	0	0	0	0	0	0
5 - 10	0	0	2	0	1	2	3	2
10 - 25	10	4	3	10	3	12	16	26
25 - 50	2	2	2	3	2	13	6	18
50 - 75	0	0	0	2	0	2	0	4
75 and above	0	0	0	0	0	1	0	1
Total	12	6	7	15	6	30	25	51

Source of basic data : Office of WBMFC

even more (Table II.22). The weakness of the municipalities of West Bengal in the matter of realizing their dues and the inordinately high cost of collection have been commented upon and the need for taking measures to improve collections has been stressed in the studies referred to earlier (e.g., T&CP, 1974). The Bengal Municipal Act, 1932 (BM Act) which governs the levy and collection of the PT has since been amended through the Bengal Municipal (Amendment) Act, 1980 (hereafter, BM Amendment Act) and the provisions regarding taxation have been modified to facilitate administration of the tax and to enforce better compliance. It is to be hoped that these measures will enable the municipalities to improve their collection. However, it needs to be recognised that the factor principally responsible for the sluggish growth of the PT in West Bengal is, as in most municipalities of India, the stagnation in the base, namely, the RVs. Moreover, the inability to collect the demand of the property tax promptly and the high cost of collection are due partly to the problems of assessing the base, the procedures followed and the litigations which ensue after each general revision of assessments. Reform of the base and the system of assessment is called for not only to achieve adequate growth of the base but also to ensure that the resulting increase in the tax demand gets reflected in the yield. Base reform is also needed to streamline assessments and to reduce the cost of collection.

c. Causes of slow growth of rateable value

2.24 As in Calcutta, the base of the property tax levied by the municipalities in West Bengal is the annual value (AV) of the buildings. Section 128(1) of the B.M. Act, until its amendment through the B.M. Amendment Act,

stipulated that "The annual value of a holding shall be deemed to be the gross annual rental at which the holding may reasonably be expected to let." The Act also provided that where such gross annual rental cannot be easily estimated or ascertained, the AV shall be deemed to be an amount not exceeding $7\frac{1}{2}$ per cent of the value of the building on the holding at the time of assessment plus a reasonable ground-rent for the land, subject to the proviso that, where the value of the building is in excess of Rs 3 lakh, the tax on the AV shall not exceed half the normal rates. By an amendment introduced in 1975, the value of plant and machinery installed in any premises could also be included in working out the AV where it is assessed on the basis of the value of the building and ground-rent for the land. Taxes which could be levied by the municipalities on the basis of the AV under the B.M. Act before the recent amendment are:

- i. A rate on holdings - at rates not exceeding 10 per cent of the AV (15 per cent in Howrah, Kurseong and Darjeeling);
- ii. A water-rate not exceeding $7\frac{1}{2}$ per cent of the AV;
- iii. A lighting-rate not exceeding 3 per cent of the AV, and
- iv. A conservancy, latrine and drainage rate not exceeding 10 per cent of the AV. (Sections 124 to 126 of the B.M. Act).

There were certain restrictions on the levy of the water-rate, conservancy rate and the lighting-rate so that the taxes were related partly to the services provided by the municipality. Within the limits set by the statute the municipalities levy the tax at a flat rate varying from 10 per cent to 29.5 per cent (vide Statistical Appendix

Table S.A.21). The Commissioners of the municipalities were empowered to grant ^{exemption} from the holding tax for charitable institutions and in other suitable cases. The Act also required that the assessments of AVs shall be revised once in every 5 years unless otherwise ordered by the State government. The B.M. Amendment Act has made several important changes relating to the ^{base of} assessment of the AV such as that in the case of a holding comprising only vacant land, the AV shall be deemed to be an amount which may be equal to but may not exceed five per cent on the estimated present value of the land. The rates contemplated in the provisions mentioned above have also been amalgamated into a "consolidated rate" to be levied at graduated rates ranging ^{between} 10 and 40 per cent of the AV. The exemption limit for the rate has been raised from Rs 6 to Rs 100 in terms of AV. The ^{base of} the tax however remains essentially the same, viz., "the gross annual rental at which the holding may reasonably be expected to let." The provision regarding quinquennial revision also remains unchanged.

2.25 It would appear that some of the provisions governing the assessments under the B.M. Act, as they were before the recent amendments, introduced an element of rigidity, as for example, the provision that while assessing vacant lands only a reasonable ground-rent could be taken. Similarly, the restriction that the tax could be levied only at half the normal rate on the AV exceeding Rs 3 lakh could also affect the elasticity of the revenue from the tax. However, since, by and large, the base contemplated for the levy of the tax was the AV derived from the gross annual rental, it could be presumed

that where there was a steady, and at times sharp, rise in rents, the base should have recorded a good growth over time if the quinquennial revisions were carried out in a manner which could reflect the prevailing rates of rent. This obviously has not taken place. The reasons are manifold. As in the case of Calcutta, these reasons fall broadly under three groups, namely, a) difficulties flowing from legal constraints; b) weaknesses of assessment method and procedures and c) socio-economic environment. The relative roles of these factors in undermining the base of the PT in the municipalities are however somewhat different from those in the Calcutta Corporation because of significant differences in the type, use and distribution of holdings between the municipalities and Calcutta proper and also because of differences in administrative resources available with the municipalities.

i. Legal problems

2.26 The law relating to rent control in West Bengal, namely, the West Bengal Premises Tenancy Act, 1956, is applicable not only to Calcutta but also to all areas which are constituted as municipalities under the provisions of the B.M. Act (subject to certain exceptions). Upward revision of the annual values of holdings in the municipalities in the districts suffers from the same legal constraint which operates in Calcutta. The importance of this factor in the case of municipalities however cannot be the same as in Calcutta for the simple reason that the proportion of tenanted premises in the municipalities is not as high^{as} in Calcutta. While there may be variations as between municipalities, the sample survey carried out by us for this study shows that the proportion of tenanted and

partly tenanted (or mixed) holdings in the district municipalities (other than Howrah) is less than 50 per cent and that of owner occupied houses is more than 50 per cent (Table II.23) as compared to 35 per cent in Calcutta (Table I.33 of Chapter I). However, the proportion of tenanted rooms to the total number of rooms in the premises surveyed varies from 27 to 45 per cent in five out of the six municipalities surveyed (col. 4 of Table II.23). Only in Midnapore, tenanted rooms constitute as low as 7 per cent of the total. Thus, though the influence of rent control on property tax assessments cannot be as extensive in the municipalities as in Calcutta or Howrah, it is one of the factors adversely affecting the growth of RVs of the municipalities outside Calcutta as well.

2.27 A more serious problem which the municipalities seem to face in carrying out their periodical revisions is the litigation that follows after a major revision. In all the three municipalities which were taken up by us for case study, namely, Krishnagar, Kamarhati and Howrah (vide Appendix), it was found that some of the general revisions (GR) of recent years were completely stalled by court cases. In the case of Krishnagar, the revision made in 1972-73 was set aside. Similar was the fate of the GR in Kamarhati which was to come into effect from April 1, 1973. In Howrah, in 8 out of 10 wards, the enhancement of the tax demand following a quinquennial revision was held up from 1969 to 1979 under injunction from the High Court. From the 1981-82 Budget speech of the Chairman of the Howrah municipality, it is seen that the injunctions are being evacuated one by one as a result of some settlement arrived at with the taxpayers. The main

TABLE II.23

Proportion of Owner Occupied and Tenanted Houses
in Selected Municipalities of West Bengal

	Holdings (No)	Holdings (%)	Rooms (No)	Rooms (%)
	(1)	(2)	(3)	(4)
<u>Howrah</u>				
Owner occupied	160	45.71	1498	55.71
Tenanted	75	21.43	1191	44.29
Mixed	115	32.86	0	0.00
Total	350	100.00	2689	100.00
<u>Midnapore</u>				
Owner occupied	129	90.21	814	92.71
Tenanted	2	1.40	64	7.29
Mixed	12	8.39	0	0.00
Total	143	100.00	878	100.00
<u>Darjeeling</u>				
Owner occupied	60	60.00	445	54.80
Tenanted	11	11.00	367	45.20
Mixed	29	29.00	0	9.00
Total	100	100.00	812	100.00
<u>Purulia</u>				
Owner occupied	74	60.66	984	73.28
Tenanted	42	34.43	140	26.72
Mixed	6	4.92	0	0.00
Total	122	100.00	524	100.00
<u>Siliouri</u>				
Owner occupied	71	54.20	560	68.88
Tenanted	27	20.61	253	31.12
Mixed	33	25.19	0	0.00
Total	131	100.00	813	100.00
<u>Dum Dum</u>				
Owner occupied	58	59.79	287	68.01
Tenanted	10	10.31	135	31.99
Mixed	29	29.90	0	0.00
Total	97	100.00	422	100.00

Source : Sample Survey by NIPFP.

ground on which the assessments were challenged was stated to be the infringement of the canon of equity. Whatever be the merits of the complaints of the taxpayers, the disputes affected the growth of the RVs and thus of the revenue from the PT in all the municipalities in question. In Howrah, the attempt to include the value of plant and machinery while assessing the AV was said to have been also thwarted successfully by litigation.

2.28 Disputes over assessments of the PT or the determination of its base are not unknown elsewhere. But instances of revisions being set aside wholesale are probably not so common in the other States. However, where the courts feel constrained to set aside a quinquennial revision in its entirety as in Kamarhati - and the High Court's order shows that the municipal authorities too, conceded the case - there, is reason to suppose that something is radically wrong with the assessments. Tax assessments become vulnerable on legal grounds, inter alia, when they are grossly and demonstrably iniquitous or expropriatory. The study of the assessment of a few holdings in the municipalities of Krishnagar, Kamarhati and Howrah shows that even though far from expropriatory in their incidence, they were palpably iniquitous. Although the study provides only rough estimates, it serves to bring out how widely the standard of rental on which the AV of properties was based differed from one holding to another. In Krishnagar, the rent per room taken for assessment of AV ranged from Rs 3 to 40 per month; in Kamarhati from Rs 2 to 39 and in Howrah from Rs 7 to 60.

2.29 The assessment ratios - that is, the ratio of AV assessed by the municipalities to AV estimated on the basis of current levels of rent, after taking into account the factors which can influence the rental potential of a holding (viz., location, type of construction, etc. particulars of which are available from the assessment records) - also vary widely in all three municipalities as between different properties or holdings. In Krishnagar, the assessment ratio varies from 7 per cent to 36 per cent. In Kamarhati the range of variation is from 2 per cent to 44 per cent in the case of non-industrial properties. For industrial properties the assessment ratios seem to be fairly high^{8/} though they are also marked by wide variations - from 58 to 97 per cent. In Howrah, the variation in the assessment ratios is less, but not inconsiderable, the range being from 23 per cent to over 80 per cent. The disparities in the norms of rental or the assessment ratios are difficult to explain by any objective criterion. There are clear instances where properties similar in all essential respects have been assessed at different AV. (vide case study on Kamarhati in the Appendix). It is not surprising that the assessments are challenged as inequitable and they are held to be bad by the courts.

8/ It is, however, difficult to make a proper estimate of the annual value of industrial properties on the basis of information available in the municipal records. The assessment ratios could work out to a lower figure if the land area comprised in the industrial holdings was valued at their current market price or the ground rents were taken at more realistic rates.

Deficiencies of assessment methods and procedures

2.30 One source of the low assessment ratios and disparities in the assessments could be the operation of the rent control laws. The standard rent of properties let out since long would obviously be low and because of judicial rulings noted in chapter I, these rents are binding for purposes of assessment based on the concept of "reasonable" letting value. The municipalities cannot raise the AV of holdings under old tenancies appreciably even if they wanted to and that creates a wedge between the AV of old and new properties. But it would not be correct to blame rent control for all the ills of property taxation in the municipalities. As noted earlier, a smaller proportion of properties is let out in the districts than in Calcutta. The practice of multiple leasing and camouflaging rent as service charge also is unlikely to be as widespread in the districts, except possibly Howrah, as in Calcutta. In the case of owner occupied properties, rent control should not be a constraint. By an unwritten convention the assessment of owner occupied properties is made on a lenient basis. But there are no clear guidelines as to the extent to which concession is to be given for occupation by the owner. In the case of properties which are assessed on the basis of the value of the land and building, it is noticed that generally the practice has been to take the cost of the building after allowing for depreciation and the ground-rent at rates fixed more than 10 years ago. The relevant provision in the B M Act authorises the determination of annual value of such holdings at the rate of $7\frac{1}{2}$ per cent of the value of the building at the time of the assessment plus a reasonable rent for the land which also presumably should be assessed at

rates prevailing at the time of assessment. The particulars of assessment of some of the industrial holdings in Kamarhati municipality show that the ground-rent for land is taken at the rate of Rs 300 to 500 per bigha and this was the rate adopted for estimating the ground-rent of land for assessment made more than 10 years ago. In one case, it was found that the ground-rent taken in the GR of 1978-79 was less than that taken in the 1973-74 GR (vide item 13 of the Table A.II.4 of the Appendix to this chapter).

2.31 In fact, low valuation of properties and their slow growth as well as the disparities are due more to the absence of a uniform basis or code for assessment than to any legal constraint. There is at present no prescribed code or manual of assessment. Only Section 138 of the B M Act acts as the guideline. Certain rules framed under the Act also serve to indicate the lines on which assessments are to be made but discussion with the concerned people has revealed that these are seldom followed in practice. Where the base is related to a hypothetical figure, viz., reasonable letting value, in the absence of any code or guideline, the assessments are left entirely to the subjective judgment of the assessors with wide scope for abuse. Such deficiencies are compounded by the system of getting the assessments revised periodically by outside agencies not directly answerable to the municipalities.

2.32 Barring Calcutta and Howrah, the periodical general revisions of valuations are carried out in the municipalities of West Bengal through assessors appointed out of a panel approved by the State government. Only the interim valuations, that is, those which are required to be made

when there is a substantial addition to or a new construction on a holding, are done departmentally by the municipalities with their own staff. While the assessors are expected to be qualified people with some experience in valuation, the terms on which they are appointed do not seem to be conducive to a proper assessment of the holdings. They are appointed on the basis of the lowest tender. The remuneration they would get works out to less than Rs 1 per holding in most cases. In Kamarhati, for instance, for the last GR they were paid Rs 6000 for over 18,000 holdings. Attention to the ridiculously low rate of remuneration paid to the assessors in the municipalities in the CMD was drawn by earlier studies (T&CP, 1974). In order to reform this system, a Central Valuation Board (CVB) has now been set up in West Bengal and it is to be expected that the CVB will now oversee the assessments. It is surprising that a system ^{so} patently harmful to the implementation of the most important tax source of municipalities could continue for such a long time despite its known deficiencies.

2.33 Revision of assessments with the help of assessors appointed from outside would not possibly have been so damaging to the tax base had the municipalities exercised proper check over them. Such checks could not be exercised, first, because of lack of authority of the municipal Commissioners or Chairmen over the assessors and secondly, because of the subjective nature of the base of the tax and the absence of any norm or yardstick of rental or capital values. Once the assessors submit their valuation to the municipal authorities their responsibility seems to end. The municipalities can no doubt report against a valuer if there is evidence of widespread undervaluation

(or overvaluation) or malpractice. But establishing such charges with evidence is far from easy especially when there is no systematic method of maintaining data on rent or land values. The B M. Act requires taxpayers to furnish a return giving particulars of their property such as the area, nature of use, rent received, if any, and so on. It is not difficult to build-up a data base for evolving norms of valuation of rents or capital values. But there is no system of collating the information available in these returns. Nor has any measure been taken even to enforce compliance with the requirement to file a return. It is also doubtful if the particulars furnished are checked or used fully when the assessments are made even where the returns are available. Instances were cited where a holding was described as vacant land in the assessment in successive GRs even after a permanent construction had been raised on it. The B M Act authorises the Commissioners to enhance the assessments where they have sufficient reasons to do so but again seldom are these powers used in practice. One reason why such powers cannot be exercised and thereby no check can be maintained on the undervaluation by assessors is the lack of adequate data on property values and up-to-date particulars of each holding.

2.34 In the absence of norms and proper records, there is nothing to guide the decisions given by the Assessment Review Committees (ARC) of the Municipalities before whom objections can be filed by a taxpayer aggrieved by an assessment. These Committees are *constituted with the* Commissioners of the Municipality. In the municipalities from which the information could be gathered, the

proportion of assessments which go up to the ARC seems to be very high - nearly 80 to 90 per cent. The basis on which reductions are allowed by the ARC is however not clear. There is a widespread feeling that the reductions are granted arbitrarily depending on the pressures a taxpayer can bring to bear on the Committee or his contacts. AVs as determined by the ARC in 50 cases in the Kamarhati municipality after hearing objections against assessment made in the year 1980-81 are given in Table A.11.5 of this chapter. Appendix L It will be seen that in quite a few cases, the ARC reduced the AV even below the figure which was obtained in the earlier assessments. The increase in the valuations proposed on the assessment made by the assessor does not follow any consistent pattern. In several cases it was found that the same valuation was maintained in three quinquennial assessments while enhancements were made for others. The ARC's reductions also follow no consistent pattern. Thus the system of assessment and the manner in which objections against assessments are dealt with are responsible to no small extent for the chaos prevailing in the assessment of AVs, the incidence of the PT and lack of elasticity in its yield.

iii. Socio-economic environment

2.35 Legal constraints and procedural weaknesses by themselves, however, cannot fully explain the poor performance of property taxation in West Bengal. It is relevant to note that property taxation in most States of the Indian Union has suffered as a result of the operation of the rent control laws and judicial interpretation of what constitutes reasonable letting value, given the context of the rent control statutes. But its growth has been much better in several States, as for example, Maharashtra and Gujarat (Table II.24). One cannot help feeling that even within the existing legal and procedural framework better results could be achieved if the provisions in the law were implemented

TABLE II.24

Distribution of Municipalities of West Bengal, Maharashtra and Gujarat According to Growth Rate of Property Tax

Growth rate	Number of municipalities				
	CMD	1970-71 - 1978-79 Non-CMD	West Bengal	1971-72 to 1975-76 Maharashtra	1966-67 to 1977-78 Gujarat
Less than 0	1	3	4	16	-
0 - 5	3	13	16	16	2
5 - 10	15	20	35	29	11
10 - 20	3	4	7	64	23
20 and above	0	1	1	88	2
Total	22	41	63	213	38

Source of basic data: Office of the WBMFC (vide Tables in the Statistical Appendix).

vigorously. Besides, since attention to some of the deficiencies mentioned here was drawn in the earlier studies by official agencies (e.g., T&CP, 1974), the policy makers of West Bengal could not be unaware of the shortcomings of the system of property taxation in the State and the need for corrective measures. If the position did not improve, it is because the cause of the poor implementation of the PT lies deeper and does not admit of a simple explanation. Perhaps the factor which plays an important role in determining the efficacy of any tax measure viz., the economic and social environment, is responsible for the poor showing of the PT in West Bengal too.

2.36 After all, a municipality draws its sustenance from its citizens. Hence, the growth of its revenues depends not only on its own efforts but also on the economic condition of the people living within its jurisdiction. This is the rationale for comparing tax efforts of different countries (or governments at different levels within a country) with reference to the taxable capacity of each. Several indicators are employed to measure the taxable capacity of a country or people living within a given area of which an important one in the case of tax on income or property is the per capita income. Data on city domestic product of the municipal towns are not available. No proper comparison of the tax effort of the municipalities is thus possible. It is however, well-known that although it is one of the leading industrialised states of the country, West Bengal

has not been doing too well in industrial growth in recent years. To take one indicator, the index of industrial production in West Bengal in 1977 stood at 101.4 (1963 = 100) as compared to the all-India index of 192.7^{9/}. The decline in the growth of collections from the income tax in West Bengal over the last 20 years as compared to the increase in the collections in Maharashtra also lends support to this belief. In the fifties West Bengal and Maharashtra both contributed almost equal amounts of revenue to the exchequer by way of income tax. Even during the early seventies, collections from West Bengal were about Rs 300 crore a year whereas Maharashtra contributed about Rs 400 to Rs 450 crore a year. In 1976-77, West Bengal contributed Rs 440 crores as against ^{about} Rs 790 crore from Maharashtra. Although the population of West Bengal towns is growing, there is very little industrial growth outside the CMD area. Municipalities like Krishnagar present a picture of decay with many houses over 50 years old; quite a few are as old as 100 years. There is virtually no industry worth mentioning in the town which is situated within 100 km. of Calcutta.

2.37 Apart from economic stagnation, factors which could affect the relative taxable capacities of the West Bengal municipalities are (a) distribution of the holdings, (b) poor quality of the constructions and (c) slow progress of housing programmes. A major constraint on the growth of revenues from the PT in West Bengal is the preponderance of properties in the lower-value brackets. As noted earlier, in 12 out of 18 municipalities

^{9/} Government of West Bengal, Economic Review 1978-79, Statistical Appendix Table 6.0.

for which the data on the distribution of holdings in AV brackets Rs 0 - 200 are available, holdings with AV of less than Rs 200 account for 70 per cent of the total holdings (Table II.12). In 6 of them these holdings account for over 80 per cent and some of these municipalities are in the CMD area. Properties with AV of less than Rs 50 constitute about 24 per cent of the total number of holdings in CMD and 26 per cent in non-CMD areas. Their share in the total AV of the holdings as also in the total tax payable is less than 2 per cent, (Tables II.25 and II.26). Even allowing for the possibility that the preponderance of low-value properties is the result of gross undervaluation, the fact remains that a large proportion of the holdings in the municipalities are small and many of them comprise only vacant land. In Krishnagar, out of about 13,800 holdings, 2,100 represent vacant land. The survey of the 6 municipalities (apart from Calcutta) done for the present study reveals that few of the houses in these municipalities have more than 2 floors; the bulk of them have only one floor. Whereas in Calcutta, holdings with one floor constitute about 48 per cent of the total in Midnapore Dum Dum, Siliguri and Purulia, they account for around 80 per cent and in Howrah and Darjeeling between about 60 to 70 per cent (Table II.27). The proportion of first class structures is also relatively low in the towns away from Calcutta (Table II.28), though the pattern is somewhat varied. In

^{10/} This proportion is somewhat higher than that of one-storied structures as indicated in Table I.39 in Chapter I. However, the source and specifications of Table I.39 are different though they present a consistent picture of land use intensity in Calcutta.

TABLE II.25

Distribution of Holdings, Valuation and Tax Payable
(CMD Municipalities)
(1979-80)

Valuation range (Rs)	Total No. of hold- ings	Per cent of total holdings	Valuation (Rs)	Per cent of total valuat- ion	Tax pay- able (Rs)	Per cent of total amount payable
50 and below	32341	24.37	1005571	1.17	227341	1.14
51 - 2000	98739	74.48	25514339	29.81	5741134	28.84
2001 - 5000	1166	.88	3565143	4.17	805077	4.04
5001 - 9000	162	.12	1268423	1.48	285571	1.43
9001 - 15000	91	.07	1088407	1.27	12242539	1.22
15001 and above	213	.16	53143097	62.09	12603052	63.32
Total	132712	100.00	85584980	99.99	19904734	99.99

Source : Office of the Central Valuation Board, West Bengal

TABLE II.26

Distribution of Holdings, Valuation and Tax Payable
(Non-CMDA Municipalities)
(1979-80)

Valuation range (Rs)	Total No. of holdings	Per cent of total holdings	Valuation (Rs)	Per cent of total valuation	Tax payable (Rs)	Per cent of total amount payable
50 and below	56839	26.13	1458526	1.74	285896	1.38
51 - 2000	153146	70.41	39287443	46.74	10718941	51.58
2001 - 5000	5848	2.69	19050435	22.66	4270256	20.55
5001 - 9000	934	.43	6304530	7.50	1435112	6.91
9001 - 15000	429	.20	4789877	5.70	1050587	5.06
15001 and above	318	.15	13172584	15.67	3019758	14.53
Total	217514	100.01	84063395	100.01	20780550	100.01

Source: As for Table II.25.

TABLE II.27

Distribution of Holdings According to Number of Floors

No. of floors	Distribution (per cent)						
	Calcu- tta	Howrah	Midna- pore	Dum Dum	Siliguri	Purulia	Darj- eeling
1	47.71	68.17	82.05	78.45	80.67	83.33	58.04
2	30.28	25.56	16.67	18.10	12.67	15.28	30.86
3	12.74	4.01	0.00	2.59	5.33	1.39	9.82
4	4.69	1.25	0.00	0.86	0.00	0.00	1.79
5	2.01	0.50	0.64	0.00	0.67	0.00	0.00
More than 5	2.57	0.50	0.64	0.00	0.67	0.00	0.00
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Sample survey by NIPFP.

TABLE II.28

Distribution of Holdings According to Type of Building

Type of building	Distribution (per cent)					
	Calcu- tta	Howrah	Dum Dum	Siliguri	Purulia	Darjee- ling
Class I. Pucca wall - Pucca roof	79.68	72.56	80.17	45.77	69.84	30.84
Class II. Pucca wall - Tin roof	18.37	17.95	11.21	47.89	11.90	38.32
Class III. Kutchha in- cluding Hutments	1.95	9.49	8.62	6.34	18.25	30.84
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Sample survey
by NIPFP

Siliguri and Darjeeling first class buildings constitute less than 50 per cent of the total whereas in Purulia it is 70 per cent. The scope for improving the yield of the PT by raising the valuation of holdings of small size or poor quality cannot be very large. It is also of some significance that about 50 per cent of the owners of the properties belong to salary earners and pensioners in all the municipalities (Table II.29). The majority of the holdings in Darjeeling, Howrah and Purulia are inherited while in Dum Dum and Siliguri the properties are mostly self-constructed (Table II.30). The survey also shows that of the rented properties, over 80 per cent falls within the monthly rent group of less than Rs 100, except in Siliguri where the proportion is 68 per cent (Table II.31). Though data on new constructions are not available year by year for the municipalities individually from information available in Housing Statistics 1980 (NBO, 1981), there is reason to conclude that in urban housing, West Bengal is lagging behind many States. Progress of urban housing in West Bengal has been slower in recent years than in the other major States. In 1978 the total number of completion certificates for new construction issued in the major towns of West Bengal was 3,411 as compared to 4,320 in Kerala, 4,908 in Andhra Pradesh, 6156 in Uttar Pradesh and 5,161 in Karnataka (NBO, 1981, Table 6.9). The State-wise distribution of dwellings and plots sanctioned by the HUDCO upto 31-3-1979 shows that the number of such dwellings in West Bengal was 7,154 as against 30,061 in Maharashtra, 18,648 in Andhra Pradesh, 67,925 in Karnataka, 53,541 in Kerala, 63,734 in Gujarat, 13,806 in Haryana, 26,399 in Rajasthan, 41,775 in Uttar Pradesh and

TABLE II.29

Distribution of Ownership of Holdings According to Profession
of Owners

(Per cent)

Occupation	Howrah	Midna- pure	Dum Dum	Siliguri	Purulia	Darjee- ling
Salaried employees and pensioners	49.00	71.00	56.4	46.9	58.8	57.0
Business and profe- ssion including industry	50.00	28.30	42.5	53.1	41.3	42.1
Others	1.10	0.60	1.1	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Sample survey by NIPFP.

TABLE II.30

Proportion of Holdings According to Source of Ownership

Municipality	(Per cent)				Total
	Inherited	Self-con- structed	Purcha- sed	Flat	
Darjæling	79.6	20.4	0.0	0.0	100.00
Dum Dum	22.6	77.4	0.0	0.0	100.00
Hourah	65.5	26.3	8.2	0.0	100.00
Purulia	60.3	36.2	3.4	0.0	100.00
Siliguri	12.3	78.9	8.8	0.0	100.00

Source: Sample survey by NIRFP.

TABLE II.31

Distribution of Holdings According to Monthly Rent Groups

Municipality	Monthly rent group (Rs)				
	Up to 100	101-250	251-500	501-1000	1001 and above
Darjeeling	35 (92)	3 (8)	0	0	0
Dum Dum	39 (83)	8 (17)	0	0	0
Hourah	177 (92)	11 (6)	3 (1.6)	0	1 (0.4)
Midnapore	11 (92)	1 (8)	0	0	0
Purulia	56 (90)	6 (10)	0	0	0
Siliguri	37 (68)	13 (24)	1 (2)	2 (4)	1 (2)

Note: Figures within parentheses indicate per cent of total. Source: Sample survey by NIRFP

31,860 in Tamil Nadu (NBO, 1981, Table 6.12). The number of dwelling units constructed by the State Housing Board under various housing schemes in West Bengal since their inception (1972) upto March 1978 was 3,158 as compared to 52,494 in Gujarat, 83,729 in Maharashtra, 42,059 in Karnataka, 48,217 in Tamil Nadu (NBO, 1981, Table 6.15). Although the Calcutta area has the highest percentage of slum dwellers in the urban population in the country, the progress of housing under slum clearance/improvement schemes in West Bengal compares poorly with Maharashtra, Gujarat and Tamil Nadu. The number of houses/plots constructed in West Bengal under the scheme was 5,316 as on March 1972 (later data not available) as compared to 25,661 in Maharashtra as of 1974, (NBO, 1981, Table 5.14).

2.38 Even all this cannot fully account for the malaise that seems to have afflicted property taxation in West Bengal. Despite the slowdown in industrial growth, the value of urban properties has kept appreciating and, in keeping with the all India trend, the rate of appreciation seems to have accelerated in recent years at least in the CMD. An incidence of PT as low as Rs 2 per holding on the majority of holdings and negative or zero growth of RV per holding cannot be explained fully by pointing to economic stagnation or the distress of house-owners. While no doubt legal tangles have undermined the base of the tax and economic stagnation has exerted a downward pull on the growth of revenues of the municipalities, probably the environment in which the local governments function also has weakened the PT grievously and sapped its elasticity. It is difficult otherwise to see why the rental of a property in a CMD

town can be taken at Rs 2 per month when every inhabitant of the town knows that even a room in a bustee cannot be had for less than Rs 30, or why the municipal authorities do not report against any assessor or take action to correct gross undervaluation where they have the powers to do so. More often than not the ARCs consisting of Municipal Commissioners reduce the valuations below what is proposed by the assessor. The high cost of collection in the face of stagnating revenues reflects the degree of inefficiency prevailing in municipal administration. The fact that this state of affairs has persisted for years shows a kind of drift in the functioning of the municipalities in the State. No reform however well conceived can make much difference unless there is a collective will to enforce the measures considered desirable.

2.39 Nevertheless, efforts to reform the system and improve the administration of the PT must continue. This is needed for the simple reason that the PT constitutes the most important source of revenue for the municipalities and will continue to do so in the foreseeable future. The need for reform acquires urgency in the interest of equity among taxpayers and also to ensure some equity as between taxpayers of different jurisdictions. At present, the budget deficits of the municipalities are met largely out of grants from the State government. The grants vary widely from one municipality to another. To quote the T&CP study of the finances of West Bengal municipalities: "Within CMC, 5 municipalities have a per capita grant of Rs 5 to Rs 10; in 8 it varies between Rs 10 and Rs 15 and in 4 it is between Rs 15 and Rs 40" (T&CP, 1980, p.26). In the non-CMC municipalities, the per capita grant from

the State government varies from less than Rs 5 in the 8 municipalities to Rs 40 in 3. While there can be a case for higher per capita grant to some on grounds of backwardness, etc., if the system of devolution of funds from the State government to the local authorities is to be founded on equitable principles, there must be some evidence of the same level of tax effort by the recipient municipalities after allowing for differences in their taxable capacity and level of development, and that calls for taxation on some uniform basis and principle.

2.40 It will not be correct to think that the economic conditions of landlords preclude any significant reform of the system. The fact that some of the municipalities both in CMD and non-CMD areas are doing fairly well in property taxation both in terms of demand as well as collection shows that it is not beyond the capacity of the municipalities to achieve improvement. Some of the municipalities even in the non-CMD area are collecting higher per capita and per holding PT than those in the CMD area. Within the CMD, some among the smaller municipalities, are doing appreciably better than the bigger ones. The inability of the A-class municipalities to come up to the level of the B and C class ones is difficult to explain. The ground sometimes advanced to justify soft treatment of property holders in the lower value brackets, viz., hardship to the middle and lower middle class, is not quite convincing. After all, the owner of a property, however small, in an urban area belongs to the relatively well-off section and there is no reason why he should not contribute a reasonable sum towards the maintenance of municipal services. The fact that collections

TABLE II.32

Distribution of Holdings by Type of Use in West Bengal Municipalities

Use	CMD Municipalities		Non-CMD Municipalities		Total	
	No. of holdings	Valuation (Rs)	No. of holdings	Valuation (Rs)	No. of holdings	Valuation (Rs)
Residential & commercial	203910 (74.93)	41412792 (47.84)	224919 (75.18)	47794072 (76.37)	428829 (75.07)	89206864 (59.81)
Industrial	1852 (0.68)	37795845 (43.66)	889 (0.30)	1199285 (1.92)	2741 (0.48)	38995130 (26.14)
Public buildings	5955 (2.19)	5751133 (6.64)	42922 (14.35)	12630555 (20.18)	48877 (3.56)	18381688 (12.32)
Vacant land	60336 (22.18)	1613412 (1.86)	30445 (10.17)	964141 (1.54)	90781 (15.89)	2577553 (1.73)
Total	272053 (100.00)	86573182 (100.00)	299175 (100.00)	62588053 (100.00)	571228 (100.00)	149161235 (100.00)

Note: Figures within parentheses indicate percentages of total.

Source: Office of the WBMFC.

showed a marked rise in some years also goes to show that it is not the lack of capacity so much as the lack of will which stands in the way of improvement in the collections from the property tax. The unduly low incidence of the tax per capita and per holding in the CMD and A-class municipalities, the absence of any special arrangement for taxing the commercial use of properties on a separate footing, the low valuation of private markets, and the availability of vacant lands which can be developed by the municipalities point to the possibility of raising resources by more intensive use of the PT. Industrial holdings now account for 26 per cent of the total RV although they constitute less than 1 per cent of the total number of holdings (Table II.32). Even so our case studies show that large areas of land are held by industrial units which are taxed lightly. The proportion of holdings containing only vacant land in the total is nearly 16 per cent (22 per cent in the CMD) as may be seen from Table II.32. All this shows that there is potential for greater use of property taxation than has been made by the municipalities so long. The lines on which such potential can be exploited are considered in Chapters III and IV.

Appendix to Chapter II

Profile of Property Taxation in West Bengal Municipalities

Case Studies

1. Krishnagar

Krishnagar is the headquarters town of a district (Nadia) in West Bengal situated about 100 km. to the north of Calcutta but outside the CMD. It is one of the oldest towns of the State and has a municipality established in 1864. At present, it has a population of a little over 98,000. In 1951, its population was only about 50,000. Between 1951 and 1961 the population of the town went up from 50,000 to about 70,000, recording a growth rate of 3.5 per cent per annum primarily because of a large influx of displaced persons from across the border. The growth rate slowed down to 2.1 per cent during the sixties and to 1.4 per cent in the seventies (1971-81). The municipality was superseded in 1976 and was in the charge of an Administrator until May 1981.

With a per capita revenue expenditure (RE) of Rs 40, Krishnagar ranks above the State average in the level of municipal services and also the average for B class municipalities outside the CMD but ^{is} below the average of B class municipalities of Gujarat (Rs 74) and Maharashtra (Rs 68). Although the per capita RE of the municipality happens to be high as compared to the average of other municipalities of the State, from a visit to the town it would appear that the state of its civic services is no better than that of the small towns with their open drains and service privies.

3. The municipality is not in a position to improve its services further mainly for lack of resources. Between 1970-71 and 1979-80 the total tax revenue of the municipality grew at the rate of only 2.3 per cent per annum whereas between 1975-76 and 1979-80, its revenue expenditure went up at the rate of nearly 26 per cent per annum (figures of RE for earlier years are not available). During this period per capita tax revenue did not register any increase while revenue expenditure per head grew at the rate of ^{about} 24 per cent. The increase in RE is sustained mainly by grants. The relevant statistics are given in Table A.II.1.

4. Currently, the total revenue expenditure (TRE) of the municipality is of the order of Rs 38 - 39 lakh whereas the total revenue from its own sources does not go beyond Rs 20 - 21 lakh. There is thus a deficit of Rs 18 - 19 lakh in a year. The municipality receives about Rs 2 lakh from the State government by way of subvention and another Rs 3 - 4 lakh as share of receipts from octroi. Even then a deficit of about Rs 14 - 15 lakh remains uncovered. At times the municipality manages to carry on somehow by not paying its creditors and so on. Electricity bills totalling Rs 15 lakh were not paid for quite some time. The financial crisis of the municipality came to a head in 1974-75 when it could not pay the salaries of its staff on time.

5. The principal source of revenue of the municipality is the PT. In 1979-80 nearly 95 per cent of the total tax revenue of the municipality was derived from the PT; in 1970-71, the proportion was 91 per cent. The revenue

TABLE A.II.1

Finances of Krishnagar Municipality - Selected Indicators

	1970- 71	1975- 76	1977- 78	1979- 80	Growth rates % per annum (1970-71 to 1979-80)
1. Total revenue expenditure or TRE (Rs 000)	-	1555	2184	3896	25.8*
2. Total revenue (Rs 000) of which:	1146	1607	1187	4224	15.6
(i) Non-tax revenue	-	64	-	65	-
(ii) Grants	-	776	-	3392	-
3. Total tax revenue (Rs 000) or TTR	622	767	417	767	2.3
4. Revenue from property tax or PT (Rs 000)	639	726	303	726	1.41
5. PT as % of TTR	90.51	94.65	72.66	94.65	-
6. TRE per capita (Rs)	-	16.9	23.14	40.24	24.3*
7. TTR per capita (Rs)	7.20	8.33	4.42	7.92	1.1
8. PT per capita (Rs)	7.43	7.89	3.21	7.50	0.10
9. Total rateable value or RV (Rs 000)	-	2496	2698	3375	7.8
10. Number of holdings	12115	12196	12271	13793	1.46
11. RV per holding (Rs)	-	205	220	245	4.6*
12. PT per holding (Rs)	52.74	59.52	-	52.64	Negative

* Between 1975-76 and 1979-80.

Source : Krishnagar Municipality

from the PT has grown from Rs 6.39 lakh in 1970-71 to Rs 7.26 lakh in 1979-80. The growth rate works out to 1.4 per cent per annum. Revenue from the PT per capita has grown at the rate of only 0.1 per cent per annum. Between 1975-76 and 1979-80 there has been virtually no growth in the revenue from the PT, and, as the population has been increasing, per capita revenue from the PT has registered a decline. In real terms the revenue from the PT has suffered an appreciable fall. With stagnation in the revenue from the PT, and in the absence of any other major source of income, the municipality has depended increasingly on grants and subventions from the State government.

6. The amount of property tax per holding was Rs 53 in 1978-79; in 1970-71 also it was Rs 53. Tax per holding works out to less than Rs 5 per month. In 1975-76 the annual revenue per holding had gone up to about Rs 60. The tax is levied in the municipality at the rate of 29.5 per cent of the annual value (AV) of the holdings comprising a holding tax and service taxes at the following rates:

Holding tax	9 per cent
Water-rate	7.5 per cent
Lighting-rate	3 per cent
Conservancy charges	10 per cent

Water-rate, lighting and conservancy (scavenging) rates are charged at the maximum rates prescribed under the B.M. Act, 1932. The total rate of tax was raised from

24 per cent to its present level with effect from April, 1967. The rate at which the properties are taxed in Krishnagar are not too low as compared to the rates prevailing in the State as a whole. As in the case of the other municipalities, the lack of elasticity of the revenue from the PT in the municipality seems to be due to (i) slow growth of rateable value of holdings and (ii) poor collection.

7. The main factor underlying the slow growth of revenue from the PT is the low valuation and lack of growth in rateable values of properties. Between 1975-76 and 1979-80 RV per holding increased from Rs 205 to Rs 245, that is, at the rate of 4.6 per cent per annum. In the last 10 years the level of rents in the town has increased from Rs 20 per month for a room of average size to Rs 60-70 at present which implies a growth rate of about 12 per cent per annum. The prevailing price of land in the town is Rs 500 per batak on an average whereas 10 years ago the same land could be had for Rs 50 per batak. There has thus been a rise in land values of the order of nearly 25 per cent per annum.

8. Although the revenue from the PT has been stagnating around Rs 6 to 7 lakh, there was a spurt in the collections in the year 1976-77 and the revenue from the tax went up to nearly Rs 11.9 lakh. In 1977-78, the revenue again slumped to Rs 3.03 lakh. Better compliance on the part of taxpayers was stated to be the main reason for the sharp increase in revenue in 1976-77. A good fraction of arrears was

collected during this year. In 1977-78 there was a decline as a consequence of a High Court ruling setting aside the upward revision of the assessments made in 1972-73. Following this ruling, the municipality had to go back to the valuations made in 1967-68 and refunds of about Rs 8 lakh became due as a result. Even otherwise, collections of the PT do not exceed 40 per cent of the total demand every year as the following figures show:

	Demand (Rs 000)			Collection (Rs 000)		
	Arrear	Current	Total	Arrear	Current	Total
1980-81	840	1073	1913	125	619	744
	within			(14.9)	(57.7)	(38.9)

(Figures / parentheses indicate proportion of collections to demand in percentage).

Against a revenue of Rs 7.44 lakh, the cost of collection during the year 1980-81 came to Rs 2.69 lakh or 36 per cent. There are in all 35 employees in the collection department alone.

9. While poor realization acts as a drag on the revenues, the main reason for the low elasticity of the PT in the municipality is chronic undervaluation of properties. Distribution of the holdings in the municipality according to annual value range presents the following picture:

<u>Valuation (Rs)</u>	<u>No. of holdings</u>	<u>Value (Rs)</u>
0 - 50	2114	33,420
51 - 300	5231	9,48,100
301 - 500	1088	4,07,650
501 - 700	542	3,17,600
701 - 1000	443	3,76,550
1001 - 2000	198	2,97,000
2001 - 5000	132	4,62,000
5001 - 10000	30	2,25,000
10001 - 25000	12	1,80,000
25001 - 50000	3	1,27,800
Total	13793	33,75,120

It will be seen that out of 13,793 holdings as many as 11,345 have an annual value of less than Rs 300. Over 2,000 holdings come within the valuation range of Rs 0 to 50. Holdings with AV of less than Rs 50 all comprise vacant land. The area of land in these holdings varies but they are usually assessed at a uniformly low figure and their AV has no relationship with the current market value of land in the town.

As for holdings having a structure on them, the assessment is made mostly on the basis of rental. The latest general revision (GR) which is required to be made every five years was carried out recently and came into effect in 1981-82. The earlier revision of 1972-73 was, as noted already, quashed by the court. Hence, the assessments made in the GR preceding the GR of 1972-73 (i.e., the GR of 1965-66),

remained in force until 1981-82. In other words the AVs underwent no change for a period of 16 years.

/latest
GR vary
widely
from a
minimum
of about
Rs 3 to

10. For an idea of the rates of rent assumed for the latest revision and the increase made in the recent GR, the assessments of a few properties in some of the centrally situated localities were studied. The findings are set out in Table A.II.2. It was found that the rentals implicit in the assessments made in the Rs 40 per room. It was stated by the officers of the Assessment Department of the Municipality that a room of an average size and quality fetches at least Rs 70 to 80 per month in good localities of the town at present. The municipality itself has let out some of its rooms at the rate of about Rs 80 per room in some of the busy business areas. It was gathered from official sources that the rent paid normally for accommodation hired by government is Rs 30 per room on an average. The assessment ratios of the holdings - i.e., the ratio of the existing AV to AV estimated on the basis of a uniform yardstick based on prevailing rents - reveal the low level of the assessments and also the disparities in valuation (col. 6 of Table A.II.2). The ratios vary from 7.3 per cent to 96 per cent. In 14 cases out of 16 studied the assessment ratio falls below 50 per cent. As may be seen from col. 8 of the table, in some cases the AV determined in 1981-82 GR is lower than what was proposed in 1967-68 (vide items 3, 14 & 16).

11. As in the other municipalities of the State, quinquennial revision of the valuation of the town is

TABLE A.II.2

Annual Value and Assessment Ratio of Selected Holdings in Krishnagar Municipality

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No. Holding No.	Brief description	Nature of occupancy	Current AV (Rs)	Basis of current assessment - rent per room per month/capital value (Rs)	AV estimated at current rates of rent/capital value* (Rs)	Assessment ratio (col. 4 : col. 6) (%)	AV in previous assessments - Rs/Year (Rs)	Remarks
1. 20/1	One storeyed building with 9 rooms on 2.5 bighas of land	T	220	3.5	3024	7.3	Rs 220 (1962-63)	
2. 20/16	3 storeyed building with 2 good rooms of which 1 is on the road side and 3 other small rooms	T	500	16.50	1512	33.0	-	
3. 20/17	Two storeyed building with 10 rooms	M	3400	31.50	4320	78.7	840 (1955-56)	AV proposed in 1967-68 assessment Rs/45000 reduced to Rs 3400 by ARC
4. 20/46	Large building containing 19 rooms	T	3700	8.00	7992	46.3	2800 (1955-56)	
5. 20/39	Building containing 8 rooms	M	1200	4.00	3240	37.0	800 (1955-56)	Valuation proposed in 1967-68 assessment Rs 2500, reduced to Rs 1200 by ARC

Valuation proposed in 1967-68 assessment Rs 2500, reduced to Rs 1200 by ARC

TABLE A.II.2 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
6. 20/42	Two storeyed building containing 8 rooms	M	500	5.7	3456	14.5	450 (1955-56)	
7. 20/8	Building on 12 kotahs of land containing 7 rooms (over 50 years old)	T	450	4.60	2916	15.5	500 (1955-56)	
8. 20/3	6 pucca shoprooms with a tin shed verandah in front	T	1500 (AV proposed in 1981-82, 2100)	23.00	3240	46.3	-	
9. 20/4	One pucca shoproom (16'X12') with verandah	T	80 (AV proposed in 1981-82, Rs 360)	7.40	540	14.8	-	
10. 20/7	Two storeyed building with 10 rooms	T	4300 (AV proposed in 1981-82, 4440)	40.0	4500	95.6	-	
11. 20/15	One storeyed building with 3 rooms and a verandah (one room small)	-	300	12.00	1080	27.8	-	
12. 20/21	Two storeyed building with 4 pucca rooms and a verandah	-	600	13.75	1728	34.7	-	
13. 20/22	Building with 3 good rooms and one small room	-	200	6.00	1296	15.4	140 (1962-63)	

TABLE A.II.2 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
14.	20/9	Two storeyed building with 9 rooms	-	600	6.00	3888	12.3	500 (1962-63)	A.V. proposed in 1967-68, Rs 900 but reduced to Rs 600 by ARC
15.	20/19	One storeyed building with 4 rooms, each having a verandah and one pucca cowshed	-	130	3	1296	9.2	130 (value proposed in 1967-68 assessment 300)	
16.	20/21	Two storeyed building with 3 rooms, each with a verandah	-	210	6.4	972	21.6	200	Value proposed in 1967-68 assessment, Rs 250, but reduced to Rs 210 by ARC

* The estimates in col. 6 have been made by taking the rent for a good room @ Rs 30 to Rs 40 ~~per month~~ per month depending on the location and, for a small or not so good one, at half the normal rate. Rent for shop rooms with a good frontage taken at Rs 50 per month.

Source: Krishnagar Municipality.

done by assessors appointed out of the panel approved by the State government on the basis of lowest tender. The amount paid for valuing nearly 14,000 holdings in the last GR was Rs 7500. The assessments are revised by assessors who are supposed to have some technical expertise and experience, but no uniform principle or yardstick seems to be applied in the assessments. In over 90 per cent of the cases, objections are filed against the revisions, and these are decided by the ARC. The decisions by the ARC also do not seem to follow any rational pattern and, on the face of it, appear to be highly arbitrary. It is generally believed that relief given by the ARC often depends on "influence".

12. Before a GR, taxpayers are required to file a return showing particulars of their properties under section 134 of the BM Act. But no action is usually taken for non-compliance. Assessments are made mostly on the basis of the returns. Verification of the particulars is rarely attempted.

13. A perusal of some of the returns filed for 1981-82 showed that many of the buildings in the town are pretty old - some, over 75-80 years. Construction activity in the municipality is going on at the rate of about 200 buildings a year. The number of plans sanctioned since 1977 as follows:

1977	4
1978	109
1979	221
1980	286
1981	115 (upto May)

In the wake of the refugee influx in the 1950s the building bye-laws requiring prior approval of plans for new construction were suspended to facilitate quick construction. The laws were revived in 1977.

14. There are no industrial units in the town worth mentioning. The number of factories were stated to be only 2. The town was once well-known for its clay models. The art seems to be dying out. Many parts of the town wear a decaying look with dilapidated buildings. Speculation in land, however, is going on for plots on the outskirts of the town and prices of land have shot up.

II. Kamarhati

15. Kamarhati is one of the 'A' class municipalities of the Calcutta Metropolitan District. Adjoining the northern outskirts of Calcutta, it is about half an hour's drive from the centre of the city and for all practical purposes forms a part of Calcutta. Formerly known as the North Suburban Municipality, the Kamarhati municipality was established in the year 1899.

Comprising an area of 10.96 sq.kms., the jurisdiction of the municipality extends over four well-known localities, viz., Kamarhati, Ariadaha, Dakshineswar and Belgharia.

16. The population of the municipality at present (1981 census) is about 240,000. In 1971, it was 69,000. During the last ten years (1971-81) the population of Kamarhati municipality has grown faster

(3.5 per cent per annum) than that of Calcutta and also than the CMD as a whole. The density of population in the municipality now is about 28,000 per square kilometre as against 31,000 of Calcutta and 15,345 of the A class municipalities of CMD. The higher rate of growth of Kamarhati signifies a shift of population from the city of Calcutta because of congestion and shortage of accommodation in the city centre and also the growth of industries. There are a number of large and small industries and repair shops within the jurisdiction of the Kamarhati municipality.

17. As of 1978-79, the total revenue expenditure (TRE) of the municipality was of the order of Rs 44 lakh. TRE per capita comes to *about* Rs 20 which is below the average for the West Bengal municipalities and also less than the average per capita expenditure of 'A' class municipalities of the State. Taking an average of 1978-79 and 1979-80, the per capita TRE of the municipality comes to Rs 19. In 1971-72, the TRE of the municipality was of the order of Rs 37.4 lakh or Rs 22 per capita. There has thus been a decline in the level of revenue expenditure per head in the municipality in the seventies.

18. As against a TRE of Rs 42 lakh, the total tax revenue (TTR) of the municipality in 1979-80 stood at Rs 22 lakh of which Rs 20 lakh came from the property tax. The municipality does not derive any substantial revenue from non-tax sources. Between 1971-72 and 1979-80 its TTR increased from Rs 18 lakh to Rs 22 lakh. It was

Rs 29 lakh in 1978-79. Collections from the PT which account over 90 per cent of the TTR of the municipality increased from Rs 16 lakh in 1971-72 to Rs 20.23 lakh in 1979-80 thus recording a growth of nearly 3 per cent per annum. But as the population of the municipality grew at a faster rate there has been decline in the revenue from the PT per capita during the period, from Rs 10.50 to Rs 9.50. Taking the average of 1978-79 and 1979-80, per capita revenue of the municipality from the PT currently is about Rs 11 per annum. The relevant statistics are given in A.II.3.

19. The aggregate RV of holdings in the municipality at present (1980-81) is about Rs 122.0 lakh. This is the total annual value of the properties as assessed on the general revaluation made in 1978-79 after allowing for the reductions granted by the Assessment Review Committee. The total rateable value proposed on the GR of 1978 was Rs 140 lakh. The review by the ARC is not yet complete. In 1971-72, the total RV of the holdings was Rs 84 lakh. The growth rate of RVs between 1971-72 and 1979-80 (from Rs 84 lakh to Rs 120 lakh) works out to 3.7 per cent per annum. The increase in the RV is due largely to the increase in the number of holdings. The total number of holdings in the municipalities went up from about 13,500 in 1970-71 to 17,947 in 1979-80. Rateable value per holding works out to Rs 667 in 1979-80 as against Rs 625 in 1971-72 which means a growth of only 0.8 per cent per annum. Price of land in the municipality at present is Rs 4000 to 5000 per cotah. Ten years ago the price was around

TABLE II.3

Finances of Kamarhati Municipality - Selected Indicators

	1971-72	1975-76	1978-79	1979-80	1980-81	Growth rate % per annum (1971-72 to 1979-80)
1. Total revenue expenditure or TRE (Rs 000)	3742	27.85	4440	4202	-	1.4
2. Total revenue (Rs 000) of which:	-	3917	5389	-	-	-
(i) Non-tax revenue						
(ii) Grants						
3. Total tax revenue or TTR (Rs 000)	1780	2320	2928	2207	-	2.7
4. Revenue from property tax or PT (Rs 000)	1602	2133	2679	2023	2536	5.2
5. PT as % of TTR	90	91.9	91.5	91.7	-	-
6. TRE per capita (Rs)	22.14	13.86	19.82	18.11	-	Negative
7. TTR per capita (Rs)	10.50	11.72	13.07	9.50	-	Negative
8. PT per capita (Rs)	9.47	10.77	11.92	8.72	10.56	1.9
9. Total rateable value or RV (Rs 000)	8419	9066	13455	11985	12200	3.7
10. Number of holdings	13473	15922	-	17985	-	3.6
11. RV per holding (Rs)	625	569	-	667	-	0.8
12. PT per holding (Rs)	119	134	-	113	-	-

Source : Kamarhati Municipality

Rs 1000. Land prices have thus appreciated at a rate of 15 to 16 per cent per annum.

20. Upward revision of assessments of properties in the municipalities suffered a serious set back as a result of litigation. The quinquennial revaluation which was to come to effect on April 1, 1973 was challenged on grounds of inequity. The revision was quashed by the Calcutta High Court^{1/}, as the case was conceded by the municipality. As a result, valuations made in the earlier GR, which was done in 1968-69 remained in force until the GR of 1978. As in the past, the GR of 1978-79 was done by assessors appointed on the basis of lowest quotation out of a panel maintained by the State government. For about 18,000 holdings, the remuneration paid to the assessor was about Rs 6000.

21. The assessments are supposed to be made by the assessor after taking into consideration the particulars furnished by the taxpayers in the return prescribed in the statute in form "B". The norms adopted by the assessor however do not seem to bear

^{1/} Civil rule No: 15953 W of 1975 issued by the Calcutta High Court made absolute by order dated July 16, 1979.

any relationship with the existing market rates of rent or property values. The particulars of a few holdings and their annual value as assessed in 1978-79 GR are given in table A.II.4. The basis of assessment, that is, the rent per room implicit in the assessed AV is indicated in column 5 of the table. It appears that the rent per room per month taken for purposes of municipal assessment is in most cases less than Rs 10. For several holdings it is Rs 2 per month. In the case of 2 holdings out of 25, the rent per room works out to Rs 25 to 30 per month. These are shop rooms. It was understood that the rent for a shop room in the municipality at present is not less than Rs 100 per month over and above a salami of Rs 10,000 to Rs 20,000. The minimum rent of even a room with tiled roof and no amenities was stated to be Rs 40 per month by permanent residents of the locality. The assessment ratios vary from 2 per cent to 97 per cent. In 16 out of 25 case studies the ratio works out to less than 20 per cent (col. 7 of Table A.II.4).

22. An interim assessment, that is, assessments between two GRs, is made when there is a new construction or substantial addition or alteration to a holding. Such assessments are carried out by the staff of the municipality. The municipality does not have any specially trained staff for the purpose. It appears that the rental for an interim assessment is taken at Rs 10 per room, irrespective of the size, location or the quality of the material used in construction. The personnel entrusted with the task of valuation not only do not have any special training but also do not have the necessary equipment. They have been provided with measuring tapes only recently.

23. The distribution of the holdings of municipalities among the different valuation ranges is as follows:

Kamathati Municipality
(1979-80)

Annual valuation (Rs)	Holdings
1 to 100	8,283
101 to 200	3,825
201 to 500	2,939
501 to 1,000	1,620
1001 to 2,000	868
2001 to 5,000	302
5001 to 10,000	48
10,001 to 25,000	20
25,001 to 50,000	12
50,001 to 1,00,000	9
Above 1,00,000	21
	17,947

Nearly 50 per cent of the holdings fall below Rs 100 and over 3/4ths have AV less than Rs 200. Many of the holdings in the lowest value range are said to be vacant land. Although, land prices in the municipality have shot up and in busy market areas, the price is Rs 10,000 per cotah and nowhere it is less than Rs 4,000 to Rs 5,000 per cotah, vacant lands are valued at a nominal figure irrespective of their size. For instance, 2 holdings, one of 13 cotahs and another of 1 bigha and 2 cotahs^{are} assessed at AV of Rs 10 in the 1978-79 GR (vide items 1 and 2 of

Table A.II.4). Following the provisions of the BM Act, vacant lands are assessed on the basis of their estimated ground-rent. Ground-rent of land in the municipality is about Rs 400 per bigha since long. At this rate, the AV of the 2 holdings should have been at least Rs 270 and Rs 440 respectively. Some of the holdings were reported to be assessed as vacant land even though permanent structures have been built on them. This, it was said, accounts for the very high proportion of holdings in the AV range of less than Rs 100 even though it is not a backward or under-developed municipality, being so close to the city of Calcutta.

24. Review by Assessment Review Committee compounds the inequalities by giving relief in an arbitrary fashion. A large proportion (over 80 per cent) of the assessments go up before the ARC. Reductions allowed by the ARC in 50 cases in a recent year are shown in Table A.II.5. In some cases, the AV fixed by the ARC went below the existing valuation, that is, before the 1978-79, e.g., items, 1,2,5,14,17,23,37 and 39 of the table. With revisions and reviews done in this way the disparities in the assessments often get aggravated. Inequity was the main contention on which the GR of 1972-73 was challenged. The grounds put forwarded in the case which was conceded by the municipality provide a telling commentary on the state of assessments in the municipality. Some of the grounds were^{2/}:

That the Assessment list xxxxxx was an illegal assessment list inasmuch as it did not include all the holdings.....

2/ Extracts from Plaint Filed in Assessment Case (C.R. No: 15953 W of 1975) before the High Court at Calcutta against Kamarhati Municipality.

TABLE A.II.5

Revised Annual Value of Selected Holdings* and Reduction
By Government Review Committee in Kamarhati Municipality.

Sl. No.	Ward	Holding No.	Annual value (Rs)		
			Existing	Revised	Determined by ARC
(1)	(2)	(3)	(4)	(5)	
1.	1	96	450	960	350
2.	6	405	450	480	180
3.	8	19	960	2500	1600
4.	8	18	1080	2400	1500
5.	8	124	400	960	260
6.	8	6	1300	2400	2000
7.	8	893	90	840	180
8.	9	603	400	1200	500
9.	9	544	500	1800	800
10.	9	502	490	1440	700
11.	9	500	210	720	210
12.	10	143	250	900	300
13.	10	151	720	1080	550
14.	10	474	540	600	250
15.	11	188	500	1200	550
16.	11	649	160	600	200
17.	11	681	450	780	300
18.	11	375	-	1650	900
19.	11	504	400	1200	550
20.	12	182	480	1920	600
21.	72	54	720	2400	730
22.	12	2	740	2100	850

* As revised in General revaluation of 1978-79.

(Contd...../-)

TABLE A.II.5 (Contd.)

(1)	(2)	(3)	(4)	(5)	
23.	12	1	620	1500	500
24.	12	553	390	1200	500
25.	13	89	1000	1920	600
26.	13	97	200	840	320
27.	13	591	300	1500	400
28.	13	1	1100	4200	1700
29.	14	180	400	1500	500
30.	14	88	20	360	85
31.	14	99	240	720	250
32.	14	208	20	960	150
33.	15	65	110	840	215
34.	15	333	750	1500	900
35.	15	51	450	1200	475
36.	15	235	700	1320	700
37.	15	267	2500	2500	1050
38.	16	709	600	3600	1050
39.	16	544	3000	3000	700
40.	16	790	600	1440	800
41.	16	476	30	360	150
42.	17	529	100	480	150
43.	17	378	30	1200	450
44.	17	592	240	960	350
45.	17	37	240	1800	450
46.	17	558	360	840	375
47.	18	17	170	900	250
48.	18	796	1100	3000	1150
49.	18	36	150	1080	300
50.	18	319	140	480	170

Source: Kamarhati Municipality.

The Respondent No. 3/ did not personally inspect all the holdings though it was mandatory upon him to have inspected all the holdings personally. xxxxxx.

That the Municipality contains more than 14000 holdings and the Respondent No.2 issued notices in form "A" under Section 134 of the Act only to about 150 holdings requiring them to submit the particulars in form "B" annexed to that notice.

That the failure of the Respondent No.2 personally to inspect the holdings coupled with the failure to issue notices in form "A" and form "B" has caused serious infirmity and failure of justice in assessment proceedings.

XXXXXXXXXXXXXX

That the petitioners annex herewith an extract from the said assessment list submitted by the Respondent No.2. It will appear from the said extract that, on an average, the valuation of the petitioners has been increased several times.

That as against the petitioners there are many holdings equally circumstanced with the holdings of the petitioners in age, amenities, the nature of the materials used, valuation of which has been increased either not at all or by negligible amounts. Thus the holding in the name of Smt. Chhabi Rani Dev Mazumdar, holding No. 39 (new) 38 (old) of Ward No. 15 has been raised from Rs 300 to Rs 3600 whereas the valuation of the holding in the name of students Welfare being No. 37 of Ward No. 15 has not been increased at all. Similarly the valuation of the holding in the name of Dilip Roy Choudhury holding No. 395 (new) 373 (old) of Ward No. 17 has been increased from Rs 360/- to Rs 420/- whereas the valuation of the holding in the name of later Dr. Phani Dey holding No. 394 (new) 373 (old) and Smt. Amita Choudhury holding No. 393 (new) 371 (old) both of Ward No. 17 have been increased from Rs 550/-

3/ The Assessor who did the quinquennial revision of the assessments in Kamarhati municipality for 1972-73.

Rs 1200/- and Rs 350/- to Rs 600/- respectively. All these three holdings are at Woomesh Mukharjee Road and contiguous to each other.

That the petitioners annex hereto a list of the Assessee whose review petitions have been allowed with negligible variation and the lists of other assessee whose review petitions have been rejected xxxxxxx

That as against the petitioners whose valuation have been increased abnormally there are certain holdings valuation of which have not been increased at all or increased negligibly hereto xxxxxxx

25. There are three cinema halls and 5 large markets in the municipality. Of the 5 markets, 2 are owned by the municipality. Of the private markets, 2 are located in Kamarhati itself. In the GR of 1978-79, the AV of one of them was proposed to be assessed at Rs 8,400 but was reduced to Rs 7,100 by the ARC. In 1973-74, the AV of the market was Rs 7,000 (originally proposed at Rs 7,800), in 1968-69, Rs 6,800. The tax realized at present from the market is Rs 1,750 per annum. The other private market in Kamarhati has been assessed at an AV of Rs 4,800 in each share (it is now owned by two brothers) In the 1968-69 GR the AV of the entire market was assessed at Rs 11,500. The AV of the market in 1978-79 has thus been assessed at a figure lower than that assessed in 1968-69.

26. From the two municipal markets, the municipality receives a monthly rent of Rs 20 to 25 each from the permanent stall holders and also collects tools from vendors at varying rates (the rates varying from 20 to 45 paise per day depending on the

nature of the commodity sold. The total collection of the municipality from the tolls and rents from these two markets comes to about Rs 30,000 to Rs 35,000 per annum. The total area of the two markets taken together is between 25 to 30 cotahs, the area one of them is 1 bigha, 8 cotahs and of the other 3 bighas, 12 cotahs. The tax realized from those two markets comes to Rs 4246 per annum although their area is much bigger than that of the municipal markets - the area of one being 1 bigha, 28 cotahs and of the other, 3 bigha, 12 cotahs. The tax is levied by the municipality at present at the rate of 26 per cent of the AV. The rates were raised in 1973 and the components as of now and in 1973 are as follows:

	1973 (before revision)	1976
Holding rate	9%	10%
Conservancy rate	8%	10%
Water rate	4%	4%
Lighting rate	2%	2%

Exemption is allowed to places of public worship under Section 24. The number of holdings granted exemption on this account is not large - in fact only 5. However, the municipality also grants remissions of holding rate under Section 141 of the B.M. Act on grounds of extreme hardship on the recommendation of the Ward Commissioner. Remission seem to be granted on a fairly large scale. At one meeting, held in May 1981, remission from holding rate was granted in about 60 cases at one stroke.

27. The municipality collects less than 50 per cent of its total current demand of the PT in a year at present. In 1980-81, out of a total demand of Rs 53.29 lakh only Rs 25 lakh were collected. One difficulty said to be experienced by the municipality in improving the collections was that only movable properties can be seized on distress warrants. A property can be sold only when the owner is not found or under other specified circumstances. Sale of property is resorted to very sparingly. Demands are written off from time to time almost on a mass scale on the report of the Warrant Officers in exercise of the powers conferred under Section 163 of the B M Act.

28. Cost of collection of property tax in the municipality is about Rs 5 lakh by wages and salaries alone. Including the cost of printing etc., the cost comes to about Rs 6 lakh a year, that is, about 25 per cent of the collections.

29. Apart from low valuation and poor collections, another factor affecting the growth of the PT is the absence of a proper system to ensure assessment of new constructions without delay. Under the law, permission of the municipality has to be obtained for any plan for new construction. Fees have to be paid on the plan according to the cubic metre of the proposed constructions. One copy of the plan goes to the Assessment Department. When the building is completed, notice is required to be given within one month. Failure to give intimation regarding completion entails a fine. The fine prescribed in law is being raised from Rs 50 to Rs 100. Completion certificates are however rarely filed. The municipality seldom impose any fine for this default.

III. Howrah

30. Howrah proved very difficult to study because of severe data problems. The accounts of the municipality are in arrear for several years and it was not possible to obtain a reliable picture of the basic data on the finances of this municipality such as total revenue expenditure, exact number of holdings, their total rateable value and so on. However, the picture one gets by putting together the information available from different sources is the same as in the other municipalities of the States. In some respects the position seems to be worse.

31. Situated on the West Bank of the river Hooghly, Howrah is an important industrial town and is virtually a part of Calcutta. The municipality of the town was established in 1884. It has now a population of 7.42 lakh. Like Calcutta, it has not grown much in the last ten years - the population growth rate between 1971 and 1981 was only 0.74 per cent per annum. In terms of public facilities Howrah presents a depressing picture because of its slums, congestion, the state of its roads and poor sanitary conditions.

32. That the municipality has been in a state of chronic financial crisis is evident from the fact that the State Government has to make a substantial ways and means advance to the municipality almost every year. The amount of the advance exceeded Rs 1 crore in each of the year 1977-78 to 1979-80. In 1980-81 the amount sanctioned till October 1980 was Rs 60 lakh.

33. As with the other municipalities Howrah gets about 86 per cent of its total tax revenue from the PT (Rs 118 lakh out of Rs 138 lakh in 1978-79). The PT per capita works out to Rs 14 and per holding to Rs 215 as against Rs 32 and Rs 770 in Calcutta. Comparison with Calcutta may not be fair since levels of rent and property values are considerably lower in Howrah even though it is so close to the city.

34. What mainly ails the finances of Howrah municipality is, as elsewhere in the State, the low level and lack of elasticity of the PT. Rateable value per holding in Howrah is Rs 722 currently (1978-79); 1970-71, it was Rs 756. The reason again is the failure to *revise* the assessments in line with prevailing rates of prices of real property and rents.

35. Divided into 10 wards, the municipality carries out the general revision of assessments every five years by turn. Two wards are taken up for valuation and completed in a year. Assessments are done departmentally by the municipality's own staff. Assessments even however, held up since 1968-69 in 8 out of 10 wards because of court injunctions. The injunctions are now being vocated as some settlement is being reached with the taxpayers. The litigation was said to have originated from rather sharp increase in the AVs on GR.

36. Even in the wards when there was one injunction, assessments are made at rates of gross rental much lower the market rates. Land prices in Howrah currently even reported to be in some cases as high as Rs 50000 per cotah. In 1976, the Howrah Improvement Trust sold land on auction at rates

TABLE A.II.6

Land Values in Howrah

Sl. No.	Scheme No.	Plot No.	Sector	Year of sale	Auction price (rate per cotah) (improved value)	Value of unimproved land as per award rate per cotah (9.4.1959)
(1)	(2)	(3)	(4)	(5)	(6)	
1.	I	35	C	1976	10,600	1200
2.	I	36	C	1976	10,035	1200
3.	I	8	B	1976	17,000	1200
4.	I	56	B	1976	19,201	1100
5.	I	7	D	1976	14,100	1950
6.	I	18	D	1976	12,000	1400
7.	I	23	A	1976	10,900	-
8.	I	43	C	1976	10,970	-
9.	I	2	D	1976	13,200	1750
10.	I	44	B	1976	22,100	2000
11.	I	3	D	1976	13,000	1750
12.	I	4	D	1976	21,500	1950
13.	I	44	C	1976	10,100	1400
14.	I	9	B	1976	29,000	1950
15.	I	20	B	1976	22,500	1940
16.	I	55	B	1976	11,000	1100
17.	I	53	B	1976	15,100	1175

Source : Howrah Improvement Trust.

TABLE A. I.7 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
5.	E/2/9, R.B. Ghoshal Lane	One room with R.T. on 2 c 11 ch. of land	256	16.00	24.00	540	47.4	256 (1970-71)	
6.	I/4/21, Sri Aurobindo Road	Three storeyed house with 11 rooms, and 2 bath rooms	1425	89.00	Assessed on the basis of construc- ti cost and land value @ Rs 5000 per cotah	4752	30.0	2322* (1970-71)	This was the AV assessed in 1 / 1970-71 after hearing of objec- tion on the basis of rental. The property is now owner occuined.
7.	V/13/255, Panchan- antala Road	Four storeyed house containing 3 rooms with asbestos roof on brick wall; and 48 rooms, 3 halls and 6 baths with tiled roof on brick wall on 8 c - 7 ch. of land (40 years old)	4097	256.00	7.00	17500	23.4	4097 (1971-72)	

Contd.://-

TABLE A.II.7

Annual Value and Assessment Ratio of Selected Holdings in Howrah

Sl.No.	Ward No/ Holding No	Brief description	Current A.V. (Rs)	Tax pay- able per quarter (Rs)	Basis of current assessment - rent per room as per month/ capital value (Rs)	A.V. esti- mated at current rates of rent*	Assess- ment ratio	A.V. in pre- vious ass- essment (Rs)/ year of assessment.	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
1.	I/4/50/23, Sri Aurobindo Road	Two storeyed house with 11 rooms	7290	455.62	60 (less for owner occupied portion)	8900	81.9	-	
2.	I/4/2, Sri Aurobindo Road	Three storeyed pu- cca building with about 14 rooms (two with C.I. roof), bath, etc. on 2 cotahs of land	4212	263.25	30	9072	46.4	-	
3.	I/4/35, Sambhu Halder Lane	One dwelling house with 2 rooms and 2 shop rooms	1069	66.81	35 for shops & 20 for residential rooms	2800 (at Rs 50 per room p.m.)	38.1	-	
4.	I/2/11, R.B. Ghoshal Lane	One storeyed house with 5 rooms, one hall, and covered shed on 3 c - 14 ch of land (building 60 years old)	816	51.00	12.50	2592	31.5	816 (1970-71)	

TABLE A.II.7 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
5.	I/2/9, R.B. Ghoshal Lane	256	16.00	24.00	540	47.4	256 (1970-71)	
6.	I/4/21, Sri Aurobindo Road	1425	89.00	Assessed on the basis of construction cost and land value @ Rs 5000 per cotah	4752	30.0	2322* (1970-71)	*: This was the AV assessed in 1 / 71 hearing of objection on the basis of rental. The property is now owner occupied.
7.	V/13/255, Panchan- antala Road	4097	256.00	7.00	17500	23.4	4097 (1971-72)	

Contd.../-

TABLE A.II.7 (Contd.)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
8.	V/13/139, Panchananta Road	Two storeyed house with 12 rooms, 1 hall, kitchen and 1 bath	2110	134.00	15.00	4210	50.1	2110 (in 1971-72 and also in 1966-67)	
9.	V/15/18, G.T. Road (South)	Three storeyed house with 9 halls, 17 rooms, on big asbestos roofed shed 5 others such sheds and 6 baths on 1 bigha - 3c - 12 ch. of land (2nd class build- ing, 20 years old)	10686	667.00	32.00	13400	80.00	10686 (1971-72)	
10.	V/16/115, Deshpran Sasmal Road	Two storeyed house with 3 pucca rooms and 3 rooms with C.I. roof	584	36.50	8.00	2160	27.00	584 (1971-72)	
11.	V/16/ 115/1, Deshpran Sasmal Road	Two storeyed house with 6 rooms	544	34.00	7.50	1620	33.50	544 (1971-72)	
12.	V/16/15/ 2/A, Pan- changan- tala Road	Four storeyed house with 12 pucca rooms and 4 rooms with as- bestos roof on 3 c- 14 ch. of land	1782	110.00	6 tp 12.00	4752	37.5	1782 (1971-72)	

* Rental per room taken at Rs 50-75 per month for pucca buildings and Rs 30 for small rooms/
second class structures.

as high as Rs 29000 per cotah (Table A.II.6). For purposes of assessment, however, the maintenance price of land is taken at Rs 6000 or so per cotah. Cost of construction in Howrah now, it was ascertained from knowledgeable persons in the municipality, is about Rs 80 per square foot, but for purpose of assessment the cost is taken at Rs 18 per square foot for first class buildings Rs 15 for second class and Rs 12 for third class buildings.

37. Analysis of the AV of a few holdings taken at random showed that the gross rental taken for assessment varied from Rs 7 to Rs 60 (Table A.II.7). The assessment ratios turn out to be generally higher than in Krishnagar and Kamarhati but are mostly below 50 per cent. In several cases assessments made in 1971-72 or even earlier 1966-67 remain unchanged (items 8, 9, 10, 11 and 12 of Table A.II.7).

TABLE A.II.8

No. of Holdings, Rateable Value and Tax Payable

Categories of use	No. of holdings	%	Rateable value (Rs in lakh)	%	Tax payable (Rs in '000)	%
Residential	233	74.58	5.36	68.81	67.27	68.81
Commercial	13	4.35	1.16	14.89	14.55	14.88
Mixed	63	21.07	1.27	16.30	15.94	16.31
Total	299	100.00	7.79	100.00	97.76	100.00

Source : Sample survey of holdings by NIPFP.

38. Howrah however, offers considerable scope for taxation of real estate because of fast appreciation and their potential value. Proportion of holdings in commercial and mixed use is about 25 per cent of the total. Although they account for 31 per cent of the total RV and also contributes about 31 per cent of the total revenue from the PT (Table A.II.8). Considering the commercial importance of the town, and the fact that the RV of the holdings in the town has not undergone much change in the last 10 years, properties in commercial use should presumably be able to bear a higher burden of the tax. The appreciation in land prices as evidenced by the prices at which lands developed by the Howrah Improvement Trust were sold (Table A.II.6) shows that the development of land through public agencies can be a potent means of financing the development of the town and improving the finances of its civic body.

III. REFORM - ALTERNATIVES AND CONSTRAINTS

Our review of the operation of the property tax in West Bengal shows that the factors underlying the poor elasticity of the tax primarily are (i) lack of elasticity in the base, viz., rateable values, in response to rise in prices of real property and levels of rent and (ii) decline in collection efficiency. Despite periodical revision in respect of every property, valuations have tended to fall behind prices and rentals. While decline in collection efficiency has ~~impeded the growth of revenues that~~ could be achieved even with existing valuations, it is evident that the main reason why the property tax collections in **the State** have not grown to the extent warranted by the increase in the value of property and in fact have almost been stagnating in real terms over the years is that the base of the tax has failed to grow adequately. During 1970-71 to 1977-78, the growth of revenue from the PT in Calcutta was negative or almost nil if taken at constant prices. Any attempt to improve the system of **property** taxation in Calcutta as also in the municipalities of West Bengal, therefore, must begin with a consideration of how to reform the base. The fact that the decline in the efficiency in collection is attributable partly to the failure to enforce the revisions in valuation which are made from time to time because of interminable objections and so on also underscores the urgency of reforming the base.

Rental Value Base

a. Sources of weakness

3.2 As income is the ultimate index of the advantage or economic gain derivable from property, its value based on rental provides an obviously equitable base for taxation. Property taxation based on rental value distributes the tax burden according to ability to pay as well as benefit enjoyed. This holds true even where the liability for the tax is cast partly or wholly on the occupier. As rents are generally sensitive to market conditions, supply-demand of housing and the general price level, a property tax system based on rental values should be elastic in its yield and also be able to satisfy the canon of equity if revisions are carried out at not very long intervals. This traditionally has been the rationale for adopting the rental value as the base for property taxation. Such a system, however, can operate smoothly and fairly only when there is a free and open rental market.

3.3 Where rents are administered or are subject to regulatory legislations, the prevailing levels of rent cease to be an index of the real market price of housing services and thus the earning capacity of properties. The problem gets accentuated where rents actually paid are not disclosed or the level of rent is kept down artificially through various devices like payment of premium -- "pugree" and "salami" -- multiple leasing, camouflaging a good part of the rent as service charge and so on. The property tax based on rental value has

suffered an eclipse in India largely because of the malfunctioning or absence of an open and free rental market. Even in U.K., the country where the tradition of rent-based property taxation is believed to have originated, the suitability of rental value as the base for taxation is now questioned largely because of the pre-dominance of public sector housing and administered rents (Layfield Committee, 1976). In India both the factors, viz., control over rent and malpractice, have operated to undermine the efficacy and equity of the property tax system.

3.4 An additional complicating factor here has been the judicial interpretation of "fair rent" to mean what is contemplated in the rent control laws regardless of the rent actually paid even when such rent is agreed upon between the landlord and the tenant or the property is sub-leased by the tenant at a much higher rent than the rent paid to the landlord. In such a situation, any attempt to approximate to "fair rent" proves futile as the basis for such approximation cannot be easily established and results inevitably in subjectivity and arbitrariness in assessment with consequent illeffect on equity. This basically is the malaise that has beset property taxation in most municipalities in India and in a particularly acute form in Calcutta and other municipalities of West Bengal.

b. Raising rates as a remedy for deficient base

3.5 It is possible to raise more revenue even out of the existing system simply by raising the rates of tax. Municipal authorities in several cities in India have followed this course and thereby seem to have succeeded in improving the yield of the tax (e.g., Bombay). It can be argued that where the base cannot be moved up to reflect market prices there is nothing wrong in raising the rates even to 100 per cent of the base so long as the incidence of the tax as a proportion of actual rent or real value of the property is not too high. One way of getting round the inelasticity of the base is obviously to raise the rates and one can argue that so long as the owners do not find themselves compelled to sell their properties, the tax cannot be regarded as too high.

3.6 It should be recognised, however, that increasing the rates on a deficient base compounds the inequities of the system. Tax-payers who honestly declare their rental income get penalised and the premium in semi-legal and underground transactions goes up. The burden of tax on new constructions gets increasingly iniquitous, adversely affecting the supply of housing and flow of investment in housing activity. Besides, where the base suffers from grave infirmities, rates cannot be raised beyond a point without creating intolerable inequities. Since the aim of taxation is not to raise revenue somehow but to distribute the burden equitably while minimising undesirable economic effects, raising revenue by enhancing the rates of tax on a defective base should

not be regarded as a substitute for reform. The Municipal Finance Commission of Maharashtra also expressed the view that "the question of augmenting the funds of the municipal councils does not depend so much on the increase in the rate of the property tax but on the proper assessment of the properties and the periodical revision of the said assessment" (Municipal Finance Commission, Maharashtra, 1974, p.16).

Property Tax Reform -- Alternative Approaches

3.7 Dissatisfaction with the annual rental value (ARV) base as it operates at present in Indian municipalities has led to suggestions for reform broadly in two directions: (i) total replacement of annual rental value by some other base like capital value (CV) and (ii) introduction of a quantity or area-based tax in place of the tax on ARV, the rate of tax depending on a few identifiable factors like location, use, type of building and so on. While reform proposals of both the varieties seek to replace the ARV base, suggestions coming under category (i) imply a more radical change in that they envisage the substitution of the ARV base by some alternative whereas proposals of the second variety essentially are an attempt to remedy some of the defects of the existing base by eliminating the scope for subjectivity in assessment through some form of standardisation, that is, by laying down certain norms or objective criteria for determining the tax payable in respect of each property.

Alternatives to Rental Value

3.8 For reasons explained later, the question of standardisation or setting up norms to guide assessment needs consideration irrespective of the base on which the tax is levied and, given the peculiarities of the environment in which the property tax has to operate in this country, in choosing the base, amenability to standardisation must be regarded as an important factor in the Indian context. Whether the property tax should continue to be levied on the ARV or whether the present base itself should be replaced by some other base has to be examined in the light of a number of other considerations as well. It would, therefore, be convenient to consider the reform proposals by comparing the merits and shortcomings of the available alternatives from various angles including the ~~ease for~~ standardisation instead of taking standardisation as the only aim of reform.

3.9 As studies on international experience of property taxation show, though it is difficult to classify any existing system under exclusive categories in terms of the base because of their mixed character, and also because of variations in other characteristics (rate structure, coverage and assessment procedures) three broad categories of property tax systems can be distinguished with reference to their principal base, viz., rental value systems, capital value systems and site value systems (Bahl, R. 1977). In many countries in the West as well as among the developing countries, particularly those following the British tradition, the

property tax is based on ARV derived from the notion of a fair rent. The tax based on rental value of property had its origin in the general property tax on real and personal property which was in wide use in medieval Europe. As land was not regularly bought or sold during the feudal period, the annual rent or yield provided a measure of its value. This system was followed in France too since the eighteenth century and came to set the pattern for property taxation in the colonies of many European countries (Lent, G. 1973). Following the British practice this system came to be adopted in India too.

3.10 Of late several countries where the property tax was based on rental value have changed over to taxes based on CV or site value. In Canada and U.S.A., the property tax is levied on CV. So is the practice generally in Latin American and Caribbean countries. Among the countries which switched over to the CV base in recent years are Korea and Turkey. While countries in British West Africa followed the British tradition, in countries in East Africa, Central Africa and South Africa, the tax is levied on CV. Some countries, while following the ARV base, prescribed a minimum annual value of both improved and unimproved property in terms of a percentage of its CV (e.g., Singapore). As noted already, even in UK where the property tax has been levied on ARV since its inception, an official committee has recently recommended the replacement of rental value by CV as the base (Layfield Committee, 1976).

3.11 The second alternative, namely, site value (SV) taxation though not followed so widely, has been in vogue in a few countries for a fairly long time notably some of the cities in New Zealand and has gained acceptance in a few more in recent years, e.g., Jamaica.

a. Capital value

i. Arguments in favour

3.12 An important consideration underlying the trend towards the CV base from ARV for property taxation, it appears, is the difficulty experienced in estimating rental value and the general belief that it is relatively easy to determine CV for many types of property. It is also believed that the CV base offers greater flexibility in adjusting the rate and the base to achieve desired allocative effects (Bahl, R. 1977). Another argument advanced in support of the CV base is that by permitting differential taxation of land and improvement, the CV base alleviates the disincentive effects of property taxation on construction activity and thus on the supply of housing. Also, unlike ARV, the CV base, it is thought, helps to bring unimproved land under taxation effectively and promote optimum land use. It can also serve to moderate sharp rises in land values and penalise speculation in real estate. Since levels of rents usually tend to lag behind the market value of properties, it is argued, a tax based on ARV cannot achieve these objectives (Lent, G. 1973).

3.13 The main factor which seems to have weighed with the Layfield Committee in recommending the replacement of ARV by CV is, as noted briefly earlier, that the basis of rental valuation as stipulated in UK, viz., the rent at which the property might reasonably be let in a free market under specified conditions, cannot be established with evidence unless there is an adequate volume of open market rents for all types of properties and well distributed over all localities of the country. Because of the housing policies of the government over many years, a free market in rental housing has virtually ceased to exist in UK, and the bulk of the rents now paid in that country are those paid to local authority and public sector houses, or are fair rents registered under the Rent Act (Layfield Committee, 1976, paras 65 to 68). The arguments advanced by the Committee for recommending the CV base are:

"The use of capital values, that is the price which a property would realise if sold on the open market, as a basis for assessing a dwelling has the advantage that an assured and increasing volume of market incidence is provided from the buying and selling of owner-occupied houses. The view of the Valuation Office and the Department of Environment is that capital value provides the most satisfactory basis for maintaining rating in England and Wales. This view is supported by all the professional bodies concerned with valuation" (para 71, p.170).

ii. Indian opinion on CV

3.14 The question of changing the base of property from ARV to CV has been considered in India on several

occasions in the past. But the consensus of opinion seems to have been against any such change. As is well known, both the Local Finance Enquiry Committee of 1951 and the Taxation Enquiry Commission of 1953-54 turned down the suggestion for adopting the CV base. The CV base does not seem to have found favour with the various committees or the commissions appointed by several State Governments either. The High Power Committee on Municipal Finances and Financial Administration of Andhra Pradesh disfavoured any change in favour of CV base as such a change, the Committee felt, had no popular support and its implementation was bound to evoke stiff resistance. Accordingly, the Committee recommended that the change in the base towards CV sought to be attempted in Andhra Pradesh in 1965 be given up and the status quo before the Act of 1965 restored (High Power Committee, Andhra Pradesh, 1971, para 3.7). The Municipal Finance Enquiry Committee of Karnataka, after examining the relative merits of the CV base and ARV base observed: "We do not propose to recommend capital value which was tried in some other states and proved not helpful" (Municipal Finance Enquiry Committee, Karnataka, 1975, pp. 142-143). The Kerala Municipal Finance *Committee* expressed their views clearly against any move towards CV taxation and upheld the merits of reasonable letting value as the base for municipal taxation (Municipal Finance Enquiry Committee, Kerala, 1975, paras 8-11). Nevertheless, in view of the difficulties of administering the tax base on ARV as revealed by the experience of the last thirty years and the increasing rigidities arising from the operation of the rent control regulations as interpreted by the courts in the context

of rental value assessment, as well as the world-wide trend towards CV, a careful re-examination of the CV alternative is called for.

3.15 At first glance, many of the reasons for which the Layfield Committee felt impelled to recommend the CV base for England appear to be valid in the Indian context also. Here too, for various reasons, of which control on rents is an important one, the rental market does not operate freely. The inadequacy of taxation of vacant land and the grossly sub-optimal use of land in many areas of Calcutta in the face of pressing demand suggests the need for the greater use of the property tax as a policy instrument. Also, CV would have the advantage that, once determined, revisions can be carried out by applying a price index of property values based on the index of land values and construction cost of buildings. Though from these angles taxation based on CV seems to be the ideal to strive for, for reasons set out below, a wholesale changeover from the present system to the CV base does not seem to be practicable or even desirable.

iii. CV base -- the drawbacks

3.16 The main factor which goes against the adoption of CV as the base for property taxation in India, especially in a city like Calcutta, is that the basic problem in the implementation of the ARV base for which it is thought necessary to look for an alternative like the CV, viz., absence of a free rental market, is not avoided with CV as the base. On the contrary, with CV

as the base it might get more acute. For, in India, as everyone knows, the market for real estate is far from open. Values of properties transacted in the market are grossly understated and the extent of understatement is anybody's guess. The Maharashtra Municipal Finance Commission (1974) noted in their report that the proportion of black money to white required to be paid for acquiring a "tenant ownership" flat in Bombay was 1:2 (para 7.9.1). According to recent surveys, prices of real estates have gone up in all the big cities of India at fantastic rates. It is widely believed that an increasing proportion of the money passing in these transactions is going unrecorded. According to the Financial Express:

"The sharpest increase recorded in the real estate business in Bombay over the past year is in the black money component in the selling price of flats. This component has increased in South Bombay from 40 to 45 per cent to 50 or 60 per cent -- and is now fast tending towards 70 per cent.

In the suburbs too, this component has nearly doubled: from 20-25 per cent to 40 per cent in the extended suburbs and from 30 to 55 per cent or more in the nearer suburbs" (July 27, 1981).

3.17 The situation in Calcutta is no different. The same survey reports:

"Black money deals are rampant in real estate business in Calcutta as in other centres. Generally anything like 50 per cent of the payments is made in black. But there are areas where the

percentage goes upto even 60 per cent. The official price of apartments sold in commercial areas may be about one-third of the actual."

3.18 The prevalence of unaccounted money in real estate deals and the widespread practice of under-reporting the money actually paid in real estate transactions are facts of life recognised by official bodies, e.g., the Direct Taxes Enquiry Committee, 1971 (Wanchoo Committee). Various measures are suggested for countering the evil. An important one - - which was implemented by the Central Government in 1972 - - is to empower the Government to acquire a property if its market value is found to exceed the stated consideration paid for its acquisition by more than a stipulated margin. Although the provision is in operation for nearly a decade now, if the reports quoted above are correct - - and the general impression seems to corroborate them - - it does not seem to have arrested the tendency to understate real estate prices. Therefore, it has to be recognised that there is no dependable capital market for real estates in India. Thus, the assumption that CV could help to get over the problem arising from the absence of a free and open rental market is not valid.

3.19 The belief that CV would help to get round the problems stemming from the imposition of standards of fair rent contemplated for rent control on municipal assessments also does not seem to be well-founded. For valuing properties on a notional basis, the two methods generally

followed are (i) comparison with sale price of similar properties, and (ii) the income-capitalisation method. Courts have held on more than one occasion that where a property is tenanted, valuation has to be made only by the income-capitalisation method (*Controller of Estate Duty v. Radha Devi Jalan*). Application of this method has in several instances resulted in determination of property values at a fraction of what the valuation of land and building on the comparison method would yield. Where CV is to be determined only by capitalising the "standard rent", to go in for the CV base as a way of getting round the problem posed by rent control is only to beg the question.

3.20 In view of the difficulties likely to arise in valuation, the Layfield Committee (1976) noted that, if capital values are adopted, "the basis of valuation, including the common assumptions to be made as to tenure and state of repair, would need to be specified by statute" (para 73, p.171). Although the Committee refrained from making any specific proposal in this regard as they felt it would be premature for them to do so, the Committee referred to, by way of illustration, a possible definition provided by the Department of Environment (DOE) of UK, which reads as follows:

"The value of the hereditament shall be the amount which the hereditament might be expected to realise if sold by a willing vendor in the open market freehold with vacant possession at the relevant date with the benefit of any easement or other right inuring for the benefit of the hereditament and subject to any easement or other right subsisting for the benefit of

other land and to any other restriction statutorily imposed upon the hereditament and on the assumptions that the use of the hereditament would be permanently restricted to that existing at the time of the valuation, including any change of use for which no planning permission would be required, that no alteration to the hereditament would be made other than any alteration for which no application for planning permission would be required, and that the hereditament was in the state of repair at the time of valuation which might reasonably be expected by an occupier of the particular property having regard to its character, its environment and to the neighbourhood in which the hereditament is situated." (Layfield Committee, 1976, p. 441)

3.21 In their monumental work on local government finance, Foster, Jackman and Perlman (FJP, 1980) have doubted the suitability of a definition of CV such as the one suggested by UK's DOE. While agreeing, for reasons noted by the Layfield Committee, that the ARV base has become unworkable in UK, they argue that CV defined on the lines suggested by the DOE definition is not going to be an improvement. For, in arriving at such a CV it would be necessary to make several adjustments to the prices reflected in the market. As they point out, such adjustments would be needed, inter alia,

- (i) to eliminate excessively low or preferential values;
- (ii) to arrive at freehold values wherever needed;
- (iii) to discount any reduction in sale values because of a sitting tenant;

- (iv) to exclude any part of prices reflecting "hope or development value", and
- (v) to allow for an unusually good or bad state of repair.

In addition, some adjustment would also have to be made to neutralise the effect of any subsidy or tax advantage on house prices. With these adjustments, FJP (1980) argue, CVs would be only notional and such notional CVs would be even further removed from actual sale prices than rental values have been from actual rents. "All this must make it debatable as to whether the replacement of notional rental by notional capital values will achieve the great improvement in assessment claimed or required." CV, they go on to argue, can provide a better base, if it is derived from actual sale prices, instead of notionally after making so many adjustments. They concede that some adjustments would still be needed. For if the rates are to operate as an ad valorem tax on property -- and tax on CV would help achieve that better -- the rateable value must be the value freehold. Otherwise it will fail to capture some part of the value of the property, and rent-controlled tenants with security of tenure will get under-rated deriving thereby a double benefit. Vacant possession value will be required if the whole value of the property is to be taxed.

3.22 To anyone familiar with problems of valuation of property for tax purposes in India, estimating CV on the basis suggested by FJP would appear to be impracticable. For, as mentioned already, it has been

laid down in several judicial decisions that, where a property is tenanted, valuation has to be made only by the income-capitalisation method. Where the starting point is the existing rent received by a landlord from his tenant, CV evidently offers no advantage over ARV. In a case involving compensation for acquisition of agricultural land, the Supreme Court observed that the valuation of tenanted and non-tenanted land cannot be the same (AIR, 1973, S.C. 701). This distinction is equally important in the context of property taxation, since the tax is levied in India on the owner and as the courts have interpreted this position traditionally to mean that the base for municipal assessment is the value of the property to the landlord (Municipal Finance Commission, Maharashtra, 1974, para 7.2). Therefore, when a property is tenanted, CV will be different depending on the nature of the interest sought to be valued. Value of the landlord's interest will not be the same as that of the tenant.

3.23 Even if the problem posed by protected tenancy is assumed away, valuation by the income-capitalisation method is not at all simple. Since capitalisation is the expression of future benefits in terms of their present worth, valuation by capitalising income calls for, in the ^{best} instance, an assessment of the income likely to be derived in the future. All this presupposes a free rental market and collection and maintenance of information on rent in a systematic manner. Next, suitable allowance has to be made for expenses. Determination of expenses may not present much problem even though some part of it (particularly repairs) should be on a notional basis. Then, there is

the problem of determining the current capitalisation rate. This acknowledgedly is the most difficult aspect of the income capitalisation method. As every property has its own peculiarities, if the available sales data are not comparable, then it may not be proper to use a uniform rate. Since valuation by the income method depends on the net rental and the capitalisation rate, even a slight variation in either can give rise to a wide variation in the values. Use of statistical techniques such as the "expected value" of rental income and the most probable rate of yield of investments derived from samples may help to reduce the range of divergence between valuations based on alternative assumptions of rent and yield. Multivariate analysis may be used to estimate maintainable rent by considering rent as the dependent variable against a number of independent variables which could indicate size, location, distance from facilities like markets, schools, hospitals, transport terminals and so on (Baum, A. and Mackmin, D. 1979). Statistical techniques are being used increasingly for valuation. But its use in India is in the realm of the future. It will call for compiling data on property prices, rentals and all relevant features bearing on them and a demonstration of dependable relationship among them before they can be used for deriving a judicially acceptable base for taxation. Construction of such a data base with the existing imperfections of the real estate market will be a formidable task.

3.24 How difficult it is to assess the CV of real property can be seen by looking at the fate of valuation made by experts at the appellate stages in a few cases which went up to the courts for determination of value for

purposes of income tax and estate duty. In one case involving a property in the Connaught Circus area of Delhi, the valuation made by the Valuation Cell of the Income Tax Department which is manned by qualified experts was reduced by the Tribunal from Rs 11,41,900 to Rs 2,20,000 while the property was sold a little later for Rs 9,16,980 and the value determined by the Tribunal was upheld by the High Court (CIT v. New India Construction Co.). In another recent case the value of a property in Calcutta, which was valued by the Valuation Officer at Rs 2,73,000, was ordered by the Tribunal and also by the High Court, to be taken at Rs 1,80,000, which was the value shown in the deed of transfer of the property, but was thought by the income tax authorities to have been understated (CIT v. Anup Kumar Kapoor and others). In Controller of Estate Duty v. Radha Devi Jalan, the case where the property was ordered to be valued only by capitalising the rent maintainable under the Rent Control Act by certain number of years' purchase, the value of the property in question was shown at Rs 1,35,000 and the assessing authority had valued it at Rs 5,50,000 (the land area of the property was 32 gatahs on Lower Circular Road of Calcutta and the building, a first class one, had a covered area of over 7000 sq. ft.). The Appellate Controller had reduced the value to Rs 4 lakh. The appellate Tribunal reduced it further to Rs 2,20,000 and that valuation was upheld by the Calcutta High Court. The vicissitudes of a tax base related to CV can be seen also from the variations in the valuation of properties occurring in wealth tax. Taking note of judicial rulings, new rules were framed for property valuation for wealth tax purposes in 1979

(Rule 1BB of Wealth-tax Rules). Application of this rule has resulted in the valuation of a property of which the actual cost was Rs 6.18 lakh at Rs 2.75 lakh and value of another property which was determined by the Valuation Officer of the Government at Rs 106.64 lakh came down to Rs 12.70 lakh, while it was actually sold, not too long after the date to which the valuation related, for Rs 98 lakh. If this rule is applied, the value of a property with over 7000 sq. yards of land in a locality of Delhi where the price of land is on a modest estimate Rs 2000 per sq. yard, would be no more than Rs 10 lakh or so (Taxman, July 1981).

iv. Self-assessment -- as a solution to valuation problem

3.25 It is sometimes suggested that a simple but effective method of obtaining correct valuation of properties would be to introduce a method of "self-assessment" whereby taxpayers will be asked to value their property themselves subject to the threat of take-over by the state at the value put upon it by the taxpayer. The case for self-assessment was put forward most cogently and forcefully by J. Strasma (1965). Strasma suggested two remedies for improving the property tax system in Latin America where these taxes, though based on CV, had been reduced to insignificance by inflation and population growth and for that matter in all developing countries. One of these was index number adjustment, and the other, owner's self-assessment enforced by private offers to buy under-valued properties. The system

of self-assessment was in vogue in several Latin American countries especially for rural properties but the system did not work even though some governments threatened expropriation for public purposes or for land reform limiting the compensation to the value declared by the owner. Values assessed for tax for similar properties varied widely. The success of the system, Strasma argued, depends on making the threat of take over at the declared value credible to all owners.

3.26 For making the threat of take-over at the value declared for tax purposes real, there are two alternatives: (a) to create a government agency to buy or resell property, if under-valued, and (b) to enlist help from the private sector. Administering the system through a government agency can not work because of the very fact that "it would be part of the government". Appreciation of market value being essentially subjective, and also partly intuitive, it would be virtually impossible to prove any mala fide where a property is taken over out of spite even though it is valued properly or to take action against an employee if he is bribed or pressurised to take over or ignore a specific property. Recognising this, Strasma argued that the only effective way of enforcing the sale is to invite private parties to bid for the property.

3.27 At a conference on fiscal policy held at Santiago in 1962, Harberger also had suggested that the threat of purchase at tax value would become credible if private citizens as well as the state were allowed to buy up real estate at the price declared by the owners plus

some margin (of say 20 per cent) of profit to the owner to mitigate the hardship, if any, to property owners. Kaldor proposed a modification of the scheme by permitting owners to retain their properties after an offer, provided they accepted the higher value for taxation than the offer they rejected. Harberger accepted this variation on the condition that the owners would also be fined to discourage them from under-valuing their property until the offer was made. Also, he thought, this might weaken the system by providing the owner an escape route (Harberger, A.C., 1965).

3.28 The three variants of self-assessment, under a property tax, their likely results and feasibility were discussed at considerable length in an illuminating paper by Holland and Vaughn (1969) in the light of discussions which took place at a symposium sponsored by the Committee on Taxation, Resources and Economic Development (TRED) in 1967. Although, at the end, the authors agree that all things taken into account self-assessment does deserve consideration in view of the desultory accomplishment in property taxation after many years, the implications of the scheme brought out in the paper raise doubts about the equity of the scheme and its legal acceptability or even desirability in the Indian situation. The main drawback of the scheme is that, if the threat of take-over of under-valued properties is to be credible -- and this is crucial to the success of such a scheme -- private parties must be allowed to bid. For, it would be beyond the resources of any government to undertake such take-over bids on a really significant scale and without fairly large scale operations the threat will not be effective. But whether

allowing private parties to take over undervalued properties would be tolerated by the community is a moot question. What is more, it may be legally questionable whether anyone can be forced to sell his property to another private party, even when the price is reasonable or there is an indirect benefit to the community. While this is a question on which legal experts alone can give an authoritative judgment, if forced sale to a private party is considered unconstitutional, self-assessment would not work well. For then the burden of enforcement would be entirely on the government or on bidders who will only bid but shall not be allowed to purchase the property if the owner opts to pay tax on the higher value. A good part of the increased collections of taxes facilitated by their bids would go to compensate the bidders. But if, on the other hand, only government is to enforce the threat, for reasons already stated, the system is likely to be less effective than forced sale to private parties (Holland and Vaughn, 1969).

3.29 Apart from the question of legality, the scheme might result in hardship to many honest property owners and help the more resourceful in the community to benefit from underassessment. The less resourceful might get pushed out as a result of bidding by the more "knowledgeable". "This", as the authors quoted above remark, "is hardly a result that is likely to endear self-assessment to the majority of taxpayers". The hardship to honest taxpayers would arise from the fact that "true" value of real estates is not at all easy to determine. Given the fact that a divergence between the value assessed by a bidder and that made on self-assessment may occur simply out of

a genuine error of judgment on the part of the property owner, some margin for genuine error has to be allowed but the statistical cut-off point beyond which the variation would be regarded as deliberate is bound to be arbitrary. Studies made on assessment-sales ratio even in USA reveal that for any given class of property, the assessment-sales ratios are marked by fairly large standard deviation and there are variations in the standard deviation among different classes of property (Oldman, O and Aaron, H., 1965). Besides, to operate the scheme, for most properties, services of professionals will be required with consequent cost to the taxpayer and there may not be any net gain to the community.

3.30 In the Indian context, there might be serious constitutional difficulties in introducing a scheme of self-assessment based on private bidding. In a case involving the right of pre-emption given to ^aco-owner or neighbour in buying a property on grounds of "vicinage", the law was struck down by the Supreme Court as violative of the right to acquire, hold and dispose of property guaranteed under the Constitution (Bhau Ram v. Baij Naun). It might be argued that the judgment in Bhau Ram's case should not affect the right of pre-emption by the State for public purposes and so cannot debar the use of pre-emption of urban land by the State to check speculation in land prices, curb concentration of wealth and also as an instrument of preventing evasion of taxes (Sharma, G.S., and others, 1969). Countering tax evasion can presumably be put forward as a public purpose. But the public purpose has to be specified if a property is to be acquired by the State. If undervaluation is to be specified as a ground, the

onus of establishing undervaluation will lie on the government which is not easy. Giving blanket powers to the State to acquire any property without showing any reason -- even if the owner is paid the value put on it by him -- might be regarded as repugnant to our Constitution and also to democratic rights. Unless the government is prepared to take over all properties, the scheme would be open to the charge of discrimination. Selective application of the pre-emption right would not be easy to justify since valuation is so subjective a matter.

3.31 Since 1972, the Income Tax Act 1961 has vested in the government a right of pre-emption for properties changing hands where the fair market value is found to be higher than the stated value by more than 15 per cent of the latter. The experience of the operation of this provision in the last eight years gives an idea of the problems inherent in such a scheme. As of 30-10-1981, out of 29,346 cases in which notices had been issued for acquisition under this provision, orders for acquisition had been issued in 358 cases but only 16 of them had become final (Ministry of Finance, Annual Report 1980-81, p. 171, para 2.17.3). Cases where notices would have to be issued will in probability be many more if self-assessment under threat of State take-over is introduced for property taxation. Even if the standard of valuation by taxpayers improves with the potential threat, those who would be proceeded against would invariably allege discrimination if their neighbours or acquaintances are left out. "Enforcement" then, as Holland and Vaughn conclude, "which is the heart of the self-assessment

proposal, may not be as simple or as automatic as it might seem at first glance". (Hollard and Vaughn, 1969, p.87).

b. Advantages of annual rental value

3.32 From the preceding discussion it can be seen that there is no simple solution to the problem of valuation. Self-assessment is not as easy to operate as is often supposed. What is more, it may have consequences which might not be acceptable to the community. If, therefore, CV is to be adopted as the base for taxation, valuation by conventional methods is unavoidable and where the real estate market does not reflect actual values, valuation cannot but be essentially notional. If, however, notional valuation is to be sustained as fair, it has to be based on evidence of value of comparable properties. Hence, the choice between ARV and CV as a basis for taxation should be made on a consideration of the availability and reliability of the values on which the notional estimates are to be based. Despite imperfections of the rental market, it may be easier to obtain evidence to indicate the prevailing levels of rent in different areas than evidence of capital values. At any rate, so far as tenanted properties are concerned, there can be no advantage in CV, if CVs are to be computed by capitalising rentals. It is worth noting that the recommendation of Lady Hicks for replacement of RV by CV for property taxation in Sri Lanka was rejected by the Taxation Inquiry Commission of that country by reasoning that (i) contrary to what Lady Hicks had assumed, more properties in Sri Lanka were let out than

owner-occupied; (ii) CV is more difficult to obtain because of understatement of real price in the deeds, and (iii) where renting is not common, CV base is likely to cause hardship as market values of properties bear little relationship to income (Lent, G. 1973).

3.33 Where tenancy is the rule, the administrative burden is generally less under the ARV method. Checking the rentals against those declared or of comparable properties and applying these standards to similar owner-occupied houses is easier. In the case of apartment houses and new colonies having ^{etc} same type of buildings, ARV facilitates mass valuation. Also, periodic appraisals are not necessary for improvements or depreciation and assessment with ARV base requires no special skills like training in engineering or architecture as are required for valuers (Lent, G. 1973). This is not to argue that rental data require no verification. Investigations may be necessary to ascertain the real position by inquiring whether any amount other than rent is taken by the landlord by way of service charges or rent of furniture or lump sum payments. But these are more amenable to verification than money passing under the table in property transfers.

3.34 In short, administratively -- and that is a major consideration in the choice of any tax base -- ARV seems to be preferable because (i) reliable information on comparable rents may be easier to obtain where renting is in vogue; (ii) rents are more stable and less sensitive to market conditions, expectations and variations in the age structure quality of construction

of buildings and (iii) verifying rentals is easier. Arguments put forward by the Taxation Enquiry Commission (1953-54) for not favouring the CV base were essentially similar. They had argued (vol. III, p. 378):

"The fixation of the rental value of residential and rented out buildings, which form the bulk of the buildings in towns and cities, is simpler than the determination of their capital value. Further, capital values of properties fluctuate to a more significant extent than rental values. The levy of the tax on the basis of actual or reasonable rent is a levy on the actual or potential income from the property and to that extent is a more equitable method of taxation than one based on capital value."

These arguments still remain valid.

3.35 One of the advantages claimed for CV is that it would facilitate periodic revision. Once assessed, the values can be adjusted with the help of a land price index combined with an index of building cost. While endorsing the Layfield Committee's recommendation for CV rating instead of ARV, FJP observe that, with such a base, each year, between sales, a dwelling's rateable value could be adjusted by an appropriate multiplier reflecting the change over the year in the sale prices of property of that type within a given local authority. The multipliers could be established by the district valuers' staff surveying a running, small stratified sample of the Particulars Delivered (PD) dockets they receive whenever there is a sale. By observing the change in prices of houses of different types over a year, a mean change for the year could be established. The

samples would automatically give the annual multipliers or price indices for revaluing each type of property in each local authority area. Under the scheme envisaged by authors, viz., FJP, every year a new valuation list would come out giving the actual sale price for every dwelling during the year and an appropriately revised value for every other property. This, FJP feel, would do away with the need for individual valuation based on inspection. Such inspections would be necessary only when a special assessment was called for, e.g., because of change of use or a major change in the environment such as caused by the construction of a new road, a new convenience and so on. (FJP, 1980, p. 404).

3.36 It can be easily seen that the schema of revision, however simple it may look, can operate smoothly only where there are adequate and reliable data on sale prices of properties. Such data might not be difficult to compile in countries where there is an active and open real estate market, that is, where properties change hand frequently and prices are not understated. None of these conditions obtain in a city like Calcutta. If it is to be acceptable as fair and thus within our Constitutional framework, the "multipliers" contemplated by FJP must be worked out separately for each type of property and for different localities since a uniform multiplier for all would give rise to complaints of inequity. This would be a Herculean task. An attempt was made for this study to construct an index of land values in different areas of Calcutta on the basis of information collected from the office of the Land Acquisition Collector, Calcutta, but it did not succeed. For constructing

the index of CVs, one would require information regarding property transactions in each area of a local authority and for each type of property. Such data may not be available for lack of transactions in different kinds of property in each area. Moreover, it may be argued that each property is different and cannot be expected to appreciate uniformly and exactly to the same extent unless one assumes a high degree of homogeneity of houses within a locality. All this suggests that the advantage of automatic revision might not be available for CV assessments in Indian cities, and especially in a city like Calcutta where few localities could be identified as "homogeneous" in the pattern of housing except possibly a limited number of newly developed colonies or areas like Lake Town, Jodhpur Park, Salt Lake and New Alipore and except for lands lying vacant. Therefore, CV may provide a good base for vacant land but not for built up properties. It is possible on the other hand to build up a rental index. Such an index was prepared for the present study on the basis of information on rent paid by the State Bank of India in different areas of Calcutta (vide Table I.18).

3.37 It is worth noting that despite the recommendations of the Layfield Committee and the officially announced acceptance of the recommendations by the Government, the change-over from ARV to CV base for rating purposes has not yet taken place in England. The valuation which was planned originally for 1978 was postponed (Richards, P. 1980).

c. Site value taxation

i. Merits

3.38 The administrative problems associated with CV taxation can perhaps be lessened if the tax is levied only on land leaving out the improvements, that is, on site value (SV). Improvements are more difficult to assess as every building is unique and may require inspection to ascertain the quality of the construction, depreciation and so on. Another great merit of SV taxation is that it provides an inducement for urban renewal and optimal land use. From the equity angle also, SV taxation seems to be preferable since unlike ARV and CV taxation, tax on land cannot be passed on, at least in the short run, and, therefore, falls on capital. While the question who bears the property tax burden still remains controversial, there is reason to believe that the traditional view, viz., that the tax on improvements is passed on to tenants might be more relevant to developing countries like India (McLure, C., 1979). If it is assumed that because of imperfections and rigidities arising from rent control rents cannot move up in step with taxes, with a tax on improvements there would be an adverse effect on housing supply. This would exert an upward pressure on rent for new dwellings and also on the rent of old dwellings in the underground market -- "pugree" would increase -- burdening ultimately the new tenants or those in need for shelter. Information gathered from real estate agents shows this has indeed happened in

Calcutta and presumably in the other metropolitan towns of India. Moreover, since Ricardo and Henry George's celebrated enunciation, it has come to be accepted that rent and appreciation in land values caused by community's effort are fit subjects for taxation.

3.39 On economic merits, as FJP argue like many others, there is a strong case for taking SV as the base for rating. The strongest argument in favour of SV is that it would derate buildings and thus encourage building activity and this would be especially useful in dilapidated, rundown areas (~~Recherched~~ ab. FJP 1980, p.480). The apprehension often expressed that the tax would lose its buoyancy if based on SV is dismissed by FJP on the ground that this happens because of undervaluation. Transitional problems according to them also should not be formidable. Studies show that it is possible to switch over to SV taxation from ARV without raising any additional burden on taxpayers (Ammukutty, K.T. 1974-75).

ii. Drawbacks

3.40 Despite its attractions, there are serious problems of administration which stand in the way of basing property taxation on SV. First of all, there is the problem of defining site value. In defining site value of land one has to be clear about what the terms "land" and "value" connote. Even though improvements are left out, for determining SV, land cannot be taken in its "original state" but has to be taken in its present condition,

excluding alterations that are recent. "Land is not only plots of earth in the traditional property sense but also units of space that are eligible for legal ownership." (Oldman and Teachout, 1979).

3.41 Then there is the problem of valuation. Which value to take, the present value, or development value or "hope" value? Even if, as FJP suggest, there should really be no conflict among the three if market values reflect "true" land value, the problem of determining market values of land which is built upon will remain. There are no doubt several methods of separating the value of improvements from that of land. (These are discussed at some length in FJP, 1980.) But each has its own problems. In a city like Calcutta where reliable evidence of land values is difficult to come by, correct assessment of SV would be a serious problem. SV rating either broke down or encountered acute problems in many Australian and African cities as they developed and the volume of sales per unit area declined (Holland, 1970, ch. 1). After examining its pros and cons, the Layfield Committee rejected SV rating as an alternative as it would involve taxing the owners of each site in relation to the market rent it would attract were it available for the most profitable development permissible under the regulations. The Committee felt -- and later the UK Government agreed -- that "such a system would present major difficulties both of principle and practice" (Local Government Finance, HMSO CMND 6813, May 1977). Though they are apparently persuaded by its economic merits, FJP too recognise the administrative difficulties of implementing SV rating and conclude by

observing:

"In Britain we feel that the hold of the valuation process is such that we believe it most unlikely that any simplicity would be achieved. Experience suggests that valuers would be unlikely to allow rateable values under SVR to reflect market values."

3.42 SV rating would also be open to criticism on equity grounds as it would leave out wealth embodied in buildings and in many cases the value of the building might exceed the value of land (e.g., in the case of luxury hotels and office buildings). This limitation led Trinidad and Tobago to modify their SV tax by a supplementary levy on improvements exceeding a specified value (Lent, G. 1973). Taking note of the objection that with SV rating there would be no relation between the cost of services provided for a building and the cost to the owners or occupiers of that building, FJP argue that this could be met partly by charging services on a cost basis and partly by rates on SV. Whether and if so municipal taxes should be based on benefit or ability to pay raises a fundamental question. Many are inclined to think that since services for streets, fire protection, police, etc., play an important part in urban land improvements, it is more appropriate to allocate their cost according to the value of improvements. Thus Jamaica introduced a dual property tax in 1956, with a basic SV tax and a supplementary user charge based on improvements although the latter was not implemented because of the cost of assessing buildings (Lent, G. 1973).

3.43 As for the allocative effects of SV, the objective of promoting construction activity, it is felt by several experts, is better achieved by granting exemption or relief from tax on renewals or new buildings based on ARV or CV (Heilbrun, J. 1966). Evidence does not show any significant favourable allocative effect in every country where SV rating is followed (e.g., in Taiwan), though the poor result may sometimes be due to low effective rates and inadequate enforcement.

3.44 The reasons why SV, despite its acknowledged merits, cannot provide a viable alternative for property taxation were stated by Shoup with characteristic clarity while summing up the discussion on property taxation at the TRED conference of 1976. Restricting the annual urban real estate tax to SV, that is, exempting improvements, he thought, seems unpromising as a means of obtaining more total tax revenue from urban real estate in less developed countries, because the increase in tax rate on the smaller total tax base that would be needed just to keep the revenue from falling would meet with formidable resistance. Also, he found little in the papers on SV taxation presented at the Conference to suggest that such taxation constituted the way to a greater real estate tax revenue.

3.45 As for the allocative effects, referring to the pressure which SV taxation is supposed to exert on owners to put land to its best use, Shoup observed that such pressure was needed only in those cases where the owner's idea of best use differed from the society's. "In practice", he asked, "how many such cases are there, and who is to have

the responsibility of computing society's optimum?" Nevertheless, Shoup recognises that SV taxation may have an incentive effect on building activity since tax exemption of improvements might attract the wealthy to invest in housing (Shoup, C. 1979).

3.46 In Calcutta, with sub-optimal use of land continuing on a large scale, some pressure, such as, taxation based on SV would exert might be desirable. But if the pressure is to achieve the desired results, the obstacles to investment in housing need to be removed. The major obstacles to the optimal use of land in Calcutta are: (i) imperfections of the capital market with little access to funds for the poorer sections and (ii) controls over rent. So far as commercial areas are concerned, the rent control laws do not seem to pose much of a deterrent for there are ways in which these can be, and often are, got over (as for example, through payment of salami, showing a disproportionately large sum as service charge and so on). If, however, the sub-optimally used lands could be forced out of inefficient hands, their development might in all probability take place. But, with the imperfections of the market, tax pressure might result in driving out the relatively poor owners and bring in more resourceful investors and this might involve a political question in the long run. However, the effects of stagnation on growth of the city and on employment, income and housing supply are probably worse for the citizens of all classes. Hence a measure that might induce the wealthy to invest more in housing, though repugnant from this angle of redistribution, might on balance promote greater welfare of the community than the present situation with gross underutilisation of scarce resources like urban space. SV taxation thus has merits

for which it deserves serious consideration at least for vacant or grossly underutilised land. For built-up land, confining the tax only to SV would militate against equity. The allocative effects too may not materialise or even if they do, the distributional impact may be unacceptable to the community. Also, defining SV and its determination is not going to be easy where the land is not lying vacant.

3.47 The preceding discussion shows that neither CV nor SV provides a superior alternative to ARV as a base for property taxation. Given the problems of valuation with ~~the~~ widespread practice of understating the price in transfer documents and the legal requirement that properties must be valued by capitalizing income wherever they are tenanted, there would be no particular advantage in switching over to CV or SV in place of ARV. At least that would not help to get over the basic problems plaguing property taxation in large Indian cities like Calcutta. It is salutary to recall that the Calcutta Municipal Act, 1951 provides for assessment of rateable value by the CV method when fair rent cannot be estimated easily (vide sec. 168(3)). In several cases where this method has been applied to, e.g., in the UBI case referred to in Chapter I, the rateable value has been assessed at a figure much below what was warranted on the basis of comparable rent. It is relevant to note that in the UBI case, the taxpayer went to the court contesting the assessment made on rental basis and prayed for determination of rateable value by applying the land and building method. Valuation of vacant lands also falls far short of market values, even though the CV constitutes the base in the case of such lands. Unless norms or yardsticks are laid down,

valuation on CV basis will tend to fall behind market prices and inequities as acute as prevailing now will occur. What needs to be considered therefore is how to evolve workable yardsticks for assessments of rateable values so that the incidence will be fair as between taxpayers and revisions would be easy. In the Indian context, choice of the base must be guided more by this than any other consideration.

d. Alternative reform proposals - standardisation of property tax

i. Suggested methods of standardisation

3.48 Dissatisfaction with the property tax as it is operating at present stemming largely from wide disparities in assessment of similar properties has led to a search for alternatives in another direction, viz., area-based taxation. Though there are several variants of it, the essential idea underlying this approach is that the problem of valuation can be circumvented only if the tax is assessed with reference to some quantitative measure like the size of the property - land area or plinth area - instead of value and the rate of tax is fixed in terms of amount payable per unit area.

3.49 Suggestions for a scheme of area-based property tax for Calcutta were put forward in a paper by R.M. Kapoor, (1977) as a remedy for the gross disparities in valuation and chronic undervaluation of properties resulting from rent control, multiple leasing and malpractices. Though details of the scheme were not spelt out in the paper, its main ingredients were :

- (i) Delinking of the property tax, both from the "rental" and "capital value" systems of assessments;
- (ii) Introduction of "Land Tax" and "Building Tax" - on the basis of area measurement;
- (iii) Variations in the above mentioned taxes on zonal basis;
- (iv) Additional cesses for non-residential uses of properties;
- (v) Zonal-wise surcharges, wherever necessary, to achieve the developmental objectives;
- (vi) Changes in tax rates consequent to changes in population density; and
- (vii) Elimination of regular periodic assessments, The first assessment will be made on data furnished to the Corporation with the building plans and revision undertaken only when building modifications are carried out.

3.50 A similar method of property taxation was proposed by G.V. Ramakrishna, (1980) later. Noting that if levied only with reference to the plinth area, the tax might be open to question on equity grounds, Ramakrishna suggested that, in fixing the rates of tax, account should be taken also of other relevant factors such as the location of the building, type of construction, nature of use and age. Under the system proposed by him there would be a basic tax related to the plinth area or carpet area. For buildings with excess land - land exceeding three times the built-up area - there would be a surcharge on the excess. "Extras" based on location, type of construction, nature of use, age, etc., would be levied. Thus under the Ramakrishna scheme a building could be classified according to five or six variables. Once the rates

of the basic tax, surcharge and extras, were published, a property owner would be able to assess the tax himself and pay on self-assessment. Such a system, it was claimed, would reduce the scope for discretion and facilitate computerisation as well as periodical revision. Variations in taxes could be carried out by municipalities simply by altering the rates of the basic tax and the "extras". A desired degree of progressivity could also be achieved by varying the "extras". This method, it was also contended, would save the time and effort involved in periodical reassessment.

3.51 A scheme of area based tax was proposed for Madras also by the Operations Research Group (ORG) in their study of property taxation in Madras Municipal Corporation (ORG, 1979). Finding that variations in rental levels could be attributed substantially to variations in location and a few other identifiable factors, ORG proposed a scheme essentially similar to that put forward by Ramakrishna. Implementation of the scheme contemplated by the ORG required the following steps:

- (i) Dividing the city and its outlying areas into homogenous zones in terms of important characteristics;
- (ii) Determining the market rent per unit of floor space or other index of usable area for standard properties in each such zone;
- (iii) Fixing the tax demand, again on a per unit area, (sq.ft., etc) basis using a standard rate and allowing for the conventional deduction for repairs, etc. Separate standard rates would be fixed for commercial properties;

- (iv) Fixing up the rate of discount for sub-standard properties taking into account the individual characteristics of the property (e.g., for properties in slum areas, very small properties and properties without basic municipal facilities like water);
- (v) Introducing a scheme of premium on, or progression in, tax rate by taking into account some specific characteristics of individual properties (e.g. for properties having built up area (exceeding a specified limit or properties with luxury fittings), and
- (vi) For vacant space beyond a certain limit some flat rate on zonal basis would be worked out

3.52 According to press reports, the Madras Corporation has approached the Tamil Nadu Government for legal sanction for levying the property tax on the basis of plinth area of buildings. Such a scheme was proposed for the city a few years ago but was given up in the face of public criticism and litigation on the ground that it lacked statutory sanction (Hindu, September 21, 1981). A comprehensive system of assessment based on ^{wide norms} area-based with variation for differences in location and building types is in operation in Kerala. The norms are fixed for six different locational types (L) and also six different standard type (T) of buildings in different zones of a city as shown in Table II.1. The age of the building is not taken into account in fixing the standard letting values. But variation upto 10 per cent upward or downward is made to make allowance for differences in age.

TABLE III.1

Norms of Assessment for Property Taxation in Kerala
(Rs per sq.m. per annum)

Zone I						
	<u>L1</u>	<u>L2</u>	<u>L3</u>	<u>L4</u>	<u>L5</u>	<u>L6</u>
T 1	35	32	29	25	20	15
T 2	24	22	20	17	14	11
T 3	15	14	13	12	10	8
T 4	9	8	7	6	5	4
T 5	5	4.50	4	3.50	3	2.50
T 6	2	2.25	2	1.75	1.50	1.15

Zone II						
	<u>L1</u>	<u>L2</u>	<u>L3</u>	<u>L4</u>	<u>L5</u>	<u>L6</u>
T 1	-	25	22	19	15	11
T 2	-	17	15	13	11	9
T 3	-	12	11	10	8	6
T 4	-	7	6	5	4	3
T 5	-	3	2.50	2	1.50	1
T 6	-	1.50	1.50	1	0.75	0.50

L1 to L6 = Locational types

T1 to T6 = Structural types of buildings

ii. Objections to standardisation

3.53 However attractive they may look as devices for eliminating subjectivity and arbitrariness, schemes of area-based taxation give rise to several problems for which answers have to be found if they are to command serious attention. First of all, it is necessary to be clear as to whether the area-based norms or standards contemplated should relate to the tax or the rental value on which the tax is to be levied. As pointed out by A. Dutta (1981), standardisation of letting values for determining ARV is a procedural refinement for assessment/valuation of the existing base (be it AV or CV) and not a tax on area measurement alone.

3.54 It should be recognised that if area-based norms are to be formulated, it is preferable to do so in terms of rental values per unit area rather than by specifying the tax payable for each unit, say, square metre of area. If the tax is to be fixed directly on area basis, as suggested by Ramakrishna, questions will arise as to how one determines the inter-se variations as between locations, use, type of construction and so on. It is difficult to see how the variations to be allowed in the rates of tax - the "extras" in Ramakrishna's scheme - can be determined or differences in the relevant characteristics translated into differences in taxable capacity in quantitative terms without reference to something like either rental value or CV. If the burden of the tax is to be distributed fairly, it must be related to some quantitative measure of taxable capacity. Fairness of a tax system cannot be judged unless the tax is related to some index like either taxable capacity or the benefit

enjoyed. For these reasons there is no alternative but to go through the process of assessing an index like the rental value or the CV. Therefore, if property tax assessments are to be standardised; the norms ought to relate to the assessment of rateable value as proposed by ORG and not of the tax as such. The substantive question is whether assessments of rateable values can be standardised with reference to some physical characteristics like location, type of construction, age of the building, amenities provided and so on.

3.55 Suggestions for standardisation of property tax assessments such as by fixing norms of rateable value have come in for some sharp criticism in recent discussions (Banerjee, N, 1980; Mohan, R. 1981; Dutta, A. 1981). Essentially, the objection to standardisation in the matter of valuation is that the value of a property cannot be related only to its size in terms of area. If, however, one tries to apply a few other criteria like location, construction type and age of the building, as the Ramakrishna scheme is designed to do, one is faced with the question of deciding what weight to attach to each. Layfield Committee (1976) dismissed the suggestions for a "points system" of valuation by observing that "In our view there would be insurmountable difficulties in deciding the weight to be attached to the less tangible factors." (pp. 169-70).

3.56 Even more fundamental is the objection that property values cannot be easily related to a set of criteria such as suggested by Ramakrishna. Commenting on Ramakrishna's scheme, Banerjee (1980) said:

"-there is no reason to believe that any list of such criteria will either exhaust the possibilities that affect the desirability of a property or together manage to rank housing units according to their relative attractions. There is no simple way, in nature, to rank between locations, facilities, design and fittings or the airiness or lightness of different apartments in a large city growing over a long period."(p.10)

3.57 Mohan, R. (1981) voiced the same objection by pointing out that what is being suggested in Ramakrishna's scheme is that the value of a property is a discrete function of six attributes:

$$V = f (\text{plinth area, excess land area,} \\ \text{location, type of construction, type} \\ \text{of use, age})$$

where $f(\cdot)$ is a linear combination of the attributes mentioned. "This," according to him, "is a hedonic formulation of property values". He is of the view that it is not obvious that the scheme would not suffer from an equivalent amount of discretionary arbitrariness as determination of number of zones and assignation of weights to other criteria would call for a lot of discretionary effort. While agreeing that it may facilitate administration, Mohan doubts whether such a mechanical system will be less anomalous in its effects. The reasons for his doubts are: (i) it is not possible to explain all variations in land and property values within a city by a small, finite number of variables and (ii) a linear combination of these variables may not be the correct functional form for deriving proxies for their value. It is pointed out that there is no study of property or land values within a city which can

explain more than 30-50 per cent of the variance observed. Conversely, 50-70 per cent of the variance in land or property values is usually left unexplained. How can then one expect to find a simple, easy to administer formula, Mohan asks, which can form the basis of property taxation? According to him, it would be like assessing income tax on the basis of a formula which took account of a person's age, education, sex, occupation, etc., whereas evidence suggests that human capital formulations of labour earnings can account for no more than a third of the observed variance in peoples' labour earnings (Mohan, R. 1981).

3.58 The experience of Jakarta where properties were valued on the basis of an index table providing for classification according to zone, use and infrastructural amenities is cited as evidence of how arbitrary a standardised system can be (Jha, G. 1980; Mohan, R. 1981). A study of the Jakarta property tax by J. Linn (1976) revealed that the system of assigning index values in fact did not bear any relationship with actual land values prevailing in Jakarta. It seems the tax table actually prepared there also did not bear any relationship with index values. In view of these limitations, according to Mohan, valuation on the basis of a few determinants will not be appropriate. Nevertheless, he goes on to argue, information regarding these determinants should be helpful in making assessments especially as a means of monitoring and checking valuations as they currently exist. Where property values depart vastly from predicted values, they can be checked for their special characteristics, if any. Thus, he concludes that "the kinds of systems suggested by Ramakrishna and others for rational valuation should be used as pedagogic devices for the

training of assessors and for purposes of checking and finding out gross inequities in the system. It would be an error if they are codified into law as the basis of taxation" (Mohan, R. 1981).

3.59 A further obstacle to the introduction of any norm or standard of value and upward revision of annual values on the basis of such norms would be the rent control laws. Given the legislations for controlling rents, any assessment of annual value in disregard of the controlled rent would be unjustified and would simply not be valid legally in view of the recent Supreme Court rulings. Hence, no thorough-going reform of property tax system would seem to be possible unless the rent control acts are abolished or modified. One reason why the system of standardised assessments seems workable in Kerala may be that the rent control law of that State defines "fair rent" in terms of what is assessed for municipal assessment and other relevant factors (Dutta, A. 1981).

iii. Criticisms of standardisation proposals - an appraisal

3.60 Criticisms of suggestions for standardising the assessment of property values summarised above are indeed formidable. Since each property is unique, the market value of a property cannot be approximated reliably through a standardised formula, however carefully chosen, and values derived from such formulae or regression equations may diverge significantly from the "correct" value of the properties in question. These criticisms, however, proceed on the assumption that the "correct" value of a property can be assessed accurately by a human agency like the assessor. Evidence does

not support this assumption. Even in USA, where the capital market is more active and open, census surveys of assessment ratios for single-family non-farm residences showed that in 1957 only 21 per cent of the jurisdictions covered had coefficients of dispersion of less than 20 per cent; by 1962 the number had gone up to 31 per cent of the districts (Groves, H. 1969). Netzer (1966) in his classic study on property tax considered a 20 per cent margin of error a low standard of excellence even if most districts were meeting it. If this was the position of single-family homes where property is relatively homogenous, the dispersion in the case of other kinds of property could be well imagined. There was also evidence of quite widespread discrimination among classes of property - often deliberate and systematic. All this led Netzer to doubt whether the property tax is conceptually and practically administrable with a fair degree of precision and at reasonable cost (Netzer, D. 1966).

3.61 Criticisms of taxation on standardised values also ignore the fact that "value" is a subtle and elusive concept (Groves, H. 1969) and is susceptible of many meanings. Value may connote "market value", "value-in-use" or "value-in-exchange" and the three may not always be identical. The problem of defining value becomes even more acute if one brings in the social angle. Market value may diverge from social value quite widely in an imperfect market. While the "price" at which a property is observed to change hands is usually taken to reflect its correct value, it should be remembered that value-in-use would be equal to value in exchange, and price would be synonymous with value only under perfect market conditions. Since the property market

is not perfect, price and value-in-use cannot always be assumed to be equal (Baum and Mackmin, 1979). As Groves (1969) pointed it, "Sales determine value but a particular sale is not conclusive and may be badly off target" (p.16). A margin of error of 20 to 30 per cent is therefore only to be expected in any circumstances. If such errors are unavoidable, it may be asked, why not accept statistical errors which are more likely to be random rather than leave it to human agencies ?

3.62 To argue that standardisation too would involve exercise of discretion will not be correct. Delimitation of zones and sub-zones and assignment of weights to selected characteristics bearing on valuation might call for some judgment but no discretion, and such judgment would be exercised by experts in a general way on the basis of available information and not by individual assessors in relation to a particular property.

3.63 Critics of the standardised value based proposals also miss the point that while taxation on the basis of market value would be ideal from the ability-to-pay angle, since determination of market is so difficult in the real world, standardised assessments might offer a second best alternative. Just as expenditure is now regarded by many economists as a better base for taxation than income because of the practical difficulties of administering the income tax, even though it is generally agreed that expenditure is not as good an index of ability to pay as income, it can be argued that a standardised value based property tax might be preferable to market value taxation because of the

difficulty of determining market values in practice. There is no reason to presume that the property tax must be levied always with reference to the market value of properties because the latter reflects the ability to pay better. It is not necessary that taxes must always be levied strictly on the basis of the principle of ability to pay either. After all not all taxes are related to ability to pay and departures from the ability principle may be justified if some social purpose is to be served such as optimising land use or reducing congestion or containing population and so on. The argument that standardised value based assessment will be improper because there may be wide divergence between the correct value and the value derived on a standardised formula proceeds on the mistaken notion that if only "correct" market value is formally taken to be the base for property taxation, the ends of equity are somehow served no matter whether such a value can be ascertained in the real world or not with a reasonable degree of confidence. The extent of variation in the assessment ratios (ratio of assessed AV to what prima facie seems to be the AV warranted by the size and description of the holding and prevailing rents/property values) noticeable in Calcutta and the district municipalities, as revealed by the case studies presented in Chapters I and II, should dispel any illusion that property tax based on "true" value as distinguished from a standardised value of the holdings serves the ends of equity in reality.

3.64 The case for standardised value based property taxation rests not so much on the argument that standardised values would approximate market values better than the

assessor's valuation as or the consideration that standardised values might offer a better base for property taxation than the market value as it operates in practice. It cannot be anybody's case that the standardised base will not suffer from any deficiency or inequity. The substantive questions for consideration are, would these deficiencies and inequities be more serious than those arising from the current system of property taxation and if so, would there be any merit in standardised valuation to compensate for these deficiencies ?

3.65 On the face of it the standardised value base might appear to give rise to inequities by casting a larger burden than at present on owners of property whose value or current earning is below average, while the burden on those possessing substantial properties of superior quality might be lighter than it would be under market value taxation if the market value could be properly assessed. In other words, the incidence of the tax might turn out to be regressive (Banerjee, N. 1980). Standardised values would no doubt bring down the distinction between properties in so far as these distinctions are attributable to factors other than those for which allowance would be made in fixing the norms (like location, use, type and age of the building and so on). Thus within a given locality the incidence will be higher on a property yielding a less than average rent because of, say, old tenancy or because the property is underdeveloped. A relatively high incidence on such property may, however, be justified on the ground that urban land is a scarce commodity with high social value. Therefore, anyone deriving benefit from the property either as an owner or as an occupier should pay the proper price for enjoying it.

The best index of such price is what a reasonably well developed (not necessarily the most luxurious) property in the locality can fetch. Taxation based on such a norm would have the merit of inducing the optimum use of urban space, where, because of rent control, the owner is not in a position to get vacant possession or derive rent at current rates. In the case of property to which rent control applies, the inequity would be less if the burden of the additional tax is cast on the occupier. Invoking the concept of "reasonable rent" envisaged under rent control regulations would be inappropriate so far as the occupier is concerned. That a tenant protected by rent control enjoys substantial benefit is evidenced by the progress offered to tenants for vacating old tenancies. A higher burden on the occupier of under-utilised or under-developed property on the other hand would serve a useful purpose and promote social welfare by inducing urban renewal.

3.66 The objection against a relatively high burden on properties with less than average current return on current value can also be met by pointing out that the rationale for property taxes has always been ambivalent. There is no agreement whether they can be defended better on ability grounds or on the basis of the benefit principle (Lent, G. 1973). Bird (1976) has argued that to an economist the principal rationale for the existence of local government is that it permits the provision of public services in a diverse variety of ways and that although consumption of public services should not be dependent on ability to pay, for many purposes it is useful to think of local taxes,

particularly the property tax as, in a sense, a kind of membership fee one pays for residing in a particular area. Viewed thus, a tax based on some standardised value of properties located within it cannot be regarded as improper. Even without accepting the benefit rationale as the proper basis for property taxation, it can be argued that in practice equity would be served better from the ability angle too if uniform standards were laid down for assessments. The review of the revision of assessments in Calcutta Corporation and the municipalities and the manner in which the revisions are amended by the Reviewing/ Appellate authorities presented in the earlier chapters should leave no doubt about the necessity of having some well defined norms or standards of assessment. For it is quite clear that absence of standards has been the prime factor in destroying the equity of the property tax and bringing it into disrepute and also even legal infirmity as amply shown by the High Court order quashing the general revision of 1972-73 in Kamarhati. It is not as if the tax based on standardised values will not make any distinction between properties. Variations arising from major identifiable factors will be taken into account and thus a tax based on these values will meet the ability criterion to a considerable extent. But the distinction will not be carried beyond a certain point because, first, of practical problems of precise market valuation and secondly, on the consideration that a tax based on standardised or potential value of urban space is economically wholesome.

3.67 As for the objection that standardised valuation will not be able to capture all the variations in rent or property values and luxurious properties will get away with a lighter burden, it can be said in defence of standardisation proposals that there is little point in attempting to capture such variations, when it is found that in practice they cannot be captured effectively. In most cases actual ^{rent} simply cannot be ascertained or established with evidence even if one wanted to. Besides, taxing actual incomes from property is the function of income tax. A property tax would cease to have any rationale if it were to be merely synonymous with income tax.

3.68 For reasons mentioned above, there is a strong case for introducing a standardised base for property taxation in place of the existing fair letting value. To set one's face against standardisation because of its limitations in approximating "correct" values would amount to rejecting the good on the ground that it is not the best. The helplessness of assessing authorities in sustaining their assessment is brought out in a telling manner by the verdict of the Small Causes Court in the UBI case referred to in Chapter I. Variations in the incidence of property tax on properties having similar earning capacity arising from such rulings cannot possibly be avoided without standardisation. It is noteworthy that Prof. G.W. Jones who was a member of the Layfield Committee, while expressing doubts about the merits of a "points system" for property taxation nevertheless appreciates the attractions of an objective measurement system in the conditions prevailing in India (Jones, G. 1984). Critics of standardisation also do not

deny that there is merit in such proposals and therefore deserve to be used for purposes of monitoring and the training of assessors (Banerjee, 1980; Mohan, 1981). As noted already, a system of standardised ARV assessment is operating in Kerala. Some measure of standardisation of rental for property tax assessment has also been attempted in Bangalore and Bombay. Participants of a seminar on property tax administration organised by the Department of Administration of the Osmania University sometime ago also were of the view that standardisation of assessment and valuation procedures would help considerably to minimise the area of discretion of lower-level personnel and that locality or block-wise letting values should be fixed to facilitate assessment (Muttalib, M.A. and Umopathy, N. 1978).

3.69 Nevertheless, it would be unrealistic to ignore the problems which any attempt at standardised assessment of property values will encounter in Calcutta and other municipal areas of West Bengal. First, unlike Chandigarh or New Delhi, Calcutta contains few areas which can be regarded as homogenous. Therefore, delimitation of homogenous zones may pose a serious problem. Secondly, with rent control in force, it would be difficult to impose a tax on owners on the basis of prevailing levels of market rent. Therefore, the tax on standardised values can at best be realised from the occupier. The owner's share would still have to be assessed on the basis of "fair rent" as contemplated under the rent control laws. Thirdly, area-based tax legislations generally have not found favour with the courts. Taxation at uniform rates per unit of area has on several occasions been held to be violative of Article 14 of the Constitution which guarantees equality before law.

3.70 The requirement of equality in the context of tax legislation, it is now well established, implies that while equals must be treated equally, unequals cannot be treated on a uniform footing. Hence, there must be reasonable classification as between taxpayers in dissimilar circumstance. Absence of classification between dissimilarly placed taxpayers has led the courts to strike down several tax enactments. One of the earliest of tax legislations to be struck down by the Supreme Court was the Travancore-Cochin Land Tax Act, 1955, whereby the system of land revenue in Kerala was sought to be rationalised and an attempt was made to bring about a measure of uniformity by levying a tax at a flat rate of Rs 2 per acre. The tax was held ultra vires of the Constitution on the ground that by treating all lands whether productive or barren, as equal, the tax infringed the canon of equity. Several attempts to levy a tax on urban property on the basis of some objective criterion like land area or plinth area have failed on account of the failure to provide for adequate classification among taxpayers who are not similarly situated (e.g., Kerala Buildings Tax Act, 1961 and Mysore Buildings Tax Act, 1963 which sought to levy a tax on buildings on the basis of plinth area). More recently, the West Bengal Multi-storeyed Building Tax Act of 1975 which was designed to levy a tax on owners of multi-storeyed buildings with reference to floor area without any other distinction was also held to be violative of article 14 of the Constitution by the Calcutta High Court. The scheme of the tax had to be changed in view of the judgment and the liability has now been related to the annual value per square metre as determined in municipal assessments (vide Section 3 of the

West Bengal Multi-storeyed Buildings Tax Act, 1979).

3.71 Apart from possible legal objections, standardised property tax may not gain acceptance easily, as it would lead to a rise in the burden of tax on properties protected by rent control, even though provision was made for passing on this extra burden to occupiers and thereby the system would be rendered more fair as between old and new tenants and the Corporation would be in a position to improve its services. Standardisation would also call for considerable spade work in the form of a fresh cadastral survey of the city, delineation of zones, and collection of data on rental and capital values in a systematic manner in all areas of the Corporation/municipality. Hence reform towards a standardised base for property taxation has to be put off as a long-term goal. For the near-term future, it would be more prudent to accept the existing base as given and see what can be done to improve its operation. Mohan (1981, p.69) may be right when he says that the present base can yield good results if properly administered. Every effort, therefore, should be made to see how the existing system could be made to perform better. Measures which could be taken to reform the system within the given framework are outlined in the next Chapter.

IV. REFORM MEASURES FOR NEAR-TERM IMPLEMENTATION

It cannot be gainsaid that proper assessment of rateable value of land and buildings in Calcutta is seriously affected by constraints in the form of rent control, the orientation of the existing system towards value to the owner as a result of which the rent actually fetched by a property through multiple leasing is of no relevance, the only relevant factor being what the landlord is entitled to receive and so on. Therefore, some measures towards easing these constraints are essential for improving the working of the system even in the short run. At the same time it must be pointed out that the existing legal framework contains many provisions which should enable the authorities to effect immediate improvement in the system if only the powers conferred by these provisions are used fully or to a greater extent than at present. Quite a few of these provisions have fallen virtually into disuse creating a general impression of helplessness of the municipalities in securing compliance with its laws. Thus measures for reforming the system in the short-run may be initiated in two directions: (i) those designed to ease the legal constraints and strengthen or supplement the existing legal structure within which the property tax has to be administered and (ii) measures to ensure effective implementation of the existing system.

a. Measures for easing legal constraints and strengthening the existing structure of property tax

(i) Amendment of rent control laws

4.1 Statutory control over rent is believed to be a serious impediment to property tax reform in India. So

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long as there is an enactment requiring rents to be charged on the basis of what is considered reasonable under that enactment, it would be difficult for municipal authorities to impose some other standard. This indeed is an intractable problem and does not admit of any simple solution as is evident from the fact that little progress has taken place in this direction despite almost unanimous views of several official committees on the urgency of doing something to ease this constraint.

4.2 The Committee on Controls and Subsidies, 1979 (Dagli Committee) after examining the effects of rent control had recommended that (a) the withdrawal of rent control on commercial and office premises and buildings occupied by corporate organisations and (b) a gradual increase in the rents of other buildings over a period of five to ten years in order to bring them to a rational level. Referring to these recommendations, the Gujarat Taxation Enquiry Commission (GTEC) observed that if implemented these would help to remove the artificial restrictions placed on the rateable value of urban property. Noting however that the question of relaxation of rent control raises wider social questions and may take time to consider, the Commission recommended that the Gujarat Municipalities Act be amended on the lines of ^{the} Ordinance issued in Bombay in 1969 enabling the local bodies to determine the annual letting value of properties as if the rent control law was not in force and to apportion the tax liability among the tenants and sub-tenants where the rateable value of the property let or sub-let exceeds the amount of rent payable by the tenant or the sub-tenant, as the case may be (GTEC, 1980, para 14.30.4).

4.3 The Municipal Finance Commission of Maharashtra (1974) also after noting the crippling effect of rent control on municipal property taxation, recommended that it should be made clear beyond doubt that

".... powers in the urban local bodies to revise periodically the assessment of properties should not be fettered by the provisions of the Rent Control Act. Likewise, it should be clear in law that an increase in the amount of municipal tax or cess whether by way of upward revision beyond the controlled rent or by way of revision of rateable value or imposition of a new tax or cess should be made payable by the actual beneficiary, namely, the tenant occupant...." (Para 7.10)

With the above objective in view the Commission recommended suitable amendments in the laws governing the municipal corporations and municipalities in Maharashtra and the Bombay Rent Control Act, 1947.

4.4 The Rent Acts Enquiry Committee set up by the Government of Maharashtra in 1975 examined the effects of rent control on assessment of properties but did not agree with the Municipal Finance Commission of Maharashtra that the tenant occupier should be compelled to pay the enhanced taxes through an amendment in the laws, as they felt that "the suggestion really cuts across the basic purpose of rent control". The Committee also noted that the rent control laws did not stand in the way of increases in the level of municipal taxes. Municipal taxes, the Committee found, had increased more than two and a half times of what they were in April 1940, while the basic rent which the landlord gets, had more or less remained the same. However, keeping in view the difficulties of the municipal corporations and

other local bodies, the Committee recommended that new constructions be excluded from the purview of the Rent Act. For giving relief to the municipalities, the Committee also recommended selective exemption of existing residential and non-residential premises having a floor area above a certain limit and also suggested a general increase in the rent of other existing premises (Chapter XIII of the Report of the Rent Acts Enquiry Committee, Government of Maharashtra, 1976).

4.5 The Maharashtra State Law Commission in their report relating to rent laws in the State (12th Report) recommended the exemption of new constructions from rent control for a period of ten years during which the agreed rent should be deemed to be the "standard rent". For old buildings, the Commission recommended that the rents should be "frozen" at the level of 31, January 1973. For premises constructed after that date, the standard rent should be 10 per cent on investment in land and the building, net of outgoings including municipal taxes. The Commission recommended an increase in the rent of buildings constructed before 1973 at rates varying from 40 per cent to 100 per cent. Rents of premises used for business, trade or storage, the Commission suggested, should be increased at $1\frac{1}{2}$ times the rate of increase recommended for other properties.

4.6 The Calcutta Municipal Corporation Bill, 1980 (CMC Bill)^{1/} contains provisions designed to remove some

^{1/} It is understood that the Bill has since received the President's assent.

of infirmities of the base of the property tax arising from judicial rulings bearing on assessment of rental value for municipal taxation. For instance, clause 184 of the Bill provides that the consolidated rate on land and buildings shall be primarily leviable,

1. if the land or building is let, upon the lessor;
2. if the land or building is sublet, upon the superior lessor, and
3. if the land or building is unlet, upon the person in whom the right to let such land or building vests.

Clause 184(1) stipulates that where the annual valuation of any land or building exceeds the amount computed on the basis of the rent payable to the person liable to pay the tax, such person shall be entitled to realise from his tenant the difference between the tax actually payable and the amount that would be payable if calculated on the basis of the rent payable to him. Similarly, if the annual valuation of a property which is sublet exceeds the amount calculated on the basis of the rent payable to the tenant by the sub-tenant, or to the sub-tenant by the person holding under him, the tenant or sub-tenant shall be entitled to receive from his sub-tenant or the person holding under him the difference between the consolidated rate payable under the proposed municipal act by such tenant or sub-tenant and the amount which would be payable if the annual valuation of the property were computed on the basis of the rent payable to the tenant by his sub-tenant or to the sub-tenant by the person holding under him, as the case may be. The intention underlying these provisions

evidently is to enable the Corporation to assess the rateable value of a property on the basis of the rent actually being fetched by the property and not just what the landlord is getting. It is doubtful, however, whether this intention will be achieved since the clause which lays down the basis for determination of annual value, viz., clause 169, follows the same pattern as that of the corresponding Section of the existing Act, viz., Section 168(1). As before, the annual value shall be deemed to be the gross annual rent at which the property might at the time of assessment be reasonably expected to be let from year to year, less an allowance of 10 p.c. for the cost of repairs and other expenses to maintain it. The same position is maintained in the BM Act even after the amendments of 1980. The operative provisions relating to assessment of annual value of holdings still runs as follows: "The annual value of a building shall be deemed to be the gross annual rental at which the holding may reasonably be expected to let less, in the case of a building, an allowance of 10 per centum for the cost of repairs and for all other expenses necessary to maintain the building in a state to command such gross rental" (Section 128(1) of BM Act read with Section 57(1) of BM Amendment Act, 1980). The "annual value" contemplated in the Howrah Municipal Corporation Bill 1980 (hereafter HMC Bill) is also based on the concept of reasonable letting value in so far as properties intended for letting are concerned (Section 89 of the HMC Bill), with the difference that the HMC Bill makes it clear that all reasonable rent in this context shall ^{taken} be as at the time of assessment. But in view of the Supreme Court's ruling in Dewan Daulat Rai Kapoor's case, "reasonable rent" must be determined

according to the standards laid down in the rent control laws and thus the legal constraints encountered in revising the assessments to bring them in alignment with prevailing levels of rent remain operative in all the municipal administrations of the State.

4.7 One way of circumventing the problem created by multiple leasing could be to lay down that in the case of land or building which is let out the annual value shall be the maximum amount of annual rent realised or realisable at the time of assessment from such land or building, whether such amount is payable by a tenant or a sub-tenant or a tenant of lower degree. However, in view of the verdict of the Supreme Court in the Dewan Daulat Rai Kapoor's case, determination of "maximum rent" realisable in disregard of rent control laws may not stand the test of law. Under the West Bengal Premises Tenancy Act, 1956 the term "tenant" includes a "sub-tenant" and standards of fair rent would apply to rent^{or} charged by a tenant from a sub-tenant also. Therefore, if the adverse effect of rent control on property tax assessment is to be mitigated, suitable provisions should be made in the rent control laws as recommended by the Maharashtra Law Commission to

- (i) exempt newly constructed properties from the operation of rent control for ten years and
- (ii) to allow enhancement of existing rents of old buildings at varying rates depending upon the age of the tenancy.

There should also be a provision permitting periodic increases in rent for every increase in the consumer price index of the city or State by more than a specified percentage. It should be provided in the law that the basis of annual value will be fair rent or the rent.

receivable or actually received by the landlord whichever is higher as is the position now in the Income-tax Act 1961^{2/}. It should also be made clear that rent in this context would include any amount payable as service charges also.

4.8 Until suitable changes are made in the rent control laws to permit increases on the lines suggested above, the municipal laws may be amended to empower local authorities to raise by a specified margin the rateable value of properties under tenancies to which rent control laws are applicable with a proviso that the owner shall be authorised to pass on the additional burden of the tax resulting from the enhancement of the rateable value. For tenancies which are more than 15 years old, a notional increase in the rent by 30 to 40 per cent should be permitted. In the case of tenancies less than 15 years old, increase of 15 to 20 per cent may be allowed.

(ii) Tax on properties used for non-residential purpose

4.9 One measure which the Corporation can take immediately to improve its finance is to impose a tax on commercial use of properties in Calcutta. All studies show that commercial properties in Calcutta are grossly under-assessed. Stall-holders in some of the busy commercial areas now pay less than a rupee per month to the Corporation as property tax for their stalls. A tax on commercial use of property will help supplement the existing framework of property taxation in a simple and

^{2/} Section 23(1) of the Income-tax Act, 1961 as amended by Taxation Laws (Amendment) Act, 1975.

inexpensive way. The degree of underassessment of markets is high in the municipalities too as is evidenced by the near constancy of the AV of private markets in municipalities like Kamarhati over decades.

4.10 Empowered by an amendment to Section 165 of the CM Act 1951 made in 1976, the Calcutta Corporation levied a surcharge at the rate of 50 per cent of the consolidated rate on property used wholly or in part for commercial or non-residential purpose. The surcharge was to be realised from the occupier of such property as part of the consolidated rate. The levy was challenged before the court. It was upheld by a single judge Bench of the Calcutta High Court (A.H.A. Hasan Properties Private Limited v. Corporation of Calcutta) but on appeal, a Division Bench of the High Court held that the surcharge could not be included in the occupier's share of the consolidated rate^{3/}. The ground on which the levy was negatived by the Division Bench was not that levying such a surcharge on land and building was beyond the competence of the Corporation but that the surcharge is alien to the scheme of the consolidated rate as contemplated in the CM Act, 1951, especially the recovery provisions. The Division Bench took the view that the surcharge did not fit into the scheme of the consolidated rate because the consolidated rate has always been linked with the concept of owner or occupier while the surcharge as it stood then proceeded on the basis of the user of the property irrespective of whether the user was the owner or the occupier. The court observed that "for the

^{3/} Judgment of Division Bench of Calcutta High Court dated August 2, 1979 in A.H.A. Hasan Properties Private Limited v. Corporation of Calcutta.

recovery of surcharge, the Corporation has to adopt other methods in accordance with law of which some indications have been given by us in this judgment".

4.11 It is thus clear that the levy of surcharge would not be infeasible provided suitable provisions were made for the recovery of the tax from the user of the property on a footing different from the consolidated rate. It should be possible to do so, e.g., by providing for prosecution of an occupier who defaults in furnishing the necessary particulars of space occupied by him for commercial purposes or who defaults in paying the surcharge or tax levied on any property used for commercial purposes. Administratively, the Corporation should be able to enforce the levy of the surcharge easily by laying down that no licence for carrying on any trade will be allowed unless the commercial surcharge is cleared.

4.12 While it is thus possible to reintroduce the commercial surcharge with suitable changes in the law, it is to be considered whether the surcharge should be levied as an additional tax expressed as a percentage of the consolidated rate or as a separate tax on the property used for commercial purposes. Since a surcharge will be related to the annual value, its yield, as also incidence, will depend on proper valuation of properties; hence it may be convenient to levy the tax with reference to the covered area used for commercial purposes independently of the consolidated rate. Thus the tax may be charged at the rate of Rs 1 to 5 per sq. mt. of covered area with varying rates for buildings located in different parts of the city, such as one rate for B-B-D Bagh area, one

for Esplanade and Park Street area, one for Burra Bazar, one for Shyam Bazar and so on. For this purpose, the city will have to be divided into a few commercial zones.

4.13 Assuming that the size of an average business premises is 200 sq. ft. (20x10) a tax at a minimum rate of Rs 1 per sq. ft. would come to Rs 200 per annum or less than Rs 20 per month and less than 70 paise per day, which for business premises located in any part of the city cannot be regarded as high. Rates of Rs 4 or even Rs 5 per sq. ft. may be prescribed for commercial use of property in the B-B-D Bagh or Burra Bazar areas. Separate rates may be laid down for vacant land used for commercial purposes, with different rates for different areas. In order to allow for the possibility that space used for commercial purposes may be in the basement of a building or in a mezzanine, a reduction may be given at specified percentage of the rates fixed for commercial use of covered space in the area in which the building in question is located.

4.14 The rates of tax on commercial use of space per unit of area for different zones/areas may be determined after taking into account the prevailing rates of rent and salami for new structures offering the usual facilities, i.e., without taking into account rents charged for any special service like air-conditioning and so on. It is not necessary that the inter se differential between the rates of tax as between different areas should always reflect the differential in rental levels for commercial space in the respective areas.

For the tax on commercial use of property can be used by a local government as an instrument for reducing congestion or inducing land use according to a given plan. Thus, it would be quite in order to levy the tax for space used for non-residential purposes in a particular area like the B-B-D Bagh area at a rate higher than what would be warranted by the rental levels prevailing in that area, if it is thought desirable to shift offices from that area to some other location. Similarly, lower rates may be charged for space in areas which are sought to be developed. Also, differential rates may be charged within an area or zone for use of space for industrial purposes if location of industries in that area is sought to be discouraged. Revision in the rates may be carried out from time to time to reflect priorities of planning and social policy as well as to reflect changes in rental levels and prices.

4.15 It is difficult to estimate the yield of a tax on commercial use of properties in Calcutta in the absence of adequate data. Assuming that the average rate of rent on which the ARVs of buildings in business areas like Dalhousie are assessed is about Rs 2 per sq. ft. per month or Rs 24 per annum, the ARV per sq. ft. would be about Rs 20 and a tax at the rate of Rs 4 in such areas would amount to an incidence of about 20 per cent of ARV. Considering that the tax from commercial properties at present is probably around Rs 5 to Rs 6 crore, this tax should yield another Rs 5 to 6 crore if not more without any difficulty. The commercial surcharge, it is understood, was expected to yield about Rs 3 crore when fully implemented. Since this tax would be

deductible from taxable income, the burden would be less than what might appear at first sight. Also, there should be less opposition to this imposition

4.16 In any event, there is a good case for levying a separate tax on area basis for use of space in the private markets. Rough calculations show that a tax at the rate of Rs 1.25 per sq.ft. on the occupier of space in the private markets may lead to a six-fold increase in the revenue from these markets. This estimate is based on a sample of five private markets for which information on total area could be obtained (Table IV.1). The total area of these markets is at present about 2,50,000 sq.ft. Allowing for space to be left out for passage, etc., the total useable space of these markets may be taken as 2,00,000 sq.ft. A tax at the rate of Rs 1.25 would yield Rs 2,50,000 per annum, as against a revenue of Rs 41,276 realised currently. The total revenue of the Corporation from property tax on principal private markets in Calcutta is at present about Rs 18.42 lakh (Table IV.2). The average rate of tax on the rateable value of these markets comes to only about 16 per cent (col. 4 of Table IV.2). With a tax at the rate of Rs 1.25 per sq.ft. the revenue from private markets should exceed Rs 1 crore a year. Even if the rateable value of these markets is raised as proposed on revaluation, the revenue at the current average rate is not likely to be more than Rs 45 lakh. Since the proposed valuations will in probability be contested, it is unlikely that the Corporation would be able to realise a revenue of this order in the near future in the ordinary course. A market licence fee is at present realised from these markets but the rates (the maximum being Rs 400) are much too low to make any substantial contribution to the revenue.

TABLE IV.1

Selected Private Markets in Calcutta
— Area, Rateable Value and
Tax Payable

Name of locality	Holding no.	Area in sq.ft.	R.V. (current) (Rs.)	Annual net tax payable (Rs.)
	(1)	(2)	(3)	(4)
<u>Maniktola Bazar</u>				
Acharya Prafulla Chandra Road	1231 123	161545	47853	7764.96
<u>Jadubau's Market</u>				
Ashutosh Mukherjee Road	31	28215	117594	19081.48
<u>Rashmoni Bazar</u>				
Beliaghata Main Road	123	31260	7331	798.96
<u>Hatibagan Market</u>				
Bidhan Sarani	81 82	21600	74969	12164.96
<u>Rabindra Sarani</u>	305A 305B	7726	13448	1465.64
TOTAL		250346	261195	41276.00

Source: Information collected from D.C. (Markets) and Assessor, Calcutta Corporation.

TABLE IV.2

Private Markets of Calcutta Corporation
Rateable Value and Tax Payable

Division	R.V.(current) (Rs.)	Proposed R.V. (Rs.)	Tax payable annually (Rs.)	Annual tax as percent- age of R.V.
	(1)	(2)	(3)	(4)
I	275019	373193	44579.28	16.21
II	254705	516910	39494.04	15.51
III	658555	967439	91290.68	13.86
IV	86003	143410	13559.12	15.77
V	974854	1578162	156084.68	16.01
VI	103463	151460	16354.56	15.81
VII	101529	162630	15662.60	15.43
VIII	7452276	20588794	1213186.60	16.28
IX	426407	566115	69191.48	16.23
X	190929	352664	29636.64	15.52
XI	62553	101600	9164.60	14.65
XII	32537	66423	4409.32	13.55
XIII	310638	289575	33303.04	15.81
XIV	175911	228015	28457.16	16.18
XV	248088	365861	40174.56	16.19
XVI	165807	289218	25688.84	15.49
Tollygunge	85616	-	11626.56	13.58
TOTAL	11504890	26741478	1841863.84	15.87 16.01

Source: Information collected from D.C.(Markets) and Assessor, Calcutta Corporation.

4.17 The levy of a tax at a flat rate per sq.mt. -- even though the rates would vary between different zones or areas -- might be challenged on the ground that it is iniquitous as it would not provide reasonable classification among taxpayers in dissimilar circumstances. This argument, however, can be met by pointing out that it is a tax on the commercial use of property and no one would be compelled to pay it unless one uses any space in the city for commercial purposes, just as no one is compelled to pay sales tax unless one buys a product liable to the tax. Besides, the tax would be intended to serve a useful economic purpose, namely, promoting the optimal use of urban land which is a valuable asset of the community. It can also be argued that commercial use of urban space entails certain costs to the community in the form of congestion, influx of people from outside (floating population) and so on, and the best index of such cost is the size of the space occupied by a business premises. Thus, since the tax would be related to the objective in view, there should be no valid legal objection to its levy. It is also relevant to recall that while requiring that a reasonable classification among taxpayers must be made while taxing persons in dissimilar circumstance, courts have laid down that a classification would be regarded as reasonable if (i) it is based on an intelligible criterion or differentia and (ii) the differentia has a rational relation to the object sought to be achieved by the statute in question. While ruling the Mysore Buildings Tax Act as unconstitutional because of absence of reasonable classification -- it was levied at a flat rate per unit of area -- the court had observed (Bhuvaneshwariah v. State of Mysore):

The classification adopted appears to be a mechanical formality devised in a haphazard manner as cover for raising money. It does not disclose differentiation on account of the burden being heavy in some cases and light in others -- the object of the Act is not to limit the floorage of the buildings in towns but to raise public revenue. Therefore, the classification on the basis of the floorage has no relationship with the object of the ACT."

4.18 It may not be wrong to infer from the observations quoted above that the court might have taken a different view had the objective of taxing on the basis of floor space been to counter urban congestion or some other clear and definite objective and not merely raising revenue. Since the levy of tax on commercial use of properties would have some definable objectives in view, viz., (i) elimination of subjectivity and inequity in assessment and (ii) promoting efficient use of land and also reducing congestion in specified areas (such as in Dalhousie Square-Esplanade), it may be contended with good reason that it would not involve any violation of Article 14. Besides, although taxes are usually levied with reference to some index of the ability to pay, not unoften, departures are made from strict adherence to the ability principle in pursuit of objectives of social and economic policy. Hence to insist that no tax on land or building can be levied except with reference to actual rental value would not be reasonable since that would rule out the levy of a tax on land or building to achieve objectives like reducing congestion and pollution. Such a stand would also imply a pre-supposition that no tax can be levied except on a net income or output basis, which, as Justice Sarkar pointed out in a dissenting judgment in the celebrated

Moopil Nair's case (K.T. Moopil Nair v. State of Kerala), would have very far-reaching consequences. To quote Seervai, the noted authority on Constitutional Law, "it would lead to the conclusion that unproductive land cannot be taxed at all which would mean that the State's power to tax land would be inoperative in respect of unproductive land" (Seervai, H.M. 1975, vol. 2, p. 414), and also it would rule out the levy of even sales tax and excise. Thus a tax on commercial use of property at a flat rate per unit area differentiated according to zones should be legally sustainable.

4.19 Both the BM Act as amended by the BM Amendment Act, and the HMC Bill provide for the levy of a surcharge at such rate not exceeding 50 per cent of the consolidated rate as the Commissioners or the Mayor-in-Council may from time to time determine on any land and building, used wholly or partially for commercial, industrial or any other non-residential purposes (Section 124(2) of the BM Act and Clause 88 of the HMC Bill). While the incorporation of these provisions marks an improvement on the existing situation and should help to augment the revenues of the Municipalities and other municipalities of the State, linking the commercial surcharge with the AV of the holdings via the consolidated rate may act as a drag on the realisation of a significantly larger revenue from commercial holdings than at present as long as the AVs continue to be underassessed. Hence, it would be desirable to impose a separate tax on commercial use of property at a flat rate per unit area with different rates fixed for different zones, as suggested above for Calcutta. This would avoid the problem of revising the AVs of commercial holdings and also the

inequities which might be compounded if a surcharge is levied on the basis of the current AVs because of the disparities prevailing in the standards of assessment at present.

iii. Take over and periodical auctioning of private markets

4.20 For a few markets where the number of floating vendors is large and the daily takings from such vendors are quite substantial, but the rental income of the landlord is difficult to ascertain or establish with adequate evidence, it would be expedient for the Corporation to take over the market and auction the right to run it periodically, say, every five years. Taxing properties like these markets on the basis of proveable rental value cannot get at their real earning capacity even with the best of intentions. As noted in Chapter I, there are markets in Calcutta which operate day and night with thousands of vendors coming and selling their product on payment of a rent or fee on a daily basis. There is just no way of determining the correct amount of income earned by the landlords of the markets from such vendors. The Corporation should be able to increase its revenue by more than Rs 1 crore a year if it takes over only half a dozen such markets in the city.

4.21 Another alternative for the Corporation could be to take-over such markets and run them by its own staff in the same way as the municipal markets. However, the cost of running the markets seems to be much too high to make it remunerative for the Corporation to run them. A better course, therefore, would be to auction the right

to run these markets periodically to the highest bidder. Those who take the lease of the market for the stipulated period should also be entitled to receive the rent from the permanent stall holders who, however, should be subjected to the tax on commercial use of property proposed earlier at the rates applicable to the area where the market is located. A similar system for private markets in the municipalities also would help to step up the revenues appreciably within a short period. Markets in Howrah offer particularly good scope for raising revenue in this way because of their size and the volume of transactions which take place in them. The practice of auctioning such rights is not unknown e.g. in the case of ferries and liquor shops. Experience shows that it can work well.

iv. Treatment of owner-occupied property

4.22 As noted in Chapter I, the annual value of owner-occupied properties is generally assessed a little leniently. The preferential treatment of owner-occupied houses, however, does not have any legal sanction. There is nothing in the statute which authorises this practice which has come to prevail almost by an unwritten convention. The concession that is to be allowed for the owner-occupation is also not specified anywhere either in the CM or BM Act or in any written code. In the guideline issued by the Administrator of the Calcutta Corporation in 1973 it was mentioned that premises not let out and in the occupation of the owner should be assessed on the basis of the value of land and cost of construction of the building and the gross annual rental should be determined at the rate of 6 per cent of the same. Where the premises are

partly let out and partly occupied by the owner, the ARV of the owner occupied portion should be assessed as if he was "the oldest tenant and the fair rent of the owner's portion should be determined on the basis of rent paid by the old tenants of the locality". The guideline goes on to say that "in other words the fair rent of the owner's portion of the building will be somewhat less than the actual rents paid by the tenants of the same building". The concession to be actually allowed to owner-occupied properties is thus left entirely to the discretion of the assessing officer. It hardly needs pointing out that apart from being a source of inequity, a concession which can be granted by the assessing officers at their discretion and without any specified limit is unhealthy for any tax administration.

4.23 While the practice of according preferential treatment to owner-occupied properties is widespread in India and is prevalent in most cities, it should be realized that this practice can be a source of not only horizontal but also vertical inequity in the property tax system. Our survey of some of the relatively homogenous residential areas shows that the assessed values of similar structures vary widely as between rental and owner-occupied premises. Sometimes, the assessment of owner-occupied property is about 1/5th to 1/3rd of that for non-owner-occupied properties. Since many of the owner-occupiers are generally in higher income classes and the concession becomes more substantial for relatively large properties, the discrimination in favour of owner-occupation may heighten the regressivity of the property tax system. As Bahl points out, the rationale of this

feature of the property tax is difficult to appreciate since the property tax rate structure is graduated presumably to cast a larger tax burden on higher income residents (Bahl, R. 1979), although there may be a case for some concession for owner-occupation of relatively small properties to avoid hardship to widows and pensioners living in their own houses.

4.24 Preferential treatment of owner-occupied houses is also questionable on efficiency grounds. Such concessional treatment encourages wasteful use of housing by permitting owner-occupiers to retain a larger proportion of built-up space than is strictly needed by them. This practice is all the more indefensible in the case of properties owned by business concerns. The loss to the municipal authorities as a result of the concessional treatment of owner-occupied premises must be considerable, as may be seen from the instance of one such premises given in Chapter I. Therefore, the annual value of owner-occupied properties should be assessed on the basis of the maximum realisable rent. If, however, owner-occupation is to be treated favourably to avoid hardship, the rebate or allowance to be given should be specified in the law and such allowance should be restricted only to properties occupied by the owner for his own residential and not commercial purpose.

4.25 The CMC Bill permits in the case of owner-occupied holdings a deduction of (a) thirty per cent where the gross annual rent does not exceed Rs 600 and (b) where it exceeds Rs 600 at rates reduced by one percentage point for every Rs 600 so that no rebate will be available for properties of which the gross

rent exceeds Rs 13,000. Also no such reduction will be allowed unless the property is used for residential purpose or if the total covered area exceeds 100 square metres or where a person owns or occupies more than one plot of land or building or portions thereof within the municipal limit of Calcutta (vide provisos to Clause 169(1) of the Bill). Provisions like these are long overdue and should go a long way to bring some uniformity and fairness in the assessment of owner-occupied properties. The High Level Expert Committee on Madras Corporation Administration (1978) recommended that no concession should be given to owner-occupied properties with annual value exceeding a specified limit of say Rs 5000 (vol. II, p.293).

4.26 The measures for reforming the basis of assessment of owner-occupied dwellings proposed under the CMC Bill referred to above are absent in the HMC Bill and the BM Amendment Act. The relevant provision of the HMC Bill runs as follows:

"The annual value of any building not erected for letting purposes and not ordinarily let, shall be deemed to be 5 per cent on the sum obtained by adding the estimated present cost of erecting the building less a reasonable amount to be deducted on account of depreciation (if any), to the estimated present value of the land valued with the building as part of the same premises".
(Clause 89 of HMC Bill).

It is also provided that for this purpose instead of 5 per cent of the present cost of the building (net of depreciation) a lower percentage may be taken under exceptional circumstances where the AV does not exceed Rs 500, but such a holding may be revalued any time after the exceptional circumstances cease to exist (proviso to clause 89 of HMC Bill).

Assessment of owner-occupied properties under the BM Act proceeds on the basis of reasonable letting value. Assessment on the basis of capital value is permissible under the BM Act only where the rental value cannot be easily estimated.

4.27 The provision of the HMC Bill contemplating the assessment of owner-occupied buildings on the basis of the present value of the buildings plus the present value of land seems to be a rational one and should help to promote optimum use of space and reduce waste of scarce accommodation in urban areas. Only the rate of return to be imputed on the value of land and building, that is, 5 per cent seems to be a little too low. The proper course would be to take the rate of return at 9 per cent as provided for in the BM Act for holdings for which the annual letting value cannot be easily determined but at the same time some concession on the CMC Bill pattern, that is, a deduction of 30 per cent where the gross annual value arrived at on the land and building method does not exceed Rs 600 may be allowed. This pattern may be followed in the municipalities (ie., introduced in the BM Act) too. It is difficult to see why the district municipalities should follow the Calcutta practice of assessing owner-occupied properties on gross rental basis while a different method is thought more appropriate for Howrah. The Howrah pattern seems to be more suitable for the municipalities. Some concession should be provided upto specified limits for owner-occupied holdings on the pattern of provisions in the CMC Bill with suitable variation in the limits upto which the concession will be given to take account of differences in rents and property values in different towns.

v. Assessment of vacant land

4.28 Section 168(2) of the CM Act 1951 provides that:

"If the gross annual rent of any land not ordinarily let cannot be easily estimated, the gross annual rent of the land for the purpose of sub-Section (i) shall be deemed to be 5 per cent of the estimated present value of the land".

In terms of this provision, vacant land in Calcutta is assessed at 5 per cent of the capital value of the land. A strict application of this provision would require that for purpose of assessment of properties, wherever the annual rental method cannot be followed and the annual value has to be determined on the basis of the capital value, so far as the land is concerned, the annual value should be taken at 5 per cent of the estimated present value of the land. In practice, however, vacant lands in Calcutta are seldom assessed at their current market value. Where the land has changed hand and the sale price is available, 5 per cent thereof is taken as the annual value. In all other cases, the land is valued at the original cost and on subsequent revisions not more than 10 per cent increase is usually made.

4.29 Land in a city like Calcutta is an extremely precious asset and the cost of its sub-optimal use is very high for the community. Whatever may be the immediate distributional consequences, use of the property tax as an instrument of inducing efficient use

of vacant land can on no account be objected to. The current practice of assessing vacant land mostly at the original cost which may be a small fraction of the current value of the asset and that too at 5 per cent thereof when the rate of return on safe investment like bank deposits is 10 per cent leads to inefficient use of land and also speculation. Taxation of vacant land calls for reform in two directions: (i) it is necessary to ensure that the present value of the land is estimated at a value to approximate as nearly as possible the market value and (ii) the rate of return to be applied to the capital value should be brought on par with the current yield of safe investments.

4.30 The CMC Bill provides for the assessment of the annual value of vacant land at 7 per cent of the estimated market value of the land (Clause 169 (2) of the Bill). Determination of market value is not an easy task especially in view of the practice of under-stating the real values in transfer deeds. The comparative sales method thus may not be of much avail in every case. Nevertheless, transactions in land and buildings are entered into by the Government or semi-government agencies on a fairly large scale. Auctions are held for land owned or developed by authorities like the Improvement Trust or the Calcutta Metropolitan Development Authority (CMDA). Matters relating to valuation are decided from time to time by the Land Acquisition Collector or the appropriate Appellate Authority while settling claims for compensation for land acquired for public purposes. If data regarding these are collected

on a systematic basis, it should be possible to build-up an adequate data base for valuation of land in different localities. With the creation of the Central Valuation Board (CVB), it may be expected that this task will now be taken over by that agency. The significant revenue to the Calcutta Corporation which might accrue from even a modest effort towards revising the value of vacant lands upward to bring them in line with the current market values can be seen from the data according to estimates available from the returns of excess land submitted under the Urban Land (Ceiling and Regulation) Act, 1976, out of 90,000 sq. metres were declared as vacant and in 50 cases for which notice for acquisition had been issued of a total of 3,315 cases where returns have been filed with the competent authority. Roughly, the area of vacant land covered in these cases worked out to about 1520 sq. metres each. Assuming that the average area of vacant land per case is 1500 sq. metres, the total area in 3315 cases comes to about 50,00,000 sq. metres or about 7000 acres.

4.31 The need for a proper assessment of vacant land is even more urgent for the municipalities including Howrah since a considerable area of land is lying vacant within their jurisdiction as may be seen from Table V.3, and also from the case studies presented in the appendix to Chapter II. For this purpose the system of assessing vacant land on the basis of reasonable ground rent seems to be inefficient as it is not easy to capture through ground rent either the high value of urban lands and the gain accruing to the owners through their appreciation or the cost to the community because of sub-optimal use of such lands. In this

TABLE IV.3

Particulars of Vacant Land in Calcutta and Other Urban Agglomerations of West Bengal as Declared Under Urban Land (Ceiling and Regulation) Act, 1976

Name of the competent authority	Section 10					Section 10					Section 10	
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	Number of statements received s/o S(1)	Number of statements taken up s/o S(1)	Number of statements prepared s/o S(1) and served parcel	Number of final statements/s statements prepared s/o S(1)	Number of cases in which notification published	Area involved (in sq. metres)	Area involved (in sq. metres)	Area involved (in sq. metres)	Number of notifications sent to the press	Area involved (in sq. metres)	Number of cases in which notification published	Area involved (in sq. metres)
Calcutta	5,315	1,628	238	68	52	89,121,077	45	56,370,931	33	35,776,01	22	26,981,52
Barrackpore	3,696	720	109	93	91	1,66,159,33	23	99,299,31	23	99,299,31	9	40,188,45
Barrackpore	3,053	1,224	279	71	66	3,76,188,96	25	1,71,680,21	18	1,32,353,45	18	1,32,353,45
Sancti	787	727	56	22	17	11,532,15	5	2,119,42	3	1,600,84	Nil	Nil
Alipore	7,698	572	230	97	69	96,516,13	21	35,651,04	21	35,651,04	16	28,368,50
Howrah	3,496	818	89	51	53	1,17,116,86	31	96,285,08	22	88,220,76	9	6,534,83
Uttarpara	538	495	62	14	14	17,407,36	5	3,036,06	5	3,036,06	5	3,036,06
Serampore	1,336	689	161	24	24	2,123,68	9	6,442,62	9	6,442,62	4	3,631,52
Chandernagore	1,577	370	155	115	50	1,31,497,72	27	77,356,60	17	89,877,90	2	19,886,93
Howrah Sadar	2,038	326	135	24	20	1,94,650,33	13	1,88,867,26	9	95,999,09	7	90,477,77
Purba Medinipur	122	122	96	51	51	1,93,583,13	47	1,69,778,63	40	1,89,527,42	40	1,09,527,42
Howrah	68	67	25	11	12	95,802,96	11	95,231,89	6	47,231,89	Nil	Nil
Tota	29,724	7,788	1555	641	518	15,20,792,907	272	10,04,129,051	206	6,58,891,06	138	4,68,892,46

Source: Land and Land Revenue Department, Government of West Bengal.

respect, the provisions of the BM Act (as amended by the BM Amendment Act) and of the HMC Bill requiring the assessment of vacant lands at an amount not exceeding 5 per cent on the estimated present value of the land are undoubtedly an improvement on the earlier provisions of the BM Act which permitted only reasonable ground rent to be taken into account. However, the rate of return of 5 per cent stipulated for the computation of AV seems to be a little too low considering that the rate of appreciation of land has been more than 10 per cent per annum in all important urban areas of the country. Perhaps, the rate of return could be varied from 5 per cent to 9 per cent according to the class of the municipality. It may be noted in this context that the amended BM Act requires that in the case of a building of which the gross annual rental cannot be easily estimated or ascertained, the AV shall be deemed to be an amount not exceeding 9 per cent of the value of the building on such holding at the time of assessment plus a reasonable ground rent for land comprised in the holding. It is to be noted further in this context that sizeable areas of vacant land are retained in many holdings particularly industrial units and in such cases the AV has to be determined on the basis of reasonable ground rent of the entire area of land comprised in the unit even though most of it may be lying vacant. As may be seen from the study of assessment of some of the holdings in Kamarhati, this results in gross undervaluation of vacant land with consequent ill effect on the efficiency of land use. There is no reason why the AV of the land comprised in a holding having a building on it should not be assessed by applying the prescribed rate of return on the estimated present value of the land as is now prescribed in the BM Act for holdings containing only vacant land and also as laid down in the HMC Bill.

.vi. Inclusion of plant and machinery in land and building

4.32 Under the CM Act 1951, in calculating the value of land and building the value of any plant or machinery enumerated in a Schedule to the Act was included. The CMC Bill does not contain any such provision. On a strict interpretation of the law, the terms "land" and "building" do not include plant and equipment except those needed to make the property useable. Besides, as the Commission on the Reform of Property Taxation in Ontario (1977), known after its chairman as the Blair Commission, observed:

"As a matter of practicality rather than of principle, one may well point to the administrative difficulties inherent in a tax upon personal property. Real property is fixed in nature. A building does not wander about. A lathe may well be moved". (p.10).

Hence the Commission recommended that for municipal assessment, property should include land and any building or other structure on it including only such machinery and equipment as is a part of such building and is used or required for the functional operation of the building (recommendation number 1.R.1, p.11).

4.33 It may be added that in Bombay also by virtue of Section 154 (2) of the Municipal Act, the value of any plant and machinery contained or situated in or upon any building or land is not included in the value of such land and building assessed on CV basis. However, in estimating the rent which a hypothetical tenant would pay, the enhancement in the letting value of the premises

resulting from the presence of the machinery can be taken into account provided such machinery is essential for making the premises fit for the purposes for which they are meant, such as a lift or a pump (Rele, R.G. 1977, p.42).

4.34 The Municipal Finance Enquiry Committee of Karnataka (1975), however, favoured the assessment of plant and machinery for local property taxation. In their view, though the entry in the Constitution empowering the States to levy the tax refers only to lands and buildings, "there can be ^{no} objection if Plant and Machinery including furniture is included for purposes of assessing capital value on which a reasonable rate of 6 per cent could be assumed for assessing the rental value" (p.147).

4.35 Industrial use of land and building entails costs to the community which are external to the enterprise. Therefore, an additional tax on industrial properties is not unjustified. Inclusion of plant and machinery in the base of property tax is one way of imposing such a tax. However, the restrictive manner in which the value of plant and machinery was so far included in the base -- only those specified in a schedule of the CM Act was includible -- undermined the efficacy of this method. Also, the Corporation does not have any special cell or staff specialised in the valuation of machinery. Usually, the value disclosed in the balance sheets is relied upon. A better way of taxing industrial use of property would be to levy the tax on the AV of land and building used for industrial purposes assessed on the basis of present capital value and then impose a surcharge on it depending on the type of industry and the social cost it entails or to lay down separate rates of tax for industrial/commercial use as in Delhi. With a tax on

commercial use of urban space with special rates for industrial use, as proposed in recommendation (ii) above, there may not be a strong case for a separate surcharge for industrial use. However, until such a tax is levied, a surcharge on the consolidated rate for industrial or commercial use of land and building with special rates for industries of a special category, e.g., those causing pollution or commercial purposes like cinema, restaurant, etc., may be imposed on the occupier and the value of plant and machinery may be included in the rateable value where it is assessed on the basis of capital value. With a separate tax or surcharge on industrial use of holdings, however, there would be no case for including the value of plant and machinery in the rateable value.

vii. Land and building method where rental value cannot be determined easily

4.36 The CM Act of 1951 provided for the assessment of the annual value at the rate of 5 per cent of the cost of construction and market value of land in cases where gross annual rent cannot be easily determined. There is no such provision in the CMC Bill except for properties used for hospital, educational purposes or sports. It may be helpful to retain the provision of the CM Act, 1951 as difficulties may arise in the determination of rental value in many cases apart from properties used for hospitals or educational purposes. It should be ensured, however, that market value and not the original cost of land is taken for valuation in such cases.

b. Measures for improving the administration of the property tax

i. Guidelines fixing norms for valuation

4.37 For bringing about any appreciable improvement in the administration of the property tax in Calcutta, or for that matter in the municipalities of West Bengal, the first important step would be to formulate guidelines for valuation of properties indicating broadly the range within which the annual value of properties has to be fixed by assessors. While, for reasons already discussed, it may not be possible, for the present, to fix any norm for valuation by law, there should be no legal objection if a range of values or at least the minimum value to be adopted for valuation is laid down as a guideline for the assessing staff

4.38 The guidelines should specify (a) the minimum rate of rent to be taken per unit of covered area in different localities for two or three broad classes of structures, depending on the material used for walls and roof and (b) allowance to be made for the age of the building at given rates per year. The norms so laid down should be regarded as the minimum and any departure from the norms beyond a specified margin -- 10 per cent -- should be referred to a designated senior officer of the rank of Deputy Assessor. The guidelines should also specify the range of values for land in different localities and also the rates of cost of construction for different types of constructions to be

adopted for assessment made by the CV method as in the case of vacant land and properties whose rental value cannot be easily determined. The guidelines should be revised every year or at least once in two years and all adjustments made during the period for which the guidelines would remain in force should be made by following the norms laid down. Formulation of guidelines will require collection and maintenance of data on rental values, land prices and construction costs. With government semi-government agencies hiring or constructing buildings on a large scale, there should be no difficulty in working out the norms for every locality. In the districts, it was gathered, rate lists of land values are maintained by the collectorates of the State government for determining the amount of compensation to be paid for land acquired for public purposes. These should furnish a good basis for fixing the norms of valuation.

4.39 Guidelines indicating norms of maximum and minimum rent for different areas are in vogue for several years now in Bombay and seem to be working well. These norms apply only to properties not subject to rent control in Bombay. Besides, the norms are fixed generally at a moderate level and that may be an important reason why they are not contested on a large scale. Nevertheless, this practice and also the working of standardised valuation method in Kerala show that it is possible to work out norms of rental values after allowing for variations related to locality, type of structure and age of the building. There is no reason why such norms cannot be worked out at least for newly constructed properties in Calcutta and other towns. For older properties the

guidelines can specify the allowances to be made for age, type of structure and other relevant factors.

4.40 Norms for the value of land in different localities of Delhi are fixed by DDA every year for purposes of computing the unearned increment element in the value of houses in Delhi at the time of transfer. The objective underlying the formulation is to reduce the scope for subjective judgment and manipulation. Extracts from the circular issued by DDA in January 1981 fixing such norms are given in Appendix I to this Chapter. With the creation of a Central Valuation Board, the task of formulating the guidelines can be entrusted to the Board (CVR) both for the corporations as well as for the municipalities. The possible role and functions of the CVB are discussed in some detail in a subsequent section.

ii. Measures to streamline assessments

4.41 A modern system of tax assessment relies more on automatic compliance on the part of taxpayers with selective checks and severe penalty for misdemeanour. The system works on information filed by the assessee which is initially accepted but verified later on a random but systematic basis. Any one found to have concealed facts or furnished wrong information is punished with fines and imprisonment in suitable cases.

4.42 It would help improve the existing system of property tax a great deal if particulars of property (land, area, covered area, description of the building, its age, rent received and paid, name of tenant, etc.)

were obtained regularly from all owners and occupiers regularly (at least once in three years). In many cases assessment could then be made on the basis of the particulars filed and the norms of rent fixed for different areas. Cases could be picked up on a sample basis and those found to have made a false statement or concealed facts could be penalised. Cross checking the rents shown as received by landlords with information furnished by tenants would itself prove wholesome for property tax assessments. If this system was introduced, it would not be necessary to inspect all properties at the time of every general revision. A sample of 2 per cent, i.e., roughly 3000 cases may be taken up for thorough scrutiny annually as against some 24,000 cases required to be assessed under general revaluation every year. All new constructions and properties having a rateable value of more than Rs 12,000 should, however, be subjected to thorough scrutiny at every revision. Particulars furnished by the taxpayers should be computerised to facilitate formulation of norms, assessment in individual cases and periodical revision. With a system relying more on self-assessment, revisions may be carried out once in every three years if not more frequently. Without a drastic change in the system of assessment and revisions as proposed above, it will not be possible to improve the system of property taxation as it is operating at present with a huge backlog of objections against proposed valuations and revaluations continuing on annual values which are yet to take effect.

4.43 If a system of self-assessment such as the one suggested above is to work smoothly, there must be an

effective obligation on both owners and occupiers of lands and buildings in a municipal area to furnish all relevant particulars of the land or building owned or occupied by them. The CM Act 1951 contains a provision empowering the Commissioner to call for a return of the measurements and of the rent or annual value of the land or building from the owner or occupier of any land or building (Section 177). The Commissioner can also ask for returns of gross receipts from the owner or occupier of any building used as a public cinema house or for public amusement. There is also an elaborate form prescribed for the purpose. But such returns, it appears, are asked for usually from owners of large holdings only. The penalty prescribed for non-compliance with this requirement is also too mild (Rs 200 only) to make it effective. Moreover, no one seems to have ever been subjected to any penalty for non-compliance. The CMC Bill also contains a provision authorising the Commissioner to ask for a return in such a form as may be prescribed in the case of new assessment as well as where any revision is to be made (Clauses 175 and 176 of the Bill). Failure to comply with this requirement in the case of a new assessment would entail penalty which will now be Rs 300 (vide Schedule VII to the Bill) but in no case shall the penalty exceed 25 per cent of the tax payable. The BM Act also provides for calling for a return from the taxpayers in a prescribed form (Form "B"), vide Section 134 of the BM Act. The CVB is also authorised to call for particulars from taxpayers (Section 16 of the West Bengal Central Valuation Board Act 1978), failure to comply being punishable with simple imprisonment of up to six months or fine of Rs 1000.

or both or, in the case of continuing default, daily fine not exceeding Rs. 50 per day (Section 25 of the Act). These provisions would need to be implemented vigorously if the system envisaged here is to work.

4.44 Simultaneously, the Inspection Book and Assessment Book maintained in the Corporation should be modified to ensure that particulars of properties especially total land area, covered area, and floor space of each holding are entered in the books. The forms prescribed at present for the Inspection Book and the Assessment Book contain columns for "Description of Premises" under two sub-heads, viz., "No. of Storeys" and "Description". Rarely, however, is any information about floor space available from the Inspection Book or the Assessment Book. Only the number of rooms is mentioned. This makes it difficult to sustain assessments and also provides scope for malpractice. The CM Act, 1951 (as also the CMC Bill) requires the maintenance of a Municipal Assessment Book where particulars of premises, their description, names and addresses of owner and occupier, amount of valuation, tax payable, fact of exemption if any are to be entered. The HMC Bill also contains a provision requiring the maintenance of a Municipal Assessment Book. Proper maintenance of such a book is essential for efficient administration of the tax. The system of keeping records of assessment would be greatly facilitated if use is made of modern aids like computers. This is an area where it would be shortsighted to shy away from computerisation on grounds such as adverse effect on employment. The staff engaged in the maintenance of records can be deployed for more productive work such as investigation and scrutiny of selected cases, checking of returns and

so on or in providing better civic services which a better yield of the property tax might enable the Corporation to provide to its citizens. These observations apply equally for the municipalities.

iii. Coordination between Building Department and Assessment Department

4.45 If the scheme of assessment proposed in the preceding paragraphs is to operate efficiently, there should be greater coordination between the Building Department and the Assessment Department. Whenever a new building plan is sanctioned, a copy of the plan should be forwarded to the Assessor who should keep watch and on completion of the building check the particulars furnished for assessment purposes with the plan. ~~The~~ *Staff* of the Assessment Department should be suitably trained to carry out such checks. When the CVB takes up the responsibility for valuation, such particulars should be furnished to the CVB. Again, any infringement of the rules regarding construction of buildings, failure to furnish information regarding completion of constructions and so on should be subjected to prescribed punishment. The municipalities too should ensure better coordination between their building department and the assessment department.

iv. Centralisation of valuation and coordination with other valuation agencies

4.46 The three ingredients of desirable change and adjustment of the property tax administration suggested

by experts are: professionalization, centralisation and computerisation (Lynn, A.D. Jr., 1969, p.9). Recognition of the need for professionalisation and centralisation of valuation for municipal taxation in West Bengal is evident in the creation of the Central Valuation Board under the West Bengal Central Valuation Board Act, 1978 (CVB Act). Creation of such an agency had been recommended by several committees beginning with the Local Finance Inquiry Committee (1951). Although the experience of centralisation has not been too encouraging in some of the States where this has been tried (e.g., Orissa), it is to be hoped that centralisation will help to bring about significant improvement in property tax administration in West Bengal.

4.47 Since valuation of properties is required to be made for several purposes such as levy of wealth tax and estate duty which are taxes administered by the Centre and stamp duty which is administered by the States, there should be greater coordination among the valuation agencies of the Central and State governments and those of local authorities. Such coordination would be to the advantage of all concerned. At present the different agencies work almost in isolation. This facilitates concealment of facts. It is possible for a taxpayer now to get away with a low municipal assessment of a property on the plea that it has been assessed on low value for wealth tax purposes or stamp duty and vice versa. Such coordination would also help to make a better assessment of the annual value of cinemas and restaurants for which the assessment is made on the basis of gross receipts. It may be necessary to amend the Central laws

relating to income-tax and wealth-tax to permit such exchange of information. There should be no objection on the part of the Centre to such amendments as these would help the better enforcement of the direct taxes in the country.

iv. Reform of assessment and appellate procedure

4.48 The assessment and appellate procedures should also be reformed. At present, in Calcutta objections can be raised against a proposed assessment and such objections are heard by special officers appointed by the State government. These officers are generally drawn from relatively junior levels of the judicial services and they do not possess any specialised knowledge or training in valuation. Valuation is essentially a technical matter and it would be desirable to constitute a separate authority to hear objections against assessments.

4.49 The CMC Bill 1980 contemplates the creation of a Municipal Assessment Tribunal consisting of not more than five members to decide appeals against an order passed by the Special Officer (clause 181). The CVB Act, on the other hand, provides for filing of appeals against assessment made by CVB before a Review Committee. Apart from the anomaly of an appeal being heard against the CVB's orders by a Committee in which the President of CVB is also a member, it is not clear what would be the functions of the Municipal Assessment Tribunal vis-a-vis assessments made by the CVB. While the trend towards centralisation and professionalisation in

the matter of property valuation which the creation of the CVB signifies is to be welcomed, the assessment and appellate machinery need to be overhauled and the manner in which the machinery will function should be laid down clearly. Instead of having a tier of special officers to hear objections against proposed valuations it would be better to have the assessments made in the first instance by an Assistant Assessor in cases where the AV does not exceed a specified limit. Bigger cases should be handled by Deputy Assessors. When the norms of valuation are laid down, the standard actually adopted by the Assistant Assessor should not depart from the norms by more than a specified limit, say, 10 per cent. A higher margin (say 20 per cent) may be laid down for Deputy Assessors. Provision may be made for the review of the assessments made by the Assistant Assessor and the Deputy Assessor by the Commissioner or the Municipal Assessment Tribunal. Review of cases where the AV is relatively large may be made by the CVB but without any Councillor of the ward concerned on the Review Committee. There is no reason why valuation matters should go before civil courts for adjudication. The powers of the Commissioner to revise an assessment done by the Assessor existing under the CMC Act, 1951 should continue. These powers provide a check against gross distortions in valuation. The possible role of the CVB in the assessment and the review process of the municipalities of West Bengal is considered further in another Section.

Assessment in special cases

4.50 The proposals put forward above should help to improve the system of property taxation generally. Special problems are encountered in the assessment of certain classes of properties which need to be tackled on a separate footing. These are (i) Government properties (ii) properties of Port Trust authorities (iii) bustees and (iv) multi-storeyed buildings.

i. Government properties

4.51 Central government properties constructed before April 1937 pay the property tax at rates assessed before that date. Properties constructed after April 1, 1937 pay only service charges. Several Committees appointed by State governments to study municipal finances have taken the view that Central government properties should bear the property tax like any other property (vide, for example, Municipal Finance Commission of Maharashtra, (1974), Chapter VIII and Municipal Finance Enquiry Committee of Karnataka, (1975), Chapter X-A). On efficiency grounds, there is no doubt a case for subjecting all properties, whether under government or under private ownership, to the property tax. After all, the tax reflects the cost of financing municipal services and efficient allocation of resources requires full accounting for all such costs. Taxation of government properties is needed also to reflect the cost of underutilisation of land in government ownership or occupation. However, this argument loses its force

when the property tax is levied in the form of a general tax and that too at progressive rates. Hence, while accepting the logic of extending the property tax to government properties, it is suggested that in addition to service charges, these properties should be subjected to the general property tax at the minimum rate. The assessment of government properties should be made by the land and building method. State government properties are assessed at present in this way. The same procedure may be followed for Central government and Railway properties too. All government properties should also be required to pay the tax proposed for non-residential use of properties. Only Defence and Police establishments may be exempted.

ii. Port Trust properties

4.32 Port Trust properties present a special problem because of their special nature and also because a substantial area of land belonging to the Port Trust is leased out for commercial purposes and the Port Trust receives rent for the land only on which structures have been erected by the lessees. The Port Trust now pays Rs 75,000 per annum for the land. Annual revision of Port Trust properties was held up for several years because of lack of agreement about the basis to be adopted. However, it is understood that a tentative agreement has since been reached and the tax will go up from Rs 75,000 to Rs 10 lakh per annum. Considering the peculiarities of Port Trust properties, there seems to be no alternative but to assess the properties on an agreed basis. Again, the

tax on commercial use of properties, if imposed, should apply to Port Trust properties as well. It may be noted in passing that the Local Finance Enquiry Committee (1951) and, more recently, the Municipal Finance Commission of Maharashtra (1974) suggested that Port Trusts should pay the municipal taxes as a percentage of their gross revenue as is in vogue in Madras (MFC, Maharashtra, para 8.22). The Karnataka Municipal Finance Enquiry Committee (1975) also supported this suggestion (p.155). The matter requires further examination before it can be adopted in Calcutta. However, it is not gone into further as it is basically a problem peculiar to properties belonging to a particular public authority and an amicable basis for assessment of these properties in Calcutta seems to be in sight.

iii. Bustees

4.53 A "Bustee" is defined in the CM Act 1951 as a collection of huts on more than 10 cotahs of land having at least two tenants. "Huts" mean structures which do not have a pucca roof and plinth of more than 3 ft.

4.54 A bustee land is usually owned by a landlord while the structures are erected by the tenants called "Thika tenants". It is the Thika tenants who own the huts and let them out to occupiers. The gross value of a hut determines the tax payable by the hut owner. The gross value of huts is assessed by taking the annual rent receivable minus 50 per cent of the relevant rate of tax where no improvement is done by the CMDA.

Deductions are allowed also for ground rent and repairs. Thus, for a bustee having eight rooms in one hut and let out on Rs 309 per month, the assessment is made as follows:

Rs. 309 x Rs 12	= Rs 3708
Less 9.25 per cent (50 per cent of the relevant rate, that is, 18.5 per cent)	= Rs 343
	<hr/>
	Rs 3365 -----(A)
Less ground rent	Rs 86
	<hr/>
	Rs 3279
Less 10 per cent of the rental (A)	Rs 337
	<hr/>
	Rs 2942
	<hr/>

4.55 The assessment of a bustee is made by adding up the net value of the hut and the rent paid for the land which in this case would be as follows:

Net value of hut	= Rs 2942
plus rent paid for land	= Rs 86
	<hr/>
	Rs 3028
	<hr/>

Tax payable on the net value of a hut is the liability of the hut owner. As regards the tax on the ground rent, 50 p.c. is payable by the tenant and 50 p.c. by the landlord.

4.56 For bustees only one bill is drawn up and sent to the landlord but the amount is split up and the respective shares of the landlord and the Thika tenants are shown in the bill. Where the land is occupied by the owner, (not leased to a Thika tenant), the valuation is made by assuming some rent, that is on a notional basis.

4.57 There are about 3500 holdings in Calcutta which come under the description of "bustee". Many bustees went outside the purview of the definition of a bustee because of a change made in the definition by the 1951 Act. Those on land of less than 10 cotahs ceased to be in the category of bustees since then. Under the CMC Bill, the property tax bill in respect of the huts will be issued to the Thika tenants themselves, that is, the hut owners. The squatters' colonies are assessed on a different basis.

4.58 The rate of tax on bustees is generally charged at a flat rate (see discussion on Rate Structure in the Section below). On efficiency grounds, assessment of bustees should be made on the basis of at least the value of the land as vacant land. However, because of the protection extended to tenants of bustees under

the Thika Tenancy Act, this would not be appropriate. Bustees developed by CMDA do not enjoy any substantial concession. The present basis of assessment of bustees does not call for any change.

iv. Multi-storeyed buildings

4.59 Assessment of multi-storeyed buildings ran into difficulty because of litigation by owners of flats in such buildings. There have been a series of cases against the assessment of flats in multi-storeyed buildings, the main contention being that even though the holding stands in the name of one owner, viz., a cooperative society, the assessment should be raised against individual owners of the flats. The matter has since been taken over by a special cell created in the Corporation and the system seems to be proceeding more or less smoothly. It would facilitate assessment of such flats if the cost of construction, acquisition and income recovered therefrom was checked with other tax authorities like the Income Tax Department is that assessments are made on the basis of established facts and unscrupulous persons cannot take advantage of the lack of knowledge on the part of one assessing authority of facts disclosed to another. The facility of separate assessment or apportionment should, however, be allowed only when the right of ownership of a flat in a multi-storeyed building is legally tenable.

Role and Functions of the Central Valuation Board.

4.60 Our study of property taxation in Calcutta and the municipalities of West Bengal in Chapters I and II shows that the present chaotic state of the PT in West Bengal is due not merely to the shortcomings of the base but also to the manner in which it is administered, that is, the system and procedures of assessment. As mentioned already, so far as the municipalities are concerned, quinquennial revision of assessments - generally referred to as "valuation" - is done by assessors appointed out of a panel maintained by the State government. After the list of such "valuation" is drawn up, an elaborate procedure is gone through for its validation. First, a public notice is issued for its inspection, and objections are invited; next, the objections are heard and then the list is authenticated. Unlike in other States, where the authority is sometimes delegated, in West Bengal the public notice is issued by Chairman of the municipal council, ^{4/and} the objections are heard by a committee of the council consisting of not less than three but not more than five members including the Chairman, called the Assessment Review Committee (ARC). The BM Act provides for the appointment of an Assessment Tribunal to take over the powers and functions of the ARC (Section 149 A) - and this is a unique feature of the West Bengal municipalities - but it remains inoperative. In Calcutta and Howrah the revisions are done departmentally but objections are heard in Calcutta by Special Officers deputed by the State government from ~~and~~ its judicial department while in Howrah it is the

4/ For an excellent comparative study of the practices followed in this regard in different States, see Malhotra, D.D. (1980).

ARC who decides the objections. Our study reveals how arbitrary and iniquitous the valuations made by the assessors and the revisions made by the ARCs are.

4.61 The system of getting the general revisions done by the panel assessors appointed on the basis of lowest tender has proved to be particularly damaging to the equity and elasticity of the property tax in the municipalities. To expect any one to do the valuation of a holding on a remuneration which works out to less than 50 p is simply ridiculous. That this system could not be allowed to continue any longer has been widely acknowledged. The creation of the Central Valuation Board through the West Bengal Central Valuation Board Act 1978 (CVB Act) reflects this recognition and the anxiety of the policy makers to reform the system of valuation and ensure a certain degree of uniformity in the standards of assessment for property taxation by local authorities throughout the State. For many reasons, the creation of a central agency to oversee the valuations made for municipal taxation is to be welcomed. However, the setting up of a central authority for purposes of valuation by itself cannot achieve the objective of improving the system of property taxation and make it more equitable and productive. It is necessary to be clear about the tasks to be assigned to the CVB and their relationship with the municipal bodies.

4.62 The tasks taken up by the CVB which has now been functioning for about two years are broadly the following:

- a) Appointment and monitoring of Consultants to advise on concepts to be adopted for valuation and matters related to the staffing pattern of the CVB;

- b) Assistance to the State government in matters of valuation and assessment;
- c) Study of the adequacy of the existing legal provisions and making suggestions for amendment; and
- d) Training of assessors, staff and others.

In order to formulate a model for valuation and assessment as well as for the managerial structure of the Board, the CVB has appointed some consultants, as desired by the World Bank. It is understood that in order to implement the concept of valuation contemplated in the CMC Bill, a tentative valuation **model has been evolved by** the consultants in which the rental value will be derived by taking into account the relative significance of factors like location, use, nature of construction, age of the building and so on. A sample survey is intended to be carried out in order to assess the weight of each factor in influencing the rental value. The managerial structure for the CVB will be finalised after the profile of work involved in the proposed valuation process is drawn up. As regards assistance to government in valuation and assessment work, the members of the Board have started visiting the municipalities and offering guidance in technical matters relating to valuation and assessment. The CVB has been meeting the Chairmen and commissioners of the municipalities in order to advise them on valuation and assessment. It has also met the institutions of engineers, architects, chartered accountants and cost accountants with a view to attracting good talent for assessment work in the

municipalities. Further, studies have been undertaken by the CVB to examine the adequacy of the existing legal provisions in the CVB Act as well as the other legislations bearing on municipal assessment, and suggestions have been put forward to the State government for suitable amendments. The CVB has also taken up the tasks of preparing a manual on valuation and assessment and organising training sessions for the staff of the municipalities. As regards its future programme of work, the CVB is paying particular attention to the completion of a model of valuation and assessment for the Calcutta Corporation area. It is expected that it will take at least two years to build up its full organisational structure but in order that the process of revision of valuations is not held up, the CVB proposes to assist the Government in applying scientific methods of valuation and assessment, even before the task of valuation is taken up by it directly, by assisting the State government in the preparation of qualified and competent assessors, by training of the assessors as well as municipal staff and by supervision of the valuation and the assessment work, so that errors and omissions can be rectified before it is too late. The CVB also feels that it could assist in the valuation of 35 municipalities in the Metropolitan Development Area and some ten major municipalities outside the area by March 1984 provided it can reasonably strengthen its administrative resources. While one gets an idea of the plan of action of the CVB in the near future from the programme of work outlined above, some of the basic questions relating to the role and functions of the CVB in the administration of the property tax in the State still remain unanswered. The questions which arise for consi-

deration in this context are what, in future, will be the arrangement for carrying out the "valuations", that is the general revision of assessments, in the municipalities and the corporations? Will it be done by the assessors in the municipalities out of the panel maintained by Government and by their own staff in the Corporations as at present, or will this function be taken up wholly by the CVB? If it is not possible for the CVB to undertake this responsibility directly throughout the State, will it do so in limited areas? If so, what will be the arrangement for general revision in the other areas? In other words, what precisely will be the nature of assistance which the CVB proposes to render to the municipalities in (i) CMD and other selected municipalities and (ii) to those in other areas? If the system of getting the GRs done by the panel assessors is not to be given up, what steps are going to be taken for improving the system so that the deficiencies of the past are remedied?

4.63 From the provisions of the CVB Act contemplating the setting up of not only a CVB but also a Valuation Authority (VA) for a municipality or group of municipalities, it would appear that the objective behind the legislation is to take away the task of valuation from the municipalities and entrust it to the CVB or the Valuation Authorities in the course of time, if not immediately. Also, the constitution of the Review Committee as laid down in the W.B. CVB Act - viz that it shall consist of the judicial member of the CVB who will also be the President of the Committee and the Councillor or Commissioner of the ward concerned - indicates that the CVB is expected to be involved also at the stage of review

which is essentially an appellate function. But whether the committee so constituted will take over the task of hearing objections in all municipalities or only in some selected areas is not clear. What the main, intended functions of the CVB are needs to be spelled out clearly even if implementing them takes time so that the preparations can be made for moving towards the goals in view with a clear sense of direction. That there is considerable confusion on these issues is evident from the questions raised by the participants at the seminar on the CVB organised at Digha in December 1980 (vide Pauradarpan, Vol II, Numbers 2 & 3, 1980-81, ^{pp 7-19,} for an account of the proceedings of the Seminar).

4.64 However desirable it might be to centralise the task of valuation and assessment in an expert body ^{or one agency} like the CVB, as was done some years ago in the U.K., to undertake the responsibility of valuation of properties in all municipalities throughout the State would be a stupendous task and it would require considerable organisational strength and effort to discharge such responsibility properly and on time. The sheer volume and complexity of the work, with each municipality having its own peculiarities calling for intimate knowledge of local conditions of rental and property markets would argue for a decentralised system. It is doubtful if even a separate Valuation Authority or authorities for groups of municipalities can be in a position to undertake the task of valuation directly. Instead of helping the assessment, it might lead to delays and arrears. What is more, if the CVB is to do the work of valuation

then it would be inappropriate to associate any of its members with the Review Committee (Mukherjee, Sachin, 1990). Hence, on a realistic view, the valuations are better done at the local level by the municipalities themselves. The questions which arise next for consideration are, should it be done through the panel assessors as at present or by their own staff, and what should be the role of the CVB and the municipalities in the process of assessment?

4.65 Getting the revisions done by qualified assessors carries some advantages in that the assessors can bring to bear on their work certain expertise and experience which is not available with the municipalities. None of the municipalities have any trained staff or any system of training. The assessors having the necessary qualifications can meet this deficiency. Also, being outsiders, they will presumably, not be subject to the same degree of local pressures or influence as the own staff of the municipality. Getting the assessments done departmentally, on the other hand, has two advantages, namely, i) the assessing staff would have more intimate knowledge of local conditions, prevailing rates of rent and land prices and ii) with its own staff a municipality would be in a better position to enforce accountability for the assessments to the municipality. At present, the relationship between a panel assessor and the municipalities seems to be somewhat tenuous. Once the valuation list is drawn up and presented, it is not easy for the municipality to bring the assessor to book even if instances of gross under-assessment or apparent mistakes come to notice. It would certainly be easier for a municipality to take action against

its own staff than against outsiders. Considering however, the manner in which local influence seems to operate in the matter of valuations, the balance of advantage seems to lie with the system of getting the assessments done by outsiders. The experience and expertise of panel assessors mentioned earlier are also an important point in favour of inviting them to carry out the revisions of valuation. But if this system is to yield good results, reform in two directions is needed, viz., i) revision of the scale of remuneration for the assessment work; and ii) devising an effective method of enforcing the accountability of the assessors.

4.66 That the practice of inviting tenders for assessment work and then appointing the lowest tenderer is patently harmful should be evident to any one. There can be no two opinions that the remuneration now paid to the assessors, namely, less than a rupee per holding (sometimes even 25 or 30 p per holding), is absurdly low and constitutes an invitation for corruption. The T & CP study (1974) noted that there are instances where the assessor did not even bother to collect his remuneration. One way of reforming the system would be to lay down a scale of remuneration related to the value of the property such as one per cent of AV in the case of properties with annual value of not more than Rs 1000 with a minimum of Rs 1 per holding and half to quarter per cent for properties of higher values and so on. This system will no doubt raise the cost of assessment for the municipalities; for instance, in a municipality with 15000 holdings and total rateable value of Rs 20 lakh, the cost of GR under such a system might go up to between Rs 20000 to Rs 25000, as against

Rs 7000 to 8000 at present. but this should be regarded as a small price to be paid for improving the system of valuation, securing equity and raising the yield.

4.67 Reform of the scale of remuneration alone would not be sufficient for ensuring better property valuation. Some effective method of making the assessors accountable for the assessments must, therefore, be devised. At present, there does not seem to be any remedy for the municipality where an assessor is found to have done the work in an unsatisfactory manner. Valuation being largely a subjective matter, it is virtually impossible to prove any act of misdemeanour in the matter of valuation, even if there is prima facie evidence to justify suspicion. All that a municipality can do, if such instances come to notice, is to report against ^{the} assessor to the Government so that he can be excluded from the panel. But before reporting against any assessor there has to be some tangible basis for the complaint. Few municipalities have the means to establish such charges. Perhaps it is here that the CVB can play an important role. Hereafter the panels can be maintained by the CVB, and the valuations done by the assessors can also be monitored and checked on a sampling basis after every GR, taking into account the prevailing rates of rent and land prices, in short, ^{the} norms of assessment in the municipalities in question. That would call for (i) building up a good data base for levels of rent and prices of real property in each municipality and (ii) maintaining the record of particulars of each holding. Here again the CVB can render valuable help. It can guide the municipalities in building up a data base on the basis

of information available from the returns furnished by the taxpayers and other sources like rent paid by government and semi-government organisations for accommodation hired in private buildings and lay down norms against which the assessments can be evaluated. It can also indicate how to maintain the records of particulars of each holding on the basis of which the assessments are made and their sources, so that in the case of any inaccuracy detected on monitoring the responsibility for negligence can be fixed. In both these tasks, the CVB can take the assistance of the staff of the municipalities on a continuing basis. Involvement of the staff of the municipalities in the assessments would also be necessary to ensure speedy interim assessment of new consumptions in between the general revisions. With a data base built up in this way it should be possible for the CVB not only to check on the quality of assessments but also detect instances of undervaluation and take suitable action where warranted. Simultaneously, it would be necessary to enforce some of the provisions of the law requiring submission of return of properties before each GR. With the tremendous advancement in the matter of data processing facilitated by the advent of electronic aids, it should not be beyond the capacity of even a central agency like CVB to undertake the task of compiling and maintaining data on property values and rents for all the municipalities systematically and at one place.

4.68 If the role of the CVB in the matter of valuation at initial stages is confined to the formulation of norms and monitoring of assessments done by the assessors, then it could take part in the process of review or revision without giving rise to any question of propriety. The system of review (that is hearing of objections against proposed valuations) may be reformed by laying down that i) where norms have been prescribed, the review will be done by an officer of the municipality or an officer of the State government to be specially deputed for the purpose if the gap between the standard adopted in an assessment and the prescribed norm does not go beyond a specified limit, say, 10 per cent of the norm after taking into the permissible variations on account of age, type of construction, etc.; and ii) where the gap is larger than the specified margin, the objection will be heard by the CVB/Valuation Authority as the case may be or, alternatively by the Municipal Assessment Tribunal. The constitution of the Review Committee envisaged in the CVB Act, apart from raising the question of propriety (how can an assessing authority also be the appellate body ?) is open to the criticism that it opens up scope for local pressures by allowing the Councillor or Commissioner of the ward concerned to sit on the Committee. It is relevant to note here that the BM Act specifically excludes the Commissioner of the ward from which an objection petition is made from taking part in the hearing or determination of such application (proviso to Section 149(1) of the BM Act). The provision authorising the setting up of a Municipal Assessment Tribunal in the BM Act as amended by the BM Amendment Act also stipulates that the members of the tribunal "shall be appointed by the State government from among

persons other than ^{any} Commissioner or officer or other employee of a municipality recommended by the Commissioners of a municipality" [(Section 149A(1A))]. The constitution of the Review Committee contemplated in the CVB Act thus seems to be a little inconsistent with the spirit of the provision of the BM Act governing the constitution of the ARCs and the Municipal Assessment Tribunal.

4.69 Permitting the Commissioner or Councillor of the ward in which the holding figuring in the review is located to sit in the Review Committee, as contemplated in the CVB Act is presumably guided by the consideration that when the CVB takes over the task of valuation, the municipalities will cease to have any say in the matter of valuation and, therefore, it would be desirable to have the representative of the ward concerned to sit in the Review Committee. Considering the experience of the manner in which the ARCs have interfered with the assessments, the bar against the participation of any Commissioner or employee of the Council in the process of review seems to be desirable. It is salutary to recall the ~~recommendations of~~ ^{recommendations of} the Taxation Enquiry Commission (1953-54) ~~to the effect~~ ^{suggesting} that no revisional or appellate functions should be vested in the municipal Councillors as "quite often any benefits derived from careful assessments are lost at the stage of appeal" (TEC, 1953-54, Vol. III, p.392). Also, the trend of reform in other States has been to ^{eliminate} ~~eliminate~~ or contain the role of the Councillors in the valuation process (Malhotra, 1980).

4.70 Nevertheless, it would not be appropriate to exclude the representatives of the local people from the process of valuation altogether. One way of involving the Councillors/Commissioners in the process of valuation will be to permit them to be associated with the CVB when the norms of valuation for a given municipality are formulated. The proper course for the CVB in fixing these norms would be to determine the proposed norms first on the basis of available data and then invite objections from the public. At the stage of hearing these objections, the commissioners of the municipality can be associated with the CVB. Once the norms are formulated, the Commissioners should have no say in the matter of assessment of individual holdings.

4.71 In short, the system proposed here would run broadly on the following lines. The norms of assessment, that is, rents, land values and costs of construction will be laid down by the CVB for each municipality, separately for different zones or wards with indications of the allowance to be made ordinarily for age, type of use of building and so on. Returns will be obtained from each taxpayer giving the particulars of the holdings. Verifications of these particulars will be made by the staff of the municipality on local enquiry and their findings clearly recorded ^{in the municipal} registers. The Panel Assessor will then make the assessments in the light of the norms and guidelines issued by the CVB and the particulars of each holding as available from the records. It may not be possible for them to inspect all ^{the} holdings in the municipality but they should inspect at least a specified fraction of small holdings and all large holdings, that is, holdings with annual value exceeding a certain limit. Interim assessments will be made

by the municipal staff on the basis of the prescribed norms and guidelines. After the valuations are made in this way, objections in individual cases will be heard by an officer of the municipality or State government if the departure from the norms does not exceed 10 per cent. For this purpose a municipal cadre of executive officers may be constituted as has been done in several States. Where the gap between the standard applied and the norms is larger, the review will be made by a Committee of the CVB but without any local representative ^{or alternatively by the Municipal Assessment Tribunal.} In the case of corporations, a modified system such as the one proposed in paras ^{4.48 and 4.49} above may be followed. In course of time it should be possible to streamline the system so that assessments can be made quickly by the assessors on the basis of the return filed with only test checks for purposes of monitoring by the CVB. This will enable the CVB to be associated with the assessments at the review stage and also enable it to judge the quality of the assessments made by the assessors. This does not preclude the other functions which the CVB proposes to take up, for example, training of assessors, formulation and valuation of assessment code and so on. The CVB might also assist the State government in evaluating the effort made by each of the municipalities in the matter of property taxation and the grants from the State government can be made conditional on the satisfaction of the CVB in this regard.

Tax on Land and Building as an Instrument of Financing Development

(a) The role of a "Revolving Fund"

4.72 Taxation of land and building, especially land, can not only be a source of revenue for meeting the cost of services regularly provided by local authorities but also

constitutes a potent instrument of financing the cost of urban renewal. Urban land is an asset which usually only appreciates and all public programmes of urban development confer enormous benefit on the owners of the land located in the area of development by enhancing the value of their property. Hence, urban development should normally be self-financing. For, the benefit of such development can be quantified and the beneficiaries identified. So there should be no problem in recovering the cost of development and therefore financing such development, if some funds can be secured for the initial investment.

4.73 A good example of how a public authority entrusted with the task of urban development can finance its activities with an initial seed money is provided by the Delhi Development Authority (DDA). Created in 1955 and provided with a revolving fund of Rs 5 crore, DDA has undertaken the integrated development of land in Delhi on a large scale. Its activities include not only acquisition of land for development but also construction of buildings and flats for residential purposes, sheds for group industries, construction of public conveniences like bus terminus, warehouse, district/community centres with accommodation for shopping, offices, cinemas and hotels, construction of special markets and any development project which the Lt. Governor may consider essential for the implementation of the Master Plan for Delhi and the Zonal Plans, provided such projects are self-financing. For all these activities DDA has relied mainly, first, on some initial funds placed at its disposal by the Government of India and, thereafter, on amounts realized by auctioning the land or covered space developed by it and on realization

of 50 per cent of unearned increment in the value of land when such land is transferred by a lessee of the DDA. At the same time it was required to allot land at concessional rates for essential services and community facilities like hospitals, schools, colleges, etc., and to earmark areas for utilization of land ~~as~~ plotted development or as group housing pockets for the middle income group, low income group and the weaker sections.

b, Sources of finance for the Calcutta Improvement Trust

4.74 An agency to undertake the preparation and execution of schemes for "the improvement and expansion of Calcutta" and also to undertake schemes for building roads, housing schemes, and schemes for rehousing of persons displaced as a result of the improvement programmes, with powers to acquire land was set up in the shape of Calcutta Improvement Trust in 1911. The Trust has to its credit several major schemes for the improvement and expansion of Calcutta. The CIT, however, has not been able to recover the cost of execution of its schemes in the same way as DDA has done. The two major sources of recovery of cost of development by CIT are (i) betterment fee and (ii) sale of land. Amounts recovered through the betterment fee have been pitifully small (Table IV.5). For a few years the collection of betterment fee was stalled by litigation. Now there is no bar to the imposition of betterment fee. But going by past experience this source is unlikely to make any substantial contribution to the CIT's finances. The other source, viz., sale of land, also, it is stated, does not have the potentiality which it has in Delhi, mainly because of the fact that the availability of vacant land in Calcutta is rather limited and after developing an

TABLE IV .5

Budget Provision and Actuals for Betterment Fee Levied by Calcutta
Improvement Trust

(Rs. lakh)

	1966- 67	1967- 68	1968- 69	1969- 70	1970- 71	1971- 72	1972- 73	1973- 74	1974- 75	1975- 76	1976- 77	1977- 78	1978- 79	1979- 80	1980- 81
Budget	1.86	0.01	1.11	0.02	0.02	0.03	0.03	0.50	-	0.03	0.02	0.01	0.03	0.01	0.01
Actuals	-	0.07	0.06	0.08	0.02	0.02	0.10	0.01	-	-	0.01	-	0.01	-	-

Source : Calcutta Improvement Trust.

area, i.e., opening it up by creating roads and setting apart land for schools, parks, markets, etc., not much is left for sale by auction. The CIT has therefore to fall back mainly on other sources like municipal contribution equal to $\frac{1}{2}$ per cent of the rateable value of properties as assessed by the Calcutta Corporation. The contribution is, however, in arrears for many years and the CIT has been facing a mounting financial crisis. With the setting up of the Calcutta Metropolitan Development Authority (CMDA), responsibility for the planning of development and improvement of the city of Calcutta has devolved mainly on the new organisation. The CIT's main task now seems to be the execution of schemes entrusted to it by CMDA or the Corporation. The CMDA has its own source of finance, an important source being 50 per cent share of the total revenue from the entry tax. Since the work on the development of Calcutta is now being carried out under the control of the CMDA, it is contended on behalf of the Corporation that there is no need for any separate contribution from the Corporation to the CIT as the CIT now is engaged largely in the work entrusted by the CMDA.

4.75 The merits of CIT's case for getting the municipal contribution from the Calcutta Corporation need not be gone into here. Whether the CIT should exploit its own sources of revenue to a greater extent or whether it should depend more on contributions from the Corporations and CMDA involves questions bearing on what appropriately should be the own sources of funds of local authorities and what should be the arrangement for devolution of funds among different local authorities. These questions are beyond the scope of this study. The substantive question is whether adequate

arrangements are there for recovering the cost of development from the beneficiaries by at least one of the agencies involved in the task of development, and, if not, how best such an arrangement can be made.

c. Development charge and conversion charge

4.76 One way in which the beneficiaries of urban development contribute to the cost of development is no doubt the additional amount of tax on land and buildings which they pay as a result of enhancement of the rateable value following from development. This presumably is the logic underlying the stipulation that the Calcutta Corporation will make a contribution to the CIT in the form of half per cent of the rateable value assessed by the Corporation. Where rateable values fall behind the rise in the value of properties this mechanism obviously does not work. With improvement in the valuation of properties, it might be expected that this arrangement will bring better results. Even so, the tax on land and buildings alone cannot possibly realize the cost of development of urban land. Hence, local authorities are generally empowered to levy taxes in the form of betterment fee, conversion charge and development charge. It is to be noted that the West Bengal Town and Country (Planning and Development) Act, 1979, which will now govern the functioning of the CMDA contemplates the levy of a development charge in the whole or in part of a "planning area" at rates not exceeding those specified in the said Act (Section 102). The development charge can be levied for the "institution of use" as also for "change of use" and for carrying out development by erection or re-erection of any building or works. The development charge

for "institution of use" shall not exceed Rs 10 per sq.mt. for residence, Rs 50 per sq.mt. for industry and Rs 200 per sq.mt. for commerce. The maximum charge for change of use ranges from Rs 15 per sq.mt. in the case of conversion from agriculture to residence, to Rs 150 per sq.mt. for change of use from industry to commerce (vide section 103 of the Act).

d. Drawbacks of betterment levy

4.77 Experience of betterment fee levied by the CIT suggests that it will not be realistic to expect much out of any tax in the nature of betterment levy be it levied by CIT or any other authority. Of course, the betterment levy of the CIT suffers from some serious infirmities which may have been responsible for its poor yield. Under Section 78A of the Calcutta Improvement Act, 1911 as amended in 1931, the betterment fee can be levied by the CIT at the rate of 50 per cent of the increase resulting from the execution of any improvement scheme in the value of land located in the area comprised in the scheme. The Act, however, permits any person liable to pay the betterment fee to opt for entering into agreement with the CIT not to pay the fee immediately but to keep it outstanding as a charge on his interest in the land subject to the payment in perpetuity of interest at the rate of 6 per cent per annum (Section 78G of the Act). This provision may be one major factor underlying the poor showing of the betterment fee leviable by the CIT. However, the performance of betterment levy has not been very encouraging in any part of India. Judging by the experience of other States, collections from development charge or conversion charge also should not be looked upon as a

promising source of revenue.

4.73 The betterment levy has been experimented with in UK too at different times and attempts have been made there to tax the gains from the development of land at fairly high rates. A Development Land Tax (DLT) is in operation in UK since 1976. Levied separately from capital gains tax, the DLT applies to the realised development value accruing to any person from the disposal of an interest in land in UK. The disposal may be either actual or deemed. Essentially, it is a tax on the realised development value or betterment occurring as a consequence of "the grant of planning permission". In its earlier forms, a tax of this nature was levied in UK through the betterment levy and the Development Gains Tax. Annulment of these taxes within relatively short periods underlines the problems which any such tax unavoidably gives rise to. The DLT also, with its definition of a "deemed disposal", "material development" and complicated method of computation (for details vide Pinson, 1980), does not quite offer a model which can be worked here. Yet there can be no two opinions that if urban renewal is to be self-financing, some way must be found to recover the cost from the beneficiaries by taxing the appreciation in the value of their real estate. Otherwise, it is not possible to undertake large-scale development all the time with funds from external sources like the State or Central Government. For there can be no justification for subsidising beneficiaries of development with funds raised from others.

e, Case for a betterment cess on property tax

4.79 One simple way of making the beneficiaries of development share the cost of development is to levy a betterment cess or surcharge on the consolidated rate levied by the Corporation. Even though enhanced property values should reflect the benefit of development and thus the normal property tax itself should help to recoup the cost of development, because of the gap between rental values and capital values, a cess or surcharge for betterment on the property tax cannot be regarded as unjust or double taxation. A further argument in support of a cess/surcharge for development is that even when levied on an improved base - with improved environment, ^{the} rental values, and so the ARVs, may be expected to go up on revision - the regular property tax can at best help to meet the additional cost of maintenance and servicing of development schemes. It is unlikely that they would by themselves be able to recover the capital costs. The aim of the cess/surcharge will be to recoup the capital cost by siphoning off a part of the unearned increment in wealth that takes place when there is any improvement in the area where the property in question is located. Such cess/surcharge can be levied by the Corporation and should be payable equally by the owner and the occupier alongwith the consolidated rate. It should be applicable to all lands and buildings located within a "planning area". The planning area may be notified as soon as an improvement programme is announced. The betterment cess/surcharge may be realized for a specified period, say, five to ten years, commencing from the quarter in which the development work is completed in the area and the duration of the cess or

surcharge would depend upon the rate at which it is levied and the time which will be required to recover the cost. When the rent of the properties affected by the cess or surcharge is subject to rent control, the liability for paying the cess/surcharge should be cast on the occupier. If this is found acceptable, the development charge may not be needed. Levy of such a charge is not going to be easy in any case since it will give rise to questions like how to compute the development value, what would be the proper rate of the charges, whether it can be levied at a flat rate on all properties in a given area and so on, and these problems do not admit of easy answers. Also such a charge being a once for all levy, payable before the incremental value is realised by the owner, is difficult to recover as owners often find themselves unable to pay because of the liquidity problem. The conversion charge does not suffer from these drawbacks and should be easily realisable from the owner at the institution of conversion or within a reasonable period thereafter. So the conversion charge may be retained but the authority for levying it may be delegated to the municipal authorities of the area concerned.

4.80 Another, and perhaps more reliable, way of recovering the cost of urban development is to permit the development agency to put the land and building developed by it to commercial use such as by auctioning the developed land or covered space or letting out such space at market rates. This is the way the DDA has operated its revolving fund. The CIT also has executed a few schemes which proved remunerative when run on commercial principles (e.g., the Manicktala Scheme). No doubt, a public development authority

cannot always work on a commercial basis as it has to meet obligations such as housing the poor, providing space for community welfare such as hospitals and schools. Even so, with fast appreciating value of real estate in urban areas especially in a city like Calcutta, the CIT or CMDA or similar Development Authority which may be created for the development of other areas should be able to recover a good part of the costs of development by building houses and flats and selling covered space or by letting out flats built by them at market rates, if not land. Assuming that Calcutta does not offer scope for developing and selling land to the same extent as Delhi or by letting out the flats built by it at competitive rates, development can be undertaken by the CIT or CMDA financed by constructing houses or developing areas which are currently under-utilised after taking them over and then selling or renting the property built thereon by the Development Agency. There are instances where the CIT could not do so because of the compulsion to reduce drastically the rent charged by it for its flats even though, to all appearances, the occupants of such flats belonged to the not very poor sections of the society. Such a policy, it must be realised, is totally misconceived. By crippling the development agencies, policies like this lead to the end of all development. For no external sources can provide funds endlessly and the finance for both development of a city and the maintenance of its civic services must be found ultimately from the people who benefit from it directly or indirectly. The attempt to evade this basic issue cannot but be self-defeating. The enormous possibilities of commercial and real estate development of the properties owned by the Corporation itself

finds recognition in the observations of the Commissioner of Calcutta Corporation in the Budget estimates for the year 1980-81. The observations are worth quoting. Drawing attention to these possibilities, the Commissioner said:

"The Corporation requires additional spaces for administrative purposes, for locating community services functions, for relocation of some of its own functions, for residential accommodation of its employees etc. At the same time the Corporation has a large number of under-utilised and ill-utilised properties at important locations in the city which have not been properly exploited to earn the urban land value and to build up spaces not only for its own purposes mentioned above but also to provide spaces for locating some of the basic public utilities like Banks, Telephone Exchanges, Telegraph and Post Offices, Railway Booking Offices, Gas and Electricity Offices etc. No comprehensive planning and strategy of action have been formulated yet by the Corporation but I am working on it and hope to come up with a policy document before long." (para 12.3)

Thus it would be incorrect to say that the scope for undertaking the task of development by exploiting urban land value in Calcutta on the Delhi pattern is limited. This should not stand in the way of earmarking of certain types of houses for the weaker sections as the overall cost can be recovered through suitable policy of pricing of the other types of houses and properties. The same method can be adopted profitably by the Hourah Improvement Trust. Development authorities in other municipalities should be in a better position to follow the DDA's example.

Rate Structure

a. Existing rates

4.81 The tax on land and building is at present levied by the Calcutta Corporation as a consolidated rate. Section 165 of the CM Act, 1951 authorises the Corporation to levy the consolidated rate on a graduated scale not exceeding the following:

- (i) where the AV does not exceed Rs 1000 - 15 per cent;
- (ii) where the AV exceeds Rs 1000 but does not exceed Rs 3000 - 18 per cent;
- (iii) where the AV exceeds Rs 3000 but does not exceeds Rs 12,000 - 22 per cent;
- (iv) where the AV exceeds Rs 12,000 - 23 per cent.

The Act also provides that ^{where the AV exceeds Rs 3000} the consolidated rate can go upto 33 per cent with the approval of the State government. For the last several years, the tax is being levied by the Corporation on lands and buildings which are not "bustees", at the following rates:

- (i) on AV not exceeding Rs 1000 - 15 per cent;
- (ii) on AV exceeding Rs 1000 but not Rs 3000 - 18 per cent;
- (iii) on AV exceeding Rs 3000 but not Rs 12,000 - 22 per cent;
- (iv) on AV exceeding Rs 12,000 but not Rs 15,000 - 27 per cent;
- (v) on AV exceeding Rs 15,000 - 33 per cent.

4.82 An additional $\frac{1}{2}$ per cent of AV is charged as Howrah Bridge Tax ($\frac{1}{4}$ per cent for properties in Tollygunge area). In bustees where no development has been made by CMDA, the consolidated rate is levied at the rate of 15 per cent of AV where the AV does not exceed Rs 1000 and 13 per cent for AV exceeding Rs 1000 (in addition, $\frac{1}{2}$ per cent of AV is charged as Howrah Bridge Tax). Properties in bustees developed by CMDA are taxed at the same rate as properties not in bustees. The Commissioner may with the approval of the Standing Finance Committee exempt from the consolidated rate all lands and buildings the AV of which does not exceed Rs 50 provided the owner does not own or occupy any other land or building the total valuation of which does not exceed Rs 50.

4.83 Land or building used exclusively for public worship and public burial or burning ground is exempt from the consolidated rate. The Corporation can grant full or partial exemption to any land or building used exclusively for purposes of public charity provided that no trade or business is carried in it or it is not let out on rent.

b. Rate structure proposed in CMC Bill 1980

4.84 The CMC Bill, 1980 seeks to replace the existing rate structure by what is described as "the straight-line method" whereby the consolidated rate will be imposed at the rate of 11 per cent of Annual Value if the Annual Value does not exceed Rs 600, and "where the Annual Value exceeds Rs 600 but not Rs 18,000 such percentage of the AV as is worked out by dividing the Annual Value by 600 and

adding 10 to the quotient, the sum thus worked out being rounded off to the nearest first place of decimal". Where the Annual Value exceeds Rs 18,000 the rate will be 40 per cent of Annual Value. The new Bill authorises the Mayor-in-Council to exempt any land or building, the AV of which does not exceed Rs 300, if the taxpayer does not own or occupy more than one piece of land or building, the aggregate AV of which exceeds Rs 300. The Mayor-in-Council will also be empowered to grant exemption to any land or building exclusively used with prior approval for purposes of public charity or for the purpose of medical relief to or for the education of the poor, free of charge, or to any land used for public playground or any park under any of the statutory bodies specified in the Bill. The Bill further provides that lands and buildings belonging to the Union Government shall be exempt from the consolidated rate except where such rates were already being levied earlier. The Corporation will be able to levy a service charge on Union properties at such rates as may be determined by the Central Government from time to time. The rate of tax on properties of the Port Trust of Calcutta are to be governed by agreement between the Port Trust and the Corporation. Properties of the Calcutta Improvement Trust, CMDA, West Bengal Housing Board and a few other statutory bodies will be taxed at the rate of 21 per cent of the AV. Land or building used for any approved scheme of subsidised housing for the low income groups or industrial workers and comprising tenements let out to such persons shall be taxed at the rate of 21 per cent. Bustees will be taxed at the rate of 15 per cent. Bustees improved under the West Bengal Slum Areas (Improvement and Clearance) Act, 1972, will be taxed at the rate of 18 per cent.

c. the issues

4.85 As noted in an earlier section, by an amendment to the C M Act, 1951 made in 1976, the Corporation was authorised to impose a surcharge at such rates not exceeding 50 per cent of the consolidated rate as may be determined by the State government on any land or building which is used wholly or partly for commercial or non-residential purposes. The levy of the commercial surcharge was challenged and a Division Bench of the Calcutta High Court issued a writ directing the Corporation not to levy the commercial surcharge. The judgement is under appeal to the Supreme Court. The new Bill also envisages the levy of a commercial surcharge. The merits of levying a commercial surcharge have been discussed separately and are not gone into here. The general issues which arise for consideration in reforming the rate structure are:

- a) Whether the rates should be treated as "consolidated rates" or the tax should be charged separately under the heads, general tax, water rate, lighting and sewerage, etc.
- b) What should be levels of maximum and minimum rates i.e., the general level of rates and whether the rates should be progressive, and if so, what should be the degree of progression and whether progression should be introduced on the basis of steps or slabs.
- c) What should be the conditions governing exemptions.

d. Case for and against consolidating the rates

4.86 Though it is called a consolidated rate, the tax on land and buildings is made up of four components, namely, general tax, water rate, lighting rate and sewerage rate. The shares of these components roughly were 56 per cent,

25 per cent, 10 per cent and 9 per cent, respectively, of the total. The consolidated rates being graduated, the rates of these components also turn out to be progressive as Table IV.5 would show.

TABLE IV.5

Break-up of the Consolidated Rate
in Calcutta

(Per cent of annual value)

Consolidated rate	General rate	Water rate	Lighting rate	Sewerage rate
15	8 $\frac{1}{4}$	4	1 $\frac{1}{2}$	1 $\frac{1}{4}$
18	10	4 $\frac{1}{2}$	2	1 $\frac{1}{2}$
22	12 $\frac{1}{4}$	5 $\frac{1}{2}$	2 $\frac{1}{4}$	2
27	15	7	2 $\frac{3}{4}$	2 $\frac{1}{4}$
33	18 $\frac{1}{4}$	8 $\frac{1}{2}$	3 $\frac{1}{4}$	3

Source : Samadar, Sivaprasad (1978).
Calcutta IS, The Corporation of Calcutta,
Calcutta, p. 129.

4.87 By virtue of Sec. 167 (1A) of the C M Act, 1951, introduced in 1976, 25 per cent of the consolidated rate is at present deemed to be the amount due as water rate and 5 per cent as sewerage rate. Where, however, any water meter is attached to any building, the amount due as water rate is calculated on the basis of the annual reading of the meter.

4.88 The new Bill does not specify the shares of water rate or sewerage rate and treats the tax on land and buildings as consolidated. The practice of charging the property tax under separate heads like water rate, lighting rate, sewerage rate, etc., derives its rationale from the view that the local rates are essentially a price for services provided by local authorities. This view can be sustained provided the tax is charged on the basis of cost of providing each service and no attempt is made to subsidise any section of the beneficiaries of such services or cross-subsidise one service by the surplus from another. Although economists like Bird (1976) stress the need for keeping the benefit principle in view while evaluating municipal taxes, it is generally agreed that the benefit principle cannot be pursued beyond a point (Bird, R. and Slack, N. 1978). If, on the other hand, the property tax is viewed as a tax based on the ability to pay, there may not be much point in charging the tax under separate heads. A consolidated rate is administratively simpler and admits of graduation (Sarma, K.S.R.N., 1980). Therefore treating the tax as consolidated seems justified. Nevertheless, it may be useful to have an allocation of the tax on land and buildings under three heads, mainly, general tax, water rate and sewerage for two reasons. First, where, as in the case of properties belonging to the Central Government, the Corporation cannot charge a tax on land and buildings by way of general tax, a service charge can be realised. For this purpose, allocation of the consolidated rate under general tax and service charge is needed. Secondly, it may be useful to have some accounting for the receipts from charges for providing services like water and sewerage so that the

amount to be charged if full cost is to be recovered - even though not from all taxpayers but the relatively affluent sections - can be determined and the cost of subsidising any particular section of the community can also be quantified. Moreover, supply of water, unlike lighting or sewerage, is a service to which the principle of "exclusion" can be applied and therefore charging for water according to consumption would be justified even if it is supplied free to certain sections.

4.89 At present the receipts on account of water and sewerage fall far short of the costs as may be seen from Table IV.6.

TABLE IV.6

Receipt and Expenditure for Selected
Civic Services in Calcutta

Year	(Rs lakh)	
	Water supply	Sewerage and drainage
1977-78*	Receipt	347.50
	Expenditure	568.24
1978-79	Receipt	82.80
	Expenditure	247.29

* Revised estimates

Source : Calcutta Corporation,
Budget Documents

Evidently, a large element of subsidy is now provided in making these services available. Separate accounting would enable the Corporation to restructure the rates so that the full cost is recovered from sections who do not need to be subsidised and these services are provided free or at nominal rate to the poorer sections. Further,

if water can be metered, there will be no need for levying a water rate. Operation of the "exclusion principle" also calls for metering. The feasibility of metering water supply, therefore, needs some consideration.

e. Should water be metered ?

4.90 In the case of services like water, it is possible to measure consumption. At present only about 10 per cent of the total quantity of water supplied by the Corporation is charged separately by metering. Water is metered mainly in the case of supply to some institutions (like other municipalities) or those who do not pay the consolidated rate. The CMC Bill envisages installation of water meters universally and recovery of charges for consumption of water at rates to be fixed by the Corporation. If it works, this system should lead to some economy in the use of water by citizens. At present, a greater quantity of water is supplied to holdings with relatively large annual value as the size of the ferrule which controls the volume of water supply to a premises is linked to the annual value and thus the implicit progression in the rates could be viewed as a way of charging for water on consumption basis on the assumption that the consumption of water goes up with the AV of the holdings more than proportionately. Thus it may be said that the existing system provides for charging higher water rates for a larger volume of water supply. But this is a rather crude method of relating the service charge for water to the quantity of water consumed. Also, under this method it is not clear whether the progression

in the water rates occurring indirectly via the progressive charge of the consolidated rate can be looked upon as deliberately intended. If water meters are fitted in all holdings then it should be possible to charge for water supply on the basis of actual consumption and introduce a progressive pricing policy for water, if desired. That would make for greater economy in the use of water. It is, therefore, to be considered whether metering would be feasible in Calcutta and, if so, there is a case for progression in the rates to be charged for water supply.

4.91. In a study of the tariff structure for water supply and sewerage services for Bombay, the Tata Institute of Social Sciences (1977) recommended inter alia, (a) graded scales of charges for water depending on per capita consumption for various categories (b) metering all properties and (c) reducing supply directed through the mains to the minimum. While such a system would help rationalise the tariff for water, its success depends crucially on the smooth working of the meters. If the metering system works well, then there may not be any need for the consolidated rate to include charges for water and no separate accounting for water rates would be called for. Except for sewerage and lighting charges the rates would then represent mainly the general property tax and the tax could, therefore, be described appropriately as "consolidated rate".

4.92. Whether the metering system can work in Calcutta, remains to be seen. Maintenance of these meters in a proper condition is not going to be easy. Moreover, there are about 10,000 street taps in Calcutta which is probably not the case in other Indian cities. Even so,

metering for water supply to all holdings (except possibly bustees where the quantity supplied can be regulated by the number of taps) deserves to be tried as it would help to introduce economy in the use of water and make the users pay the cost of water consumed by them. As for progression, while from the efficiency angle water should be charged at a flat rate on consumption basis, some graduation in the water charges as a way of encouraging economy might be justified. As mentioned already, progression in water charges - even when the consumption is metered - might also be justified on the assumption that the better-off sections consume a greater quantity of water. Therefore with metering and provision for separate charge for water, the system of including water charges ~~with~~^{in the} consolidated rate may be discontinued. However, until the metering system starts working, and allowing for the possibility that metering may not work in all cases, and therefore the water charge may have to be recovered through the consolidated rate, separate accounting for water rate might be needed so that a rebate for water rates can be given where water is charged by metering. It is, therefore, suggested that the provision for splitting up the consolidated rate as required under Section 165 (1A) of the existing Act may be retained at least for the present even though it might imply some progression in the service charges.

4.93 It may be noted that in Bombay, Madras and Delhi also the property tax rates are made up of several components, namely, a general tax and charges for services (vide Tables IV.7 - IV.9). While in Bombay only a small component of the tax, viz., some of the cesses, is graduated, in Madras and Delhi, the general tax is graduated and the service ^{charges} ~~are~~ a fixed proportion of the AV. The service charges are

TABLE IV.7

Rates of Property Tax: Delhi

Rateable value of property (Rs thousand)	(Per cent of rateable value)											
	General tax (marginal rate)			Water rate	Scavenging tax			Fire tax		Total		
	a	b	c		a	b	c	a	b	a	b	c
Upto 1	10	15	15	5	1	5	2½	½	16½	25½	23	
1 - 2	11½	15	15	5	1	5	2½	½	18	25½	23	
2 - 5	12½	18	18	5	1	5	2½	½	19	28½	26	
5 -10	15	22	18	5	1	5	2½	½	21½	32½	26	
10 -15	18	26	20	5	1	5	2½	½	24½	36½	28	
15 -20	20	28	23	5	1	5	2½	½	26½	38½	31	
20 -25	25	30	27	5	1	5	2½	½	31½	40½	35	
25 +	30	30	30	5	1	5	2½	½	36½	40½	38	

a Rate for residential buildings

b Rate for cinema houses, residential hotels, industrial holdings etc.

c Rate for restaurants, eating houses, nursing homes, institutions, shops etc.

Source : Municipal Corporation
of Delhi.

TABLE IV.8

Rates Property Tax : Bombay

			(Per cent of rateable value)	
Tax	Rate		Explanation	
General tax (including fire tax)	25½			
Water tax	7			
Water benefit tax	5			
Conservancy tax (Halalkhore tax)	4			
Wewerage benefit tax	3			
<u>Education cess</u>			Categories of rateable value (Rs)	
	a.	½	a.	7 - 74
	b.	2½	b.	75 - 299
	c.	3	c.	300 -4999
	d.	5	d.	5000 and above
<u>State education cess</u>		Res. Non-Res.		
	a.	2 4	a.	75 - 150
	b.	3 6	b.	151 - 300
	c.	4 8	c.	301 -3000
	d.	5 10	d.	3001 -6000
	e.	6 12	e.	6001 and above
<u>Employment guarantee cess</u>				
	a.	0 1		
	b.	0 1½		
	c.	0 2		
	d.	0 2½		
	e.	0 3		
		47 50		
		to to		
		55½ 64½		

Source : Greater Bombay Municipal Corporation.

TABLE IV.9

Rates of Property Tax: Madras

Head	(Per cent of rateable value)			
	Rateable valuation			
	Rs 500 & below	Above Rs 500 & upto and inclusive of Rs 1000	Above Rs 1000 & upto and inclusive of Rs 5000	Above Rs 5000
<u>1. Property tax</u>				
a. General tax	5	10½	12	14½
b. Water tax	1½	1½	1½	1½
c. Drainage tax	5½	5½	5½	5½
d. Lighting tax	3½	3½	3½	3½
<u>2. Education tax</u>				
	4	4½	5	5
<u>Total</u>	<u>19½</u>	<u>25½</u>	<u>27½</u>	<u>30</u>

Source : Government of Tamil Nadu (1978), Report on Madras Corporation Administration. Vol. II, p. 298.

levied at a flat rate presumably on the presumption that these are in the nature of a price. Recently, in Madras, the water rate has been separated from the general property tax and is payable to a separate Water Supply Organisation. The charge may still be fixed in terms of a proportion of the AV.

f. Level of rates of property tax and degree of progression

4.94 As for the question what should be the level of rates and whether property taxes should at all be progressive, a measure of progression in the rates of tax on holdings would be justified if it is accepted that the tax is related to the ability to pay. Since the local property tax is viewed as founded better on the ability principle than on benefit considerations, a degree of progression in the property tax would not be inappropriate. This, however, assumes that the property tax is borne by the landlords and no part of it is shifted forward. As may be seen from the discussions on the equity of the PT in Calcutta in the Appendix, the incidence of the PT is an acutely controversial area. In the case of non-residential properties, the tax may be passed on to the consumers of the products of the firms occupying the taxed premises and who ultimately bears the burden of the tax is difficult to say with any degree of certainty. The incidence of the tax on tenanted residential properties depends on the elasticities of supply and demand for housing. Where the demand is so great it may be presumed that a good part of the tax is passed on to tenants even with rent control since 50 per cent of the tax is under the law meant to be borne by occupiers. In Calcutta, however, both the owner's

and the occupier's share of the tax are paid in most cases by the owners and the extent to which they are able to recover it through rent is difficult to specify. In any case, one half of the tax is borne by the owners and for owner-occupied houses the tax obviously has to be borne by the owners themselves. Since landlords of bigger holdings presumably belong to the relatively affluent class, a degree of progression in the PT might not be unjustified. At the same time, one should not lose sight of the considerations which argue for keeping the degree of progression in the property tax within moderate limits. First of all, there is the possibility that in the case of tenanted holdings, a part of the tax may be borne by the tenants at least in the long run and a progressive rate on large holdings may hurt the tenants who may not be as well off as the owners of holdings. Besides, logically, the ability to pay should be related to the total of the value of a taxpayer's wealth or income and not to the size of any individual holding. With progression in the property tax, a man owning ten small houses and one owning one big house will bear unequal burdens of tax even though their economic worth may be the same. Also, progression in the property tax may result in inequity as no allowance is made for liabilities in the computation of the tax base. Thus, a net worth or wealth tax provides a better instrument of progressive taxation than the PT. Economic considerations also argue for some moderation in fixing the level and degree of progression of the PT. Although, as already mentioned, the incidence of the PT is difficult to ascertain, if it is assumed that the tax is borne fully by the landlords in the case of owner-occupied properties and at least to the extent of 50 per cent in the case of tenanted properties, a high rate of tax brings down the rate of return on investment in housing.

4.95 Even assuming a gross return of 20 per cent on investment in housing, the net return after deducting property tax, income tax and wealth tax works out to about 12 per cent for investment of Rs 1 lakh, and a little over 6 per cent for investment of Rs 10 lakh. Assuming capital appreciation at the rate of 10 per cent per annum, the net return works out to about 19 per cent for investment of Rs 1 lakh and about 14 per cent for investment of Rs 10 lakh (Table IV. 10). Of course, these calculations proceed on the assumption that the property tax is borne entirely by the owner. If this assumption is relaxed, then the rate of return on the housing would be higher. But even allowing for the possibility of shifting and capital appreciation, since it cannot perhaps be denied that for residential houses a good part of the tax is probably borne by the landlords, the PT has a depressing influence on the rate of return on investment in housing particularly for large investments. (For small investors the rate of return is generally higher as they pay no income tax or wealth tax). Keeping this in view and also the fact noted in Chapter I viz. that the trends in investment in housing in Calcutta are not too encouraging, a high degree of progression in the case of property tax may not be desirable. Also, the degree of progression should be kept at a moderate level if evasion and avoidance are to be kept under control. In short, while there is some case for progression in the PT, both equity as well as efficiency considerations call for moderation in the level and degree of progression.

4.96 One way of introducing a degree of progression in the PT is to grant exemption for small holdings, that is, holdings up to a specified level of AV as is now proposed for Calcutta as well as Howrah and the other municipalities.

TABLE IV.10

Return on Urban Property in Calcutta at Selected Investment Levels

	(Rs)			
1. Gross investment	100000	300000	500000	1000000
2. Gross return - 20%	20000	60000	100000	200000
3. Annual value for house tax (after deducting 10% of 2 for repairs)	18000	54000	90000	180000
4. Municipal house/property tax	6030	18090	30150	60300
5. Income minus house tax (2-4)	13970	41910	69850	139700
6. Deduct from 5 : repairs 16½%, collection charges 6% insurance etc. 1%	3283	9849	16415	32830
7. Taxable income (5-6)	10687	32061	53435	106870
8. Income tax on 7	-	5524	14418	13322
9. Wealth tax	-	1000	2750	31750
10. Total taxes (4+8+9)	6030	24614	47318	115372
11. Provision for repairs and maintenance (10%) and insurance (1%)	2200	6600	11000	22000
12. Total outgoings (10+11)	8230	31214	58318	137372
13. Net return (2-12)	11770	28786	41682	62628
14. Line 13 as per cent of line 1	11.77	9.60	8.34	6.26
15. Annual capital appreciation 10% per year	10000	30000	50000	100000
16. Capital gains tax on line 15 @ 25%	2500	7500	12500	25000
17. Capital gains net of tax (15-16)	7500	22500	37500	75000
18. Net return (17 as per cent of 1)	19.27	17.10	15.84	13.76

Logically, there is no valid ground for exempting properties of low rateable values altogether from tax, for the owners of such properties may not be all that small. However, for administrative reasons and also in view of the fact that a part of the tax may be borne by the tenants who, in the case of small properties, would be in the low income groups, exemption of properties with RV of upto a specified level may not be objectionable. The Municipal Finance Commission of Maharashtra had suggested that a tenement may be exempted from property tax if the income of the family occupying it is less than Rs 150 in the corporations and Rs 100 per month in other municipal councils. (MFC Maharashtra 1974, para 7.10.6). Such a provision is difficult to administer, as determination of incomes of families is far from simple.

4.97. As for the degree of progression in ^{the} rates and the maximum level of the PT, what should be the degree of progression in a tax is ultimately a matter of political judgment. But as argued above while introducing the progression in the PT, it is necessary to bear in mind the possible ill effects which high marginal rates may have on equity and on investment in housing and the impetus they may provide for evasion and avoidance. It may be argued that investment in housing in cities like Bombay and Delhi has not gone down despite very high rates of property tax and rent control. There is reason to think that such high rates are tolerated because of low valuations relatively to their market value of levels of rent resulting in derating of properties. As discussed already, where valuations are kept very low but rates are high, inequities creep in unless the valuation is uniformly low for all properties. High rates in such situations breeds evasion,

corruption and malpractice and there is a widespread feeling that these are on the increase. Hence the aim of reform should be to do the valuation properly and fix the rates at a reasonable level. Keeping in view the overall impact of income tax and wealth tax, it would seem desirable to fix the ceiling of the PT at not more than 30-33 per cent of AV (including service charges). If properties are valued realistically and revised regularly, even this rate of tax should ensure elasticity in the revenues.

4.98: The proposed provision in the CMC Bill, 1980 designed to grant a rebate of 25 per cent of consolidated rate to newly constructed buildings used for residential purposes would help to correct to some extent the distortions caused by high rates of taxes and rent control. Viewed from this angle, the imposition of a separate urban land tax or multi-storied buildings tax seems undesirable. Multiplicity of taxes makes it difficult to control the incidence or vary it according to any desired pattern. If valuations are done on a realistic basis, the rates of property tax should be so fixed as to ensure a reasonable rate of return to investors in housing after taking into account the state of the market for housing, constraints on movement of rent and other relevant factors. For the present, however, the existing valuations have to be taken as given and with the constraint of raising revenues for local authorities, scope for rationalising the rates seems limited.

g. schedule of rates - steps v. slabs

4.99. In order that progressivity does not lead to distortions, it is necessary to see that the rates are framed in such a manner that the incidence does not go up too sharply at any particular point. This is the drawback of the step system, which is currently followed for levying the consolidated rate in Calcutta. To mitigate this effect, the new Bill envisages, as mentioned earlier, what is called a straight-line system whereby the rate of tax goes on increasing continuously all along the line from 11 per cent to 40 per cent. While, no doubt this avoids the very sharp rise at the corners of the steps of the existing rate schedule, it should be noted that this also is essentially in the nature of a step system in that an increase in the AV leads to an increase in the rate of tax applicable to the entire span of the AV and thus it can give rise to a sharp increase in the marginal rates of tax at different points though of course, the increases will not be as sharp as under the existing steps. For instance, with the straight-line formula proposed in the CMC Bill, the tax on an annual value of Rs 12,000 will be payable at the rate of 30 per cent $(10+12000/600)$ which comes to Rs 3600 whereas with an annual value of Rs 12,300 the tax is payable at the rate of 30.5 per cent $(10+12300/600)$ which works out to Rs 3751.50. There is thus an increase of Rs 151.5 in the tax burden for an increase of Rs 300 in the AV which means a marginal rate of 50.5 per cent. It is also to be noted that the degree of progression (measured by the slope of the regression line of tax payable on income at different levels in a double log linear form) will be only slightly higher under the formula proposed in the Bill than in the existing

structure (1.185 as against 1.111), although both would appear to be progressive, if a slope of more than 1 is taken as indication of progressivity. Regression results are given in Appendix II to this chapter.

4.100 Although, with the step system, the rise in the marginal rates at the corners is rather sharp, it has the merit of keeping the marginal rate constant over the length of each step. Also it is simpler to calculate. On the other hand, because of the sharp changes at the corners and the resulting distortions in choices, the step system is generally not followed in the case of progressive taxation. The big jumps in the incidence and high marginal incidence at the turning points create a tendency to keep within a given step at any cost and thus puts a premium on dishonesty. The jumps may get moderated if the steps are made shorter as for example in the schedule proposed in Table IV.11. Under this alternative (Alternative I) there will be eight steps instead of the existing five. There will be no revenue loss - rather there may be a slight gain. In view of its shortcomings, however, it would be desirable to move over to a slab system. Table IV.12 sets out a possible alternative rate structure (Alternative II) following the slab system. Under this system the marginal rate goes up to a maximum of 45 per cent for AV exceeding Rs 50,000. Yet another alternative rate schedule based on the slab system but with fewer slabs and the maximum marginal rate going up to 40 per cent is given in Table IV. 13. This alternative (Alternative III) would make the rate structure simple and help rationalise the system without affecting revenue. A rate schedule like this would permit wider variations than is possible with a straight-line formula, which besides being a variant of

TABLE IV.11

Estimated Revenue Under Alternative Rate Schedule
Alternative I

Annual value	Tax rate (per cent)	Total number of properties*	Total AV (Rs lakh)*	Tax payable (Rs Lakh)
(1)	(2)	(3)	(4)	(5)
Where AV exceeds Rs 50 but not Rs 1000	15	54466	305.71	45.86
" " " Rs 1000 but not Rs 3000	18	47506	868.74	156.37
" " " Rs 3000 but not Rs 6000	20	16367	683.58	136.12
" " " Rs 6000 but not Rs 10000	22	6817	509.91	112.18
" " " Rs 10000 but not Rs 15000	25	3517	417.27	104.32
" " " Rs 15001 but not Rs 30000	27	2301	474.73	128.18
" " " Rs 30000 but not Rs 50000	30	780	297.78	89.33
" " " Rs 50000	35	1031	1635.63	572.47
Total		132785	5193.35	134.7

* Source : Calcutta Corporation.

TABLE IV.12

Estimated Revenue Under Alternative Rate Schedule - Alternative II

Annual value	Tax rate (per cent)	Total number of properties	Total AV (Rs thousand)	AV per property (Rs)	Tax payable per property (Rs)	Total tax payable (Rs thousand)	Tax payable as per cent of AV of property
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
On first Rs 0 - 1000	15	54466	30571	561.29	84	4575.14	14.97
On next Rs 1001 - 3000	18	47506	86874	1828.70	299	14204.29	20.68
On next Rs 3001 - 6000	22	16367	68358	4176.57	769	12586.22	18.41
On next Rs 6001 - 10000	25	6817	50991	7479.98	1540	10498.18	20.59
On next Rs 10001 - 15000	30	3517	41727	11864.37	2729	9597.89	23.00
On next Rs 15001 - 30000	35	2301	47473	20631.46	5641	12979.94	27.34
On next Rs 30001 - 50000	40	780	29778	38176.92	12191	9508.98	31.93
On next Rs 50001 and above	45	1031	163563	158645.00	65810	67850.11	41.48
TOTAL		132785	519335			141800.75	

TABLE IV.13

Estimated Revenue Under Alternative Rate Schedule - Alternative III

Annual value	Tax rate (per cent)	Number of properties	Total AV (Rs thousand)	AV per property (Rs)	Tax payable per property (Rs)	Total tax payable (col. 6 x col. 3) (Rs thousand)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
On Rs 0 - 500	0	11614	2175.43	187.31	0.0	0
On next Rs 501 - 5000	20	103093	164179.55	1592.54	258.51	2,66,51
On next Rs 5001 - 30000	30	16267	159639.49	9813.70	2384.11	3,87,82
On next Rs 30001 and above	40	1811	193340.88	106759.18	39143.67	7,08,89
TOTAL		132785	519335.33			13,63,22

steps, is not easily intelligible. Alternative III also will involve no revenue loss and in fact may lead to an accrual of additional revenue of Rs 1 crore or so. It should, however, be pointed out again, that a marginal rate of 40 per cent might be on the high side if the valuations are done realistically. The question of what would be the more appropriate rates would need to be reconsidered when valuation are brought in alignment with the market values and, as indicated earlier, the maximum rate of the PT should not exceed 30-33 per cent of the current annual values of the properties.

h. Exemptions

4.101 As for exemptions, the provision in the new Bill whereby the exemption will be granted by the Mayor-in-Council to properties used for public charity or for purposes of medical relief or for education of the poor, free of charge, seems to be well designed. However, the conditions laid down in the existing Act that exemption shall not be granted for charity if any trade or business is carried on in the property or if it is let out, provides a healthy check. Although the total rateable value of property exempt from the consolidated rate in Calcutta does not seem to be considerable, exemption should be granted only sparingly. It is, therefore, suggested that the proviso that no trade or business should be carried on in it or it should not be let out on rent, be retained in the provision governing exemptions for charity.

4.102 The levy of consolidated rate on Union Government properties raises the question of the power of State governments to tax the Centre. The existing practice whereby service charges are levied on Union Government properties seems to be in order. The practice with regard to CIT properties and Port Trust property also does not call for any change.

4.103 The rate of tax on bustees, namely, 15 per cent, where the bustee has not been developed, also seems reasonable although if the minimum rate is raised for other properties there may be a case for raising the tax on bustees also because bustees are a good source of income for intermediate tenants (Thika tenants).

Rate Structure in Howrah and the Municipalities

4.104 Although the CMC Bill seeks to reform the rate structure by replacing the existing step system by a "straight line" formula, the structure of rates proposed in the HMC Bill and also the BM Amendment Act contemplates steps in place of the proportional rates so long prevalent. The rates proposed in the HMC Bill varies from 10 per cent on holdings with annual value not exceeding Rs 500 to 40 per cent where the annual value exceeds Rs 25,000. The BM Act, as amended by the BM Amendment Act, authorises the municipalities to levy the tax at rates varying from 10 per cent where the AV does not exceed Rs 200 to 40 per cent where the AV exceeds Rs 25,000. The respective schedule of rates for Howrah and other municipalities as recent legislations are given below (Table IV.14).

TABLE IV.14

Consolidated Rate of Tax on Holdings in Howrah Municipal Corporation and the Municipalities of West Bengal

In Howrah*		In the Municipalities**	
On holdings with AV (Rs)	Rate (%)	On holdings with AV (Rs)	Rate (%)
Not exceeding 500	10	Not exceeding 200	10
501 - 1000	18	201 - 500	18
1001 - 3000	25	501 - 2000	25
3001 - 10000	30	2001 - 10000	30
10001 - 25000	35	10001 - 25000	35
More than 25000	40	More than 25000	40

* Under clause 88(1) of the HMC Bill.

** Under Section 124(1) of the BM Act as amended by Section 53 of the BM Amendment Act, 1980.

Holdings of which the AV does not exceed Rs 100 have been exempted from the tax both in Howrah as well as in the municipalities. The rate on holdings and other service charges which were levied separately earlier have now been amalgamated into a consolidated rate as in Calcutta. We have argued earlier that where the exclusion principle can work, separate levies by way of services charges would be appropriate. It is however not possible to apply this criterion to services other than water supply. Even since metering of water would be difficult in the municipalities

the consolidation of the rates would make for simplicity and therefore is a step in the right direction. But whereas in Calcutta the step system is being done away with, it is being introduced in Howrah and the municipalities. The reasons behind such inconsistency in the approach are not clear. Considering the limitations of the step system it would be desirable to follow a slab system if at all progression is to be introduced as suggested for Calcutta. For reasons mentioned earlier, while there may be a case for having some progression in the PT, it is advisable to keep the degree of progression within moderate limits. As in the case of Calcutta, the maximum rate, it is suggested, should not exceed 30^{to 33}/per cent as otherwise the rate of return on housing is unlikely to be attractive compared to alternative channels of investment.

4.105 One of the criticisms of the rates of tax of property tax in West Bengal municipalities has been that there is wide variation as between rates among the municipalities and that, compared to Calcutta, property holders in the lower AV brackets in several municipalities were subjected to tax at a higher rate than owners of properties of equal AV in the city of Calcutta as the rates in Calcutta were graduated, whereas the rates in the municipalities were flat (Kapoor R.M., 1980). The introduction of graduation in the rates would now remove such disparities in the burden of tax on holdings of equal AV in Calcutta and the municipalities. However, it should be recognised that the effective incidence of the tax depends not merely on nominal rates but also on the assessment of the rateable annual values. As may be seen from Table IV.15, there is wide disparity in the incidence of the PT per holding among the municipalities

TABLE IV.15

Per Holding Property Tax and Tax Rate in
Selected Municipalities of West Bengal

(1978-79)

Municipality/class		Per holding (Rs)		Tax rate % (total)
		PT	RV	
Chinsurah	A	74	334	25.00
Serampore	A	119	523	25.25
Bally	A	221	1256	21.00
Titagrah	A	225	1147	23.00
Panihati	A	45	344	22.00
South Dum Dum	A	86	614	23.50
Bhadreswar	B	132	840	24.00
Champdany	B	225	1055	24.50
Rishra	B	158	1023	21.00
Budge Budge	B	290	1289	27.50
Dum Dum	C	393	1955	23.00
New Barrackpore	C	18	224	9.00
Siliguri	A	162	1096	19.00
Asansol	A	243	1370	25.00
Kharagpur	A	47	330	8.15
Jalpaiguri	B	145	748	21.50
Darjeeling	B	259	1007	27.50
Bankura	B	42	317	22.51
Kurseong	B	282	1179	23.00
Kalinpong	C	183	1250	19.50
Suri	C	90	416	23.00
Katwa	C	59	347	21.75

Source : Statistical Appendix Tables

of West Bengal but the disparities cannot always be attributed to differences in the rate of tax. For instance, in Chinsurah, an A class municipality in the CMD, the tax per holding is Rs 74 whereas in Jalpaiguri (a B class municipality outside CMD) it is Rs 145, although the rate of tax is lower in Jalpaiguri than in Chinsurah. The lower incidence in Chinsurah arises from low RV of the holdings. Where the RVs are under-assessed, a relatively high rate of tax may serve to correct the deficiency. The aim of reform should be to ensure that the valuations are made on scientific principles applied uniformly throughout the State. As for uniformity in the rates, it may not be appropriate to take away the discretion of the municipality in the matter although the State government might require them to come up to certain minimum standard of tax effort for judging their eligibility for subventions.

i. Concluding remarks

4.106 Several proposals have been put forward above in the hope that they might help to improve quickly the elasticity of the property tax as well as its equity. These would also enable the municipal authorities to use the tax as an instrument of policy to subserve the objectives of town planning, optimal land use, reducing congestion and promoting development. For improving the yield of the PT, measures would be needed to improve the collections too. Measures for securing better collections are beyond the scope of this study. Attention has therefore been confined mainly to the reform of the base. It must be added, however, that reform of property taxation, or for that matter any tax, calls for considerable

determination and collective effort. This is particularly true of the PT for, being a very obvious tax, it universally evokes opposition. Nevertheless, it is useful to remember that the PT is important for it provides an independent tax handle for local authorities and, in West Bengal, the tax constitutes the main source of revenue for the municipalities. But if it is to play its due role, reform is imperative.

COMMISSIONER (LANDS) OFFICE

No. PA/C(L)/81/7

Dated the 31st January, 1981

CIRCULAR

The following rates have been fixed by the Finance Branch for various residential colonies for the purposes of calculating 50 per cent un-earned increase. These rates will be valid for the year 1981.

<u>Name of the Scheme</u>	<u>Rate</u>
1. Vasant Vihar, Anand Niketan, Shanti Niketan, Safdarjung Enclave, Anand Lok, Gulmohar Park, Panchsheel Park, Westend, Masjid Moth, Maharani Bagh, Niti Bagh, New Friends Colony, Chiragh Enclave, N.P.R. Colony, East of Kailash	Rs 940.00
2. Sarvodaya Enclave	Rs 825.00
3. Malviya Nagar, Sadhna Enclave Cosmopolitan House Bldg., Society	Rs 825.00
4. Janakpuri	Rs 500.00
5. Naraina	Rs 832.00
6. Tagore Garden	Rs 832.00
7. Wazirpur	Rs 832.00
8. Shalimar Bagh	Rs 600.00
9. Paschim Puri	Rs 440.00
10. Pitam Pura	Rs 440.00
11. Vikas Puri	Rs 320.00
12. Jhilmil	Rs 350.00

sd/-
(K.L. Bhatia)
Commissioner (Lands)

Computation of the Degree of Tax Progression

1. Method

Tax payable is regressed on the level of average rateable value in a double log linear form and the estimated slope is the degree of progression. A slope greater than unity indicates progression in the rate schedule.

2. Data

Tax Payable Under Different Rate Schedules in Calcutta (Rs)

Average rateable valuation (RV)	Tax payable under alternatives	
	T ₁	T ₂
250	38	28
1250	225	151
3000	540	450
5000	1100	917
8000	1750	1866
10000	2200	2667
15000	4050	5250
20000	6600	8000
30000	9900	12000
50000	16500	20000
100000	33000	40000
200000	66000	80000
500000	165000	200000
1000000	330000	400000

Note : The computations have been carried out using only the basic rates. Surcharges ~~have~~ not been taken into account.

Alternative T₁: Existing rate schedule and T₂: Proposed rate schedule in the 1980 Bill.

3. Regression Results

$$\begin{array}{l} \text{Log } T_1 \quad = \quad -2.4488 \quad + \quad 1.1106 \text{ Log RV} \quad R^2 = 0.9974 \\ (\text{t-ratio}) \quad (-14.7842)^{***} \quad (63.9537)^{***} \end{array}$$

$$\begin{array}{l} \text{Log } T_2 \quad = \quad -3.1302 \quad + \quad 1.1852 \text{ Log RV} \quad R^2 = 0.9924 \\ (\text{t-ratio}) \quad (-10.2833)^{***} \quad (39.5168)^{***} \end{array}$$

*** Significant at 1 per cent level.

V. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

5.1 Judged by the level of per capita revenue expenditure of the municipal bodies, the standard of civic services in West Bengal is lower than in the other urbanised States of the Indian Union like Maharashtra and Gujarat. The standard also falls below the All India average. The growth of per capita revenue expenditure of the Calcutta Corporation and of the municipalities of West Bengal in recent years has been slower than in the major corporations and municipalities in the other States for which comparable data are available.

5.2 The main constraint on the improvement of civic services in West Bengal is lack of resources of the municipal bodies. Per capita total revenue of the Calcutta Corporation is lower than that of Bombay, Delhi, Madras, Ahmedabad and Bangalore.

5.3 The main reason for the low level of revenue of the corporations and municipalities in West Bengal is their dependence on the property tax as the principal source of revenue of their own and lack of growth of revenue from the tax. At constant prices, the revenue of the Calcutta Corporation from the PT has suffered a decline between 1960-61 and 1977-78 whereas in the other major corporations there was an increase. The growth rate of the PT per holding is the lowest in Calcutta among the major cities. The elasticity of the PT in constant prices with respect to population and to city domestic product has been negative in Calcutta. With respect to cost of construction, the elasticity is less than unity whereas in Bombay, Delhi and Madras, it is above unity. The poor elasticity of the PT in Calcutta is due mainly to lack of growth in the base of the tax, namely, rateable value of the holdings in response to rise in level of rent and the prices of real estate.

5.4 Finances of the municipalities in West Bengal present almost a similar picture, namely, low level of per capita revenue expenditure resulting largely from heavy reliance on the PT and the poor growth of revenue from the PT leading to an increasing dependence on grants from the State government. The state of civic services in the A class municipalities seems to be worse than that of the smaller towns. The level of PT per capita which accounts for about 90 per cent of the total tax revenue of the municipalities is lower in West Bengal than in the States where the dependence on the PT is less as, for example, in Gujarat and Maharashtra. Nearly 2/3rds of the house-owners in the municipalities of West Bengal do not pay more than Rs 2 per month on an average for the municipal services enjoyed by them. The revenue from the PT is found to be inelastic with respect to levels of rents and appreciation in property values.

5.5 Factors underlying the slow growth of RV in Calcutta as also in the municipalities broadly are (i) legal constraints; (ii) weaknesses of assessment methods and procedures and (iii) socio-economic environment. Judicial interpretation of "reasonable letting value" has resulted in tying down the base of the PT to the concept of fair rent as contemplated in the rent control laws. Rent control has had a pervasive influence on the PT assessments in Calcutta as in the other cities of India. This, coupled with the ruling that it is the value of the property to the landlord which is relevant for assessment of the PT has constrained the upward revision of the RV of holdings and provided scope for evasion through the device of multiple leasing. The ruling that service charges should be excluded from rent has also attenuated the rental value base of the

tax. The assessments have suffered also because of unduly liberal and vague guidelines issued to the assessing staff. The guidelines ^{by the Calcutta Corporation} issued in 1973 leave a large area of discretion, opening up scope for subjective judgment and abuse. This has been aggravated by imperfections of the capital market and lack of reliable index of property values and rents. All this has resulted in gross undervaluation and wide disparities in assessments. Undervaluation are particularly acute in the case of business premises and private markets.

5.6 Reform of the PT in West Bengal has to take into account the ownership pattern, occupancy structure of the properties and the large proportion of low value holdings. Even within the given constraints, there is considerable scope for improvement especially in the case of properties under commercial use. Reform is needed not only to improve the yield and the equity of the tax but also to promote development of urban land in the State. The large proportion of holdings with vacant land, unduly low tax incidence per holding in the CMD and A class municipalities, obvious undervaluation of properties and absence of any tax for the commercial use of properties point to the scope for the greater use of property taxation to augment revenues and to promote urban development in the municipalities.

(Chapters I and II)

5.7 Although rent control and the widespread practice of under-reporting the actual rents of the properties have undermined its efficacy, annual rental value is still preferable as the base for the PT to other alternatives. Despite its several merits, capital value (CV) does not offer a satisfactory alternative base for taxation in India

as the real estate markets are not free or open and it is difficult to establish actual capital values of properties on the basis of evidence. CV also does not help to get round the problems posed by rent control in municipal assessments as court rulings require the value of tenanted properties to be determined ordinarily by capitalising the rent received by the landlord which, in view of the rent control statutes, has to be taken as equivalent to the standard rent permissible under rent control. Further, in determining the CV, some adjustments are needed to eliminate extreme values and approximate the value of the property as a freehold. Such adjustments are not easy to carry out in practice. The method of income capitalisation for estimating CV also involves several steps, some of which (like choosing an appropriate capitalisation rate) leave a large area of discretion. "Self-assessment" which is sometimes offered as a solution to the problem of valuation also gives rise to many intractable problems. Compared to CV, the annual rental value seems preferable administratively because (i) reliable information on rents is easier to obtain where renting is in vogue; (ii) rents are more stable and less sensitive to market conditions, expectations and variations in the age structure of buildings and (iii) verifying rental is easier.

5.8 Site value taxation has several economic merits but poses acute problems of valuation. Site value rating is also open to criticism on equity grounds as it would leave out wealth embodied in the structures. Property tax levied on the basis of area or as tax per unit of area might help to reduce the scope for subjectivity but is liable to attack on legal grounds as it would not take into account all characteristics of each holding bearing on its economic worth.

Nevertheless, standardisation may serve the aims of equitable taxation better in reality than a tax based on actual rental value because of the problems of determination of the latter. However, because of possible legal objections and the time likely to be taken in formulating the norms, taxation on a standardised base has to be put off as a long-term goal.

(Chapter III)

5.9 To improve the yield and the equity of the tax in the near future it is necessary first to ease some of the legal constraints affecting valuation. In order to mitigate the adverse effects of rent control on property taxation, suitable provisions may be made in the rent control laws, (i) to exempt newly constructed properties from the operation of rent control for ten years and (ii) to allow enhancement of the existing rents of old buildings at varying rates depending upon the age of the tenancy. There should be a provision permitting periodic increases in rents for every increase in the consumer price index of the city or the State by more than a specified percentage. It should be provided in the law that the basis of annual value will be the fair rent or the rent actually received by the landlord whichever is higher. Rent in this context should include any amount payable as a service charge. Until suitable changes are made in the rent control laws to permit such increases as suggested here, the municipal laws may be amended to empower the local bodies to raise the rateable value of tenanted properties by a specified margin with a proviso that the owner shall be authorised to pass on the additional burden of the tax to the tenants. For tenancies which are more than 45 years old, a notional increase in the rent by 30 to 40 per cent should be permitted. In the case of

tencies which are less than 15 years old, increase of 15 to 20 per cent may be allowed.

(paras 4.1 to 4.8)

5.10 There should be a separate tax on the commercial use of properties with reference to the area used for commercial purposes. Suitable rates of tax per unit area may be laid down for different areas keeping in view their commercial importance and other aims of policy such as decongestion etc. In Calcutta, such a tax even at a moderate rate, should fetch about Rs 5 to 6 crore annually. With a tax at the rate of Rs 1.25 per sq. ft., the revenue from private markets in Calcutta should exceed Rs 1 crore. A separate tax on commercial use of properties would help to augment the revenue of the municipalities too substantially. An area based tax for the commercial use of properties should not be legally objectionable as it would have some definable policy objectives in view.

(paras 4.9 to 4.19)

5.11 Large private markets should be taken over by the municipal authorities and the right to run them should be auctioned periodically to the highest bidder.

(paras 4.20 and 4.21)

5.12 If owner-occupied properties are to be taxed on a preferential basis, the rebate or allowance to be given should be specified in the law and such allowance should be restricted only to properties occupied by the owner for his own residential and not for commercial purposes. The concession for owner-occupation which may

be justified to avoid hardship to widows and pensioners should be allowed only for properties with annual value not exceeding a certain limit, as proposed in the CMC Bill. In the case of municipalities, owner-occupied properties should be assessed on the basis of the present value of the building and the land as proposed for Howrah. The rate of return to be imputed on the value of land and building should be in line with the yield of safe investments. Some concession for owner-occupation may be provided upto a specified limits on the pattern of the CMC Bill with suitable variations in the limits to take account of the variations in the levels of rent in the municipalities.

(para 4.27)

5.13 Vacant lands should be assessed on their present market value and the rate of return to be applied to the capital value should be brought on par with the current yield of safe investments. Information regarding transactions in land entered into by government and semi-government agencies and the rate list maintained by the Land Acquisition Department for fixing compensations should be used to build-up a data base for valuation of land in each town/locality. For land comprised in a holding having a structure thereon, the annual value should be assessed by applying the prescribed rate of return to the estimated present value of the land and not on the basis of ground rent.

(paras 4.28 to 4.31)

5.14 There is no case for including plant and machinery in the tax base for property taxation. However, until a tax on commercial use of property is levied, plant

and machinery may be included in the base where the assessment is made on the basis of capital value.

(paras 4.32 to 4.35)

5.15 In Calcutta, the AV of holdings where the rental value cannot be determined easily should be assessed on the basis of the market value of the land and the cost of construction.

(para 4.36)

5.16 For improving the administration of the property tax, guidelines should be formulated for valuation of properties indicating broadly the range within which the value of properties has to be fixed by assessing officers. The guidelines should specify the minimum rate of rent to be taken per unit of covered area in different localities for two or three broad classes of structure, and the allowances to be made for the age of the building. The norms so laid down should be regarded as the minimum and any departure from the norms beyond a specified margin should be referred to a designated superior official or authority.

(paras 4.37 to 4.39)

5.17 For improving the existing system of property taxation, particulars of property like land area, covered area, description of building, rent received etc. should be obtained regularly from all owners and occupiers. Assessment could then be made on the basis of the particulars filed and the norms of rent fixed for

different areas. Cases may be picked up on a sample basis for test check and those found guilty of concealment or making a false statement severely penalised. The Inspection book and the Assessment book maintained in the Calcutta Corporation should be modified to ensure that all relevant particulars of property are entered.

(paras 4.41 to 4.44)

5.18 There should be better co-ordination between the building department and the assessment department.

(para 4.45)

5.19 Since valuation of properties is required to be made for several purposes, there should be co-ordination and arrangement for exchange of information among the valuation agencies of the Central and State governments and those of the local authorities. It may be necessary to amend the Central laws relating to income-tax and wealth-tax to permit such exchange.

(paras 4.46 and 4.47)

5.20 The Assessment and Appellate procedures for property taxation should be reformed. In the Corporations, the assessments of properties with annual value not exceeding a certain limit may be made by the Assistant Assessor; bigger cases should be handled by Deputy Assessors. The standard adopted in the assessments should not depart from the prescribed norms by more than a specified margin (10 per cent in the case of Assistant Assessors and 20 per cent in the case of Deputy Assessors). Provision should be made

for review of the orders of the Assistant Assessor and the Deputy Assessor by the Commissioner or the Municipal Assessment Tribunal. Review of cases where the AV is relatively large may be made by the CVB. The Review Committee of the CVB should not have any Councillor as a member.

(paras 4.48 to 4.49)

5.21. In the municipalities, the general revaluations may be done by the empanelled assessors. The scale of remuneration of the assessors should be raised and related to the value of the holdings. The quality of valuation done by the assessors should be monitored by the CVB. As for review, where norms are prescribed, the review may be done by an officer of the municipality if the gap between the standard applied in the assessment and the norm does not exceed 10 per cent. Where the gap is larger, the review may be done by the CVB or the Valuation Authority. The Review Committee of the CVB should not have any Commissioner. The Councillors/Commissioners should be associated only at the stage of formulation of the norms by the CVB. Interim assessments may be made by the municipal staff.

(paras 4.60 to 4.67)

5.22 An assessment of Central government and Railway properties should be made by the land and building method. In addition to service charges, these properties should be subjected to the general property tax at the minimum rate. All government properties should be required to pay the tax proposed for commercial use. Only defence and

police establishments should be exempted.

(para 4.51)

5.23 The present basis of assessment of bustees does not call for any change.

(paras 4.53 to 4.58)

5.24 In the case of multi-storeyed buildings, the facility of separate assessment or apportionment should be allowed only where the right of ownership of a flat in a multi-storeyed building is legally tenable.

(para 4.59)

5.25 A tax on land and building can be used as a potent instrument of financing development. Land can be acquired and developed initially with a seed money and further development may be financed by selling land so developed and or by letting out the properties on a commercial basis, following the pattern set by the DDA. A similar method may be adopted for development of urban land in Howrah and other municipalities by a designated Development Authority. Beneficiaries of urban development should be required to contribute to the cost of development in the form of a betterment cess or surcharge on the consolidated rate levied by the Corporation or the municipalities. This cess or surcharge may be levied for a specified period for holdings located in a planning area and should be realised from the occupier of the holding. The conversion charge may be retained but the authority for levying it may be

delegated to the municipalities of the area concerned.

(paras 4.72 to 4.80)

5.26 Amalgamating the tax on holdings and the service charges like water-rate, lighting-rate and conservancy-rate under a "consolidated rate" makes for administrative simplicity. But there are certain advantages in keeping the tax on holdings and the service charges separate. Progressivity in the property tax is open to objection if service charges are also included, as that introduces a degree of progression in the charges for services. Keeping service charges separate also helps accounting and in determining the amounts to be realised from Central Government properties. For supply of water, there is a case for levying a separate charge since, unlike services like lighting, consumption of water by individual holdings can be measured. Some progression in the water rates might also be justified to induce economy in its use. In the municipalities, consolidation of the rates is preferable on administrative grounds.

(paras 4.88 to 4.93)

5.27 Progressivity in the property tax is justifiable on the assumption that a large part of it was borne by the house-owners who usually belong to the relatively better off sections of the community. The possibility that a part of the property tax may be passed on and, to the extent it is not passed on, taxation may have an adverse influence on investment in housing, calls for some moderation in the degree of progression and the level of rates of the PT. If properties are valued

realistically, the maximum rates of the tax should not go beyond 30 to 33 per cent of the AV. The "straight-line method" now proposed for Calcutta is an improvement over the step system followed so long, although the straight-line method is essentially a variant of the step system. The slab system with a mild degree of progression would be preferable to the straight-line method.

(paras 4.81 to 4.100 and
paras 4.104 and 4.105)

5.28 Exemption from the property tax should be granted sparingly. The proviso that no trade or business should be carried on the premises or that it should not be let out on rent if it is to be eligible for exemption, should be retained.

(para 4.101)

Appendix on the Equity of the Property
Tax in Calcutta

Introduction

Equity is one of the most important attributes of a tax. As is well known there are two dimensions of tax equity - horizontal and vertical. In this appendix, we propose to examine some aspects of the horizontal and vertical equity of property taxation in Calcutta in quantitative terms.

Horizontal Equity

The test of horizontal equity, in the case of the property tax may be regarded as satisfied if the tax payments form a constant proportion of the market value of similar properties. In other words, horizontal equity is met when the effective tax rates, defined as the ratios of the tax payments to the market values of the properties are equalised for similar properties. Symbolically, horizontal equity is met if the following condition is satisfied in respect of 'K' number of similar properties:

$$\frac{PT_1}{MV_1} = \frac{PT_2}{MV_2} = \dots \dots \dots \frac{PT_K}{MV_K} \quad (1)$$

or

$$\frac{AV_1}{MV_1} = \frac{AV_2}{MV_2} = \dots \dots \dots \frac{AV_K}{MV_K} \quad (2)$$

because

$$\frac{PT_1}{MV_1} = \frac{AV_1 r}{MV_1}, \quad \frac{PT_2}{MV_2} = \frac{AV_2 r}{MV_2} \text{ and so on } (3)$$

where

PT = Property tax liability
MV = Market value of property
PT/MV = Effective tax rate
AV = Assessed value
AV/MV = Assessment ratio
r = Rate of tax

In other words, with the same tax rate for equal value properties, equalisation of the assessment ratios, defined as the ratio of assessed value to market value implies equalisation of the effective tax rate. For reasons of social and economic policy the tax rates may be differentiated between properties on the basis of various criteria such as use (residential vs. commercial). Where the rates are so differentiated, equalisation of assessment ratios may still be used as a criterion of horizontal equity. The estimates of assessment ratio may also help in ascertaining as to what proportion of the market values of properties are captured by the Assessment Department and in identifying the factors behind the low assessment ratios for various groups of properties, i.e., whether it is due to subjective factors or factors beyond the control of the assessing officers. The objective of the present section is to construct and compare the assessment ratios of properties in Calcutta in order to evaluate the extent to which the test of horizontal equity is met in the assessment of properties in the city. The assessment ratio is calculated as the proportion of assessed value (AV) to the estimates of property value, derived alternatively as the annual rental value (ARV), capital value (CV), market value (MV) or estimated sales price (ESP).

Empirical Evidence on Horizontal Assessment Inequity

The construction of assessment ratio requires information on the assessed values and the estimated sales price or market values of the properties. In the absence of an active real estate market, reliable data on market values of properties are difficult to obtain. The only available statistics on ESP or MV is the consideration paid for the transfer of properties in the records of the Office of Registrar, Registration. This information lacks reliability since the sales prices are often depressed in order to evade taxes. The figures of consideration paid for transfer can be used with some confidence only if the degree of understatement is uniform across properties. The understatement in transfer deeds is not only widely prevalent but it also does not follow any systematic pattern. Moreover, the ESP or MV can be used for computing the assessment ratio where the capital value is the tax base. Nevertheless, some idea of the disparities in the assessments can be derived by looking at the ratios of assessed AV to the MV of the properties as reflected in the values declared in the transfer deeds. Since in Calcutta, the base of the PT is the AV, assessed either on the annual rental or at a fixed percentage of the capital value (6 per cent, according to the guidelines reproduced in Appendix I to chapter I), in working out the assessment ratios we have used as the denominator 6 percentage of the sale value of the properties which underwent transfer (taking a sample) and alternatively the annual rental computed on the basis of the figures of gross rental available from the Corporation records. The AV or RV as actually assessed have been used as the numerator.

Assessment ratios of a sample of 30 properties in Calcutta computed on the basis of assessed RV (or AV) and their disclosed sale value are set out in Table A.1. The sample consisted of high and low value properties located in different wards of the Calcutta Corporation and information regarding the capital value of the properties was

TABLE A.1

Assessment Ratios for Selected Holdings
in the Calcutta Corporation

Assessment ratio group (per cent)	Number of holdings
0 - 10	3
10 - 20	5
20 - 30	6
30 - 40	1
40 - 50	2
50 - 60	2
60 - 70	2
70 - 80	2
80 - 90	5
90 - 95	2
Total	30

Source : Survey of Holdings by NIPFP.

gathered from the deeds of sale/transfer registered with the registration authorities. It will be seen that the assessment ratios vary all the way from less than 10 per cent to more than 90 per cent. Even allowing for the possibilities that the values of properties declared in the registered

deeds are understated in varying degrees, the distribution of the holdings according to their assessment ratios computed in the manner indicated above serves to indicate the extent of the disparities and thus the violation of horizontal equity in the assessments. It may be added that the ratios are used here to demonstrate the extent of the inequities prevailing in the assessments and these ratios should not be taken as indicative of the degree of undervaluation. For, in assessing the extent of undervaluation, it is necessary to have an idea of the degree of understatement of the value of the properties in the sale deeds. As pointed out already, true market value cannot be estimated with any confidence in the absence of an open real estate market and thus it is difficult to judge the degree of undervaluation from these ratios alone.

The picture of disparities in assessments presented by Table A.1 might be open to criticism as no distinction has been made in it between owner-occupied holdings and rented ones within the sample although, as is well known owner-

TABLE A.2

Percentage Distribution of Assessment Ratio for Selected Wards in the Calcutta Corporation

(Owner Occupied Holdings)

Assessment ratio group (per cent)	Wards					Total	Percentage of total
	10	80	72	69	93		
20 - 30	1	0	1	1	0	3	5.56
30 - 40	0	0	0	0	1	1	1.85
40 - 50	1	0	1	0	1	3	5.56
50 - 60	3	0	2	1	1	7	12.96
60 - 70	3	2	2	0	5	12	22.22
70 - 80	3	0	6	4	0	13	24.07
80 - 90	1	0	1	4	1	7	12.96
90 - 100	0	1	4	3	0	8	14.81
Total	12	3	17	13	9	54	100.00

Source : Survey of Holdings by NIPFP

occupied properties are allowed some concession in assessment in Calcutta. Keeping the above limitation in mind, the assessment ratios were constructed separately for a few owner occupied and the tenanted holdings on the basis of their annual rental value computed from the information available in the records of the Corporation. The sample consisted of 168 properties (54 owner-occupied and 114 tenanted-cum-combined). The results are presented in Tables A.2 and A.3. The violation of horizontal equity in assessment is again evident. Even if one would allow for the complexities of the assessment mechanism and differential nature of properties, the disparities are glaring, though the extent of the disparities varies somewhat from ward to ward. The disparities in the case of the holdings covered in Table A.2 and A.3 are particularly difficult to explain as the denominators in the ratios for

TABLE A.3

Percentage Distribution of Assessment Ratio for
Selected Wards in the Calcutta Corporation
(Tenanted-cum-combined)

Assessed ratio group (per cent)	Wards					Total	Percentage of total
	10	80	72	69	93		
10 - 20	1	0	0	0	0	1	0.88
20 - 30	2	0	1	2	1	6	5.26
30 - 40	1	1	5	2	0	9	7.89
40 - 50	4	0	4	3	1	12	10.53
50 - 60	3	2	3	3	7	18	15.79
60 - 70	3	2	5	5	4	19	16.67
70 - 80	5	2	3	6	2	18	15.79
80 - 90	1	4	4	2	1	12	10.53
90 - 100	1	4	5	9	0	19	16.67
Total	21	15	30	32	16	114	100.00

Source : Survey of Holdings by NIPFP

these cases have been derived from the information regarding the rental of the properties noted in the Corporation's own records. The presence of disparities in such cases suggests that in the assessments, deductions and allowances are not made on a uniform pattern and that the inequities in the assessments owe their origin not merely to understatement of true rentals but also in disparate standards in the matter of allowances.

Vertical Equity

The vertical equity of a tax refers to the distribution of the tax burden, i.e., the incidence of the tax across income groups. In analysing the vertical equity of the PT, it is necessary to distinguish the incidence of the existing property tax as such from the incidence of a small change in the property tax rate. For, as pointed out by Shoup, "The incidence of a large tax like the real estate tax, considered by itself, does not exist. Removal or introduction of such a tax must involve some other change of corresponding magnitude in the public finance system, a change so large that it cannot be ignored, yet the effects of which cannot be separated analytically or empirically from the effects of the real estate tax. Only the net result of the two changes together can be analysed a priori, or observed.... On the other hand, a small change in the real estate tax rate or coverage may perhaps be analysed as if it were not accompanied by a correspondingly sized change elsewhere in the public finance system. Of course, it is so accompanied, but the effects of the accompanying change, the "Counterfactual", may be assumed to be so widespread, and so small in total, that they can be ignored in stating the effects of the measures on the things that the real estate tax is deemed to affect" (Shoup, 1979). It is, however, recognised that

the study of a tax in a particular locality can also provide a good idea of its incidence in the same way as a small change in the tax itself. Hence an attempt to examine the incidence of the PT as such in Calcutta may not be inappropriate. Views on the incidence of the property tax in the literature can be grouped under the following approaches: (for a detailed, critical and more recent discussion of these approaches see Bird, R.M. and Slack, N.E. (1978):

Traditional view: The property tax is a tax on land and buildings. According to the traditional view, the tax on 'land' component is borne by the landowner because land is inelastic in supply. The part of the property tax levied on buildings (structures including improvements) is shifted forward to the tenants in the case of tenanted houses and to the consumers of the taxed commodities and services produced by business, commerce and industry in the case of non-residential housing; all this on the assumption of completely elastic supply of capital and inelastic demand for housing. Since rental expenditure is a declining function of income as one moves up the income scale, the tax on buildings is regressive, like an excise tax.

New view: Under certain conditions, the average tax on structures may not produce an excise effect but is likely to be borne instead by the owners of capital not only in the taxed jurisdiction but capital everywhere in the form a reduced after-tax rate of return in a general equilibrium framework; the assumption being that the supply of capital is totally inelastic. Given the distribution of ownership of capital by income classes, the property tax on buildings is progressive. The incidence of average or the uniform national property tax is borne by all owners of capital,

but the deviations of the property tax rates from the average may generate excise effects, i.e., they are passed on to the tenants, consumers and owners of factors like labour which are specific to regions or activities; prices would fall in those jurisdictions where the capital and labour move in and rise where from they move out.

New orthodoxy: According to this approach, the traditional view is appropriate in evaluating a property tax change which is restricted to a particular taxing jurisdiction, while the new view is appropriate for the analysis of the incidence of a nation-wide change in the effective property tax rate. The assumptions regarding the elasticity of capital supply are tenable in the case of a particular jurisdiction, while in the case of the economy as a whole, it should be regarded as given and inelastic in supply.

The Incidence of the Property Tax in Calcutta

The brief review of the incidence literature presented above indicates that the evaluation of property tax incidence in a particular taxing jurisdiction should be undertaken following the traditional approach in a partial equilibrium setting. The pattern of incidence of the total property tax collections in a given cities like Calcutta may be assumed to reflect the incidence of a small (marginal) change in the property tax rate. Since the tax falling on the owner occupants may be assumed to stay put, the important question is who bears the property tax on the tenanted buildings. If the tenanted holdings are commercial or industrial premises, in most likelihood, the property tax attributable to them is shifted forward to the consumers of the products associated

with their premises as the tax on rental paid by these premises is treated as cost.

The incidence of the property tax falling on the tenanted residential holdings has two aspects: one, the distribution of the tax between the landlords and the tenants and two, the distribution of the tax as between income groups. The first aspect is related to the question of forward shifting of the tax and the latter to the degree of progressivity/regressivity of the tax in relation to the income of the taxpayers.

a. Assumptions regarding tax shifting

If it is assumed that the possibilities of tax capitalisation through reduction in the selling price of the land and the property is nil, the tax falling on the "land" component of properties should be included in the allocational exercise in the same way as the tax on improvements. As the transactions in real estate are comparatively few in the less developed countries, the possibility of tax capitalisation may be taken to be small. According to the survey conducted by us in the selected towns in West Bengal, the proportion of properties purchased was very low. Most of the properties were either inherited or self-constructed. Since the tax is not capitalised, there are three possibilities: (i) it is shifted forward to the tenants; (ii) it stays put with the owners of properties and (iii) it gets transformed, i.e., owners paying the tax in the first instance but reducing the quality of housing services. Whether the tax is shifted forward in the case of tenanted residential holdings or it stays put with the owner or it is shared both by the owners and the tenants would depend

on the demand and supply conditions prevailing in the housing market.

In Calcutta a large proportion of the holdings is under multiple occupancy which gives an indication of the overcrowding in the city. The shortage of the residential dwellings is highlighted by the fact that whereas most of the holdings are inhabited by more than one family, the size of the holdings measured by the number of rooms is not big: most of them have 3 to 5 rooms. Therefore, the availability of rooms per head is very low and this, in spite of the fact that the majority of the holdings are used for residential purposes.

Whereas the shortage of dwelling houses on the one hand, and its sluggish growth on the other have pushed up the rents, the existence of the provisions of rent control in the cities and towns have provided a check against rent escalation. Even though the number of cases going to the Rent Controller is not large, the existence of these provisions might be providing shelter to the tenants by exerting a pressure on the landlords not to revise the rents upwards in order to shift the tax. According to the provisions of the rent control, not only the rents are pegged at low levels the permitted increase in the rents is not more than marginal. It is well known that the rental level in the uncontrolled rent sector has risen much faster than in the controlled rent sector.

Since a sizeable proportion of the tenancies in Calcutta are more than 25 years old, their rents may be supposed to be low because they were leased out in the distant past. The revisions in rents are also generally

quite difficult because most of them are governed by the rent control laws. The survey of the mode of rent fixation carried out by us revealed that most of the tenanted holdings executed only oral agreements. Such holdings are covered by the provisions of rent control as only a few leases fall outside the purview of these provisions. The operation of the deterrent effect of the rent control can also be observed from the fact that only in a very small proportion of holdings, the tenants pay the tenant portion of the tax. The survey also showed that a sizeable portion of the maintenance cost is borne by the landlords. The depressing effect of the rent control on the level of rent is further revealed in the concentration of the most of the tenanted holdings in the monthly rent group of less than Rs 100.

The characteristics of the housing market, analysed above do not, however, enable us to draw any definite conclusion regarding the tax shifting. But in view of the greater ease of moving money than people (Bird R.M. and Slack N.F. (1978), the elasticity of supply may be taken to be greater, producing market conditions conducive to forward shifting. The rising rents in the uncontrolled rent sector largely explain this phenomenon. On the other hand, the demand for housing seems to be inelastic with respect to price. A few empirical estimates also confirm this. Dholakia (1980) estimated negative price elasticity of demand for housing in all the States including West Bengal, indicating that the demand for housing rises with the increase in rents. Hence we propose to assess the incidence of the residential property tax as between different income groups on the assumption that the tax is largely borne by the tenants.

b. Measurement of the degree of progressivity/
regressivity

An indication of the degree of progressivity/regressivity of the property tax, assuming 100 per cent forward shifting to the tenants, can be obtained from a measure of the elasticity of total property taxes with respect to the family income of the tenants. The relationship between taxes and income is determined by three factors: (1) the relationship between total property taxes (T) and market value (V), (2) the relationship between market value and rental value (R) and (3) the relationship between income (Y) and demand for rental housing, the latter measured in terms of the expenditure on rent by the tenants, i.e., the rental value.

In other words,

$$\frac{T}{Y} = \frac{T}{V} \cdot \frac{V}{R} \cdot \frac{R}{Y} \quad (5)$$

In elasticity terms:

$$E_{T,Y} = E_{T,V} \cdot E_{V,R} \cdot E_{R,Y} \quad (6)$$

If $E_{T,Y}$ is greater than one, then the excise effect of the property tax is progressive: if $E_{T,Y}$ is less than one, it is regressive. Under the assumption of complete forward shifting, it is implicitly assumed that

$$(1) \quad E_{T,V} = 1, \quad E_{V,R} = 1$$

or

$$(2) \quad E_{T,V} \cdot E_{V,R} = E_{T,R} = 1$$

In other words, the changes in rents and property values proportionately get reflected in the tax payments. Under these conditions

$$E_{T,Y} = E_{R,Y}$$

(7)

Theoretically, it has been argued that the rental expenditure is a declining function of income i.e., as income goes up, the proportion of rental expenditure in the income goes down. If the $E_{R,Y}$, i.e., income elasticity of the demand for housing is less than unity, the property tax falling on the tenanted residential properties is regressive. Let us call this theoretical regressivity. If, however, the changes in the rents get reflected less than fully in the tax payments, $E_{T,R}$ is likely to be lower than unity. This accentuates the degree of regressivity. (For empirical studies, see Paglin, M and Fogarty M. (1972), Black, David E. (1977), Rossett, Richard N. (1970), Ross, Myron H. (1971). This aspect of tax regressivity may be termed as administrative regressivity. Using the above relation, the progressivity/regressivity of the tax on the owner occupied dwellings also can be measured. In the case of owner occupants, $E_{T,Y}$ would depend only on $E_{T,V}$ and $E_{V,R}$. Now, in order to obtain an overall incidence of the property tax, the size and sign of the various component elasticities need to be estimated.

The data used for testing the hypothesis of progressivity/regressivity of the property tax distribution in the present case were taken from a small sample of 28 properties, homogeneous in respect of age, structure and locational attributes in the Golf Green complex area in Calcutta, of which 14 were owner occupied and 14, tenanted (Set A). Another set (Set B) consisted of 88 heterogeneous properties located in various wards of the Calcutta Corporation. However, information on the income of the owners and occupants of the holdings was not available. The informa-

tion available from the Corporation records consisted of assessed value, sales price, tax liability and the level of rent for the Set A. In the Set B, the property value was approximated by the consideration paid for transfer and the rent by the rateable value as available in the Corporation records.

c. Estimates of component elasticities

Several studies have attempted to estimate in the Western countries the income elasticity of demand for housing services (see Wilkinson (1973)). No consensus, however, is reached in regard to the magnitude of income elasticity. Theoretically, it has been argued that the demand for housing services will have a tendency to change less than proportionately in response to changes in income, i.e., the demand for housing is likely to be income-inelastic. Indian evidence on this issue is scanty. Dholakia (1980) has made some estimates using the time series data on the gross rental in real terms as the dependent variable and the GDP in real terms and ratio of the price index of gross rental to the price index of GDP as the independent variables. The rental represents the aggregate demand for housing services, GDP the aggregate income and the ratio of the price indices the relative price of housing services. In his estimates of total and partial elasticities with respect to income and price, he obtained an income inelastic demand for housing services having values of 0.5096 (partial and 0.7450 (total).

Using the NSS twentyseventh round expenditure data on rent according to per capita household expenditure groups,

an alternative estimate of the income elasticity of demand for housing, namely, the expenditure elasticity of demand was obtained with a value of 0.99 for the city of Calcutta. Since the proportion of total consumer expenditure in the households income declines as one moves up the income scale, the value of income elasticity is likely to be lower than the estimated expenditure elasticity of 0.99. The estimates of other component elasticities are given in Table A.4.

d. Conclusion

The results for Set A show that since $E_{T,V}$ and $E_{V,R}$ are different from unity in the case of tenanted properties, the theoretical regressivity does not correctly indicate the extent of regressivity which presumably should be lower. However, in the case of house owners, the values of $E_{T,V}$ and $E_{V,R}$ show mild progression. Roughly the same result is obtained from the Set B. The results obtained from both the sets of data establish that changes in the rents and the market values of properties do not get adequately reflected in the tax payments as one moves up on the value scale. These results, however, should be used with great caution. The conclusion for Set A is based on a very small sample and Set B uses the consideration paid for sale as a proxy for the market value of properties whose limitations have already been discussed. Therefore, these results regarding the property tax incidence should be used only as broad indicators. In addition to this as the data used in the Set A consisted of the assessed values which were contested in the courts by the property owners, these results should not be taken as firm estimates lent only indicative of the fact that there is some assessment bias which affect the incidence of the property tax in Calcutta.

TABLE A:4

Regression Estimates Relating to Property Tax Incidence

Regressions equation		Elasticity
<u>Set A: Homogeneous Properties</u>		
<u>Tenanted Properties</u>		
(1) Log T	= -2.5295 + 0.8851 Log V (-1.0061) (3.9618)*** R ² = 0.5667 N = 14	E _{T,V} = 0.8851
(2) Log V	= 5.7913 + 0.6787 Log R (4.2392)*** (3.9986)*** R ² = 0.5713 N = 14	E _{V,R} = 0.6787
<u>Owner Occupied Properties</u>		
(3) Log T	= -5.8486 + 1.1257 Log V (-8.1552)*** (17.6670)*** R ² = 0.9630 N = 14	E _{T,V} = 1.1257
(4) Log V	= 3.9341 + 0.9968 Log R (138.4021)*** (257.6008)*** R ² = 0.9998 N = 14	E _{V,R} = 0.9968
<u>Tenanted + Owner Occupied Properties</u>		
(5) Log T	= -4.4282 + 1.0267 Log V (-1.1484) (2.9966)*** R ² = 0.2567 N = 28	E _{T,V} = 1.0267
(6) Log V	= 9.7431 + 0.1962 Log R (15.5661)*** (2.4156)** R ² = 0.1833 N = 28	E _{V,R} = 0.1962
<u>Set B: Heterogeneous Properties</u>		
(7) Log T	= 3.3070 + 0.3878 Log V (2.2552)** (3.2600)*** R ² = 0.1107 N = 88	E _{T,V} = 0.3878
(8) Log V	= 9.1624 + 0.3312 Log (9.3643)*** (3.2042)*** R ² = 0.1066 N = 88	E _{V,R} = 0.3312

*** Significant at 1 per cent.

** Significant at 5 per cent.

Figures within parentheses indicate t-ratios.

If the degree of progressivity/regressivity is analysed in terms of $E_{T,V}$ and $E_{V,R}$ only, i.e., in terms of the degree of administrative regressivity and the renters and homeowners are pooled together, the estimates of $E_{T,V}$ and $E_{V,R}$ (equations (5) and (6)) show that the assessment administration is highly regressive. Both the elasticities are less than unity. As high value properties usually appreciate more in value than low value properties, the extent of regressivity is enhanced at the lower end of the value scale. There is a widespread feeling that when the properties are initially assessed, there is a tendency to understate the true market value of houses in the higher value range relative to those houses which fall at the lower end of the scale. Both a priori reasoning and statistical analysis support this proposition. An analysis of a sample of 88 properties in Calcutta indicated that the average assessment ratio for 30 properties of more than Rs 3 lakh market values stood at 3.38 per cent against an overall average of 5.16 per cent and 11.50 for the properties with and less than Rs 3 lakh market value. In a wardwise analysis of the six-yearly growth of the AV, Bhattacharya (1980) also has demonstrated the regressive nature of the assessment of properties in Calcutta resulting from such differential growth of assessed values as between high and low value properties. This brings out the fact that the initial assessments probably discriminate in favour of high value properties. Besides the element of subjectivity on the part of the assessment officers, which is the most important determining factor, a possible explanation for this is that holdings of the average kind are fairly numerous and their assessments can be done using the comparison method or the evidence of rent but high value houses tend to be more individualistic in terms of quality, design etc., where the method of comparison may not be of much help. This is perhaps more true in the case of very high value properties.

Similarly, the review process after the initial assessment is completed might also contribute to the administrative regressivity. Before the valuation is finalised, it undergoes the process of revision within the municipal body and, after that, often also outside the municipal body in the courts of small causes, and courts above. In most of the cases, the revision under GR is challenged and the ratepayers obtain substantial reduction in the assessed values on various kinds of appeals. The distribution of the benefits due to reduction obtained is unequal and the high value property-owners have benefited the most. Table A.5 reveals that of the premises which could not obtain reduction, most of them belonged to the AV group of less than Rs 3000. An analysis of the GR cases shows that the highest slab (slab 5) attracted fewer rejections and restoration of

TABLE A.5

Proportion of Cases with Finalised Assessments
(Calcutta Corporation)

Ward	Proportion in the total	Proportion in the case of premises with AV below Rs 3000 as per assessments prior to revision
1	79	92
17	74	86
32	75	77
44	54	35
65	63	31
72	56	50
82	75	87
93	40	50
94	18	94
City	53	71

Source : (M.K. Bhattacharya (1980))

contested valuation (Table A.6). The properties falling in this group have also obtained the maximum reduction on appeals relating to valuations under GR and IR.

TABLE A.6

Decisions on Objections to Proposed Assessments
in GR and IR
(Calcutta Corporation)

Type	Annual value		Total
	Slab 1 (Lowest)	Slab 5 (Highest)	
Increase rejected (GR)	65	19	84
Increase maintained (GR)	43	24	42
Increase reduced (GR)	40	85	73
Increase reduced (IR)	38	46	32

Source : As for Table A.5.

The above analysis shows that regressivity is introduced due to arbitrariness not only at the time of initial assessment but also during the process of finalisation of assessment. Thus the quality of assessment administration is an important factor in determining the de facto progressivity/regressivity of the existing property tax system. Hence one of the important objectives of the property tax reform should be to attain a reasonable degree of uniformity in assessments by employing better techniques of assessment which can yield greater accuracy and precision on the one hand and minimise the element of subjectivity on the part of the assessors on the other. The very process of the finalisation of proposed valuations requires significant modification.

S T A T I S T I C A L A P P E N D I X

TABLE SA. 1

Revenue from Property Tax, Rateable Value, Number of Holdings,
Total Tax Revenue, Total Revenue and Total Revenue Expendi-
ture of the Calcutta Corporation
(1965-66 to 1979-80)

Year	Property tax	Rateable value	Number of holdings (in lakh)	Total tax revenue	(Rs lakh)	
					Total revenue	Total revenue expenditure
1965-66	565.08	2947.20	0.05*	631.28	944.31	-
1966-67	544.47	3034.92	0.95*	614.83	982.86	-
1967-68	689.46	3197.50	0.95*	760.80	1061.37	-
1968-69	673.58	3257.51	0.96*	744.86	1102.02	-
1969-70	695.28	3399.14	0.96*	769.10	1194.83	1358.59
1970-71	684.71	3671.86	1.33	754.77	1543.30	1478.46
1971-72	711.56	3991.81	0.99*	788.92	1533.10	1726.82
1972-73	773.14	4145.05	1.00*	856.00	1741.99	1684.86
1973-74	857.72	4370.15	1.00*	942.36	1636.10	1713.13
1974-75	739.27	4398.55	1.01*	823.12	1652.02	1773.12
1975-76	981.41	4496.33	1.37	1084.01	1959.68	2001.85
1976-77	1015.47	4623.98	1.40	1165.00	2128.51	1923.73
1977-78	1049.32	4767.14	1.41	1270.03	2413.77	-
1978-79	1137.52	5356.41	1.41	1361.81	2577.88	-
1979-80	1567.00	5761.51	1.42	1771.53	3451.79	-

Excluding Tollygunge

- Sources :
1. Central Statistical Organisation (1978) Statistical Abstract
 2. Calcutta Corporation

TABLE SA.2

Revenue from Property Tax, Rateable Value, Number of Holdings,
Total Tax Revenue, Total Revenue and Total Revenue Expendi-
ture of the Municipal Corporation of Greater Bombay
(1960-61 to 1979-80)

(Rs lakh)						
Year	Property tax	Rateable value	Number of holdings (in lakh)	Total tax revenue	Total revenue	Total revenue expenditure
1960-61	1250.67	4044.00	-	1524.66	1739.59	1583.94
1961-62	1297.37	4228.00	-	1583.63	1899.32	-
1962-63	1459.00	4462.00	-	1770.32	2212.54	-
1963-64	1711.42	4758.41	-	2050.63	2414.71	-
1964-65	1779.16	5179.33	-	2184.57	2549.22	-
1965-66	1924.23	5461.58	-	2875.32	3197.25	3025.45
1966-67	2091.42	5880.65	1.79	3429.95	3800.84	-
1967-68	2100.82	6350.92	-	3361.26	3860.93	-
1968-69	2389.14	6737.73	1.92	3743.06	4271.93	-
1969-70	2450.54	7282.90	2.00	4053.19	4689.65	-
1970-71	2769.94	7875.93	2.06	6466.73	5311.28	5352.44
1971-72	3024.72	8512.45	2.10	5225.62	6089.53	6157.37
1972-73	3129.00	9383.20	2.15	5481.27	6290.20	6748.88
1973-74	3587.92	10683.52	2.21	6207.31	7357.61	7644.41
1974-75	4172.64	10600.36	2.25	7083.47	8990.27	9235.62
1975-76	5388.87	12081.67	2.30	8732.44	11272.97	11583.37
1976-77	7704.53	12914.18	2.21	12360.91	14994.53	11379.45
1977-78	8618.62	13634.05	2.07	13823.67	17064.28	14455.01
1978-79	-	13389.00	1.98	-	-	-
1979-80	-	14120.00	1.98	-	-	-

Sources : 1. Central Statistical Organisation (1978), Statistical Abstract

2. Bombay Municipal Corporation

TABLE SA.3

Revenue from Property Tax, Rateable Value, Number of Holdings,
Total Tax Revenue, Total Revenue and Total Revenue Expendi-
ture of the Municipal Corporation of Delhi
(1960-61 to 1979-80)

Year	Property tax	Rateable value	Number of holdings (in lakh)	Total tax revenue	(Rs lakh)	
					Total revenue	Total revenue expenditure
1960-61	132.46	-	-	336.50	607.73	669.61
1961-62	240.27	-	-	525.23	835.36	-
1962-63	167.68	-	-	480.94	806.55	-
1963-64	207.92	-	-	651.37	891.38	-
1964-65	313.36	-	-	708.77	1044.97	-
1965-66	379.82	-	-	846.86	1174.38	1124.25
1966-67	374.41	-	-	971.43	1412.40	-
1967-68	433.92	-	-	1086.13	1351.96	-
1968-69	511.38	-	-	1448.23	1953.45	-
1969-70	537.89	-	-	1743.98	2309.74	-
1970-71	612.85	3768.74	2.97	2035.84	2711.36	2656.19
1971-72	649.69	4304.13	3.03	2161.08	2677.96	2702.80
1972-73	808.02	-	-	2506.88	3280.14	3103.15
1973-74	911.93	6674.78	3.10	2763.92	3340.42	3301.24
1974-75	1011.83	6976.47	3.73	2768.42	3405.17	3411.00
1975-76	1397.03	7011.67	3.90	3088.59	4250.36	4081.58
1976-77	994.11	7811.15	4.08	3025.27	4338.60	4668.66
1977-78	1496.48	9213.23	4.14	3524.94	4921.94	4992.52
1978-79	1669.23	-	-	-	5604.53	-
1979-80	-	-	-	-	6356.53	-

Sources : 1. Central Statistical Organisation (1978), Statistical Abstract

2. Municipal Corporation of Delhi.

TABLE SA.4

Revenue from Property Tax, Rateable Value, Number of Holdings,
Total Tax Revenue, Total Revenue and Total Revenue Expendi-
ture of Madras Municipal Corporation
(1960-61 to 1977-78)

Year	Property tax	Rateable value	Number of holdings (in lakh)	(Rs lakh)		
				Total tax revenue	Total revenue	Total revenue expenditure
1960-61	183.40	-	-	303.58	463.23	303.58
1961-62	198.45	-	-	338.62	511.46	-
1962-63	218.39	-	-	381.06	540.00	-
1963-64	238.48	-	-	430.31	593.49	-
1964-65	269.42	-	-	496.46	660.49	-
1965-66	315.28	-	-	570.60	789.40	798.00
1966-67	324.58	1626.76	1.10	605.70	822.15	-
1967-68	365.62	1766.77	1.17	666.76	914.29	-
1968-69	388.21	1897.16	1.18	727.06	962.83	-
1969-70	427.97	2094.21	1.22	788.65	1013.96	-
1970-71	463.41	2398.29	1.26	850.06	1237.53	1277.00
1971-72	539.47	2580.65	1.30	953.71	1392.26	1616.00
1972-73	644.29	2707.08	1.33	979.00	1411.00	1610.00
1973-74	650.69	2878.12	1.36	1183.00	1676.00	1879.00
1974-75	832.02	3236.48	1.41	1335.00	1752.00	1848.00
1975-76	1054.10	3770.49	1.35	1430.00	1845.00	1683.00
1976-77	1201.00	7485.00	1.43	1677.00	2149.00	1861.00
1977-78	1148.00	-	-	1611.00	2357.00	1773.00

- Sources :
1. Central Statistical Organisation (1978), Statistical Abstract
 2. Madras Municipal Corporation

TABLE SA.5

Revenue from Property Tax, Rateable Value, Number of Holdings,
Total Tax Revenue, Total Revenue and Total Revenue Expendi-
ture of Ahmedabad Municipal Corporation
(1960-61 to 1977-78)

(Rs lakh)						
Year	Property tax	Rateable value	Number of holdings (in lakh)	Total tax revenue	Total revenue	Total revenue expenditure
1960-61	205.55	-	-	348.51	428.75	358.93
1961-62	233.24	-	-	395.72	438.39	-
1962-63	243.88	-	-	423.93	532.43	-
1963-64	284.92	-	-	472.84	605.72	-
1964-65	307.39	1140.64	-	510.92	648.58	-
1965-66	285.37	1223.14	-	506.84	654.57	767.15
1966-67	305.73	1410.40	-	592.76	735.47	-
1967-68	206.25	1826.25	-	580.42	739.18	-
1968-69	457.47	1740.31	-	854.27	1026.88	-
1969-70	476.47	1769.21	-	887.04	1084.30	-
1970-71	423.29	1687.03	-	877.08	1005.07	1058.76
1971-72	446.05	1801.28	3.86	993.96	1269.61	1130.47
1972-73	529.36	1859.74	-	1094.08	1493.37	1242.17
1973-74	535.78	-	-	1202.12	1540.45	1449.11
1974-75	569.35	-	-	1429.34	1796.47	1916.18
1975-76	774.95	-	-	1769.50	2238.13	2091.36
1976-77	896.11	3038.14	4.23	2018.25	2561.86	2615.91
1977-78	958.80	-	-	2430.01	3017.43	2759.08

- Sources :
1. Central Statistical Organisation (1978), Statistical Abstract
 2. Ahmedabad Municipal Corporation

TABLE SA.6

Revenue from Property Tax, Rateable Value, Number of Holdings,
Total Tax Revenue, Total Revenue and Total Revenue Expendi-
ture of Bangalore Municipal Corporation
(1960-61 to 1979-80)

Year	Property tax	Rateable value	Number of holdings (in lakh)	(Rs lakh)		
				Total tax revenue	Total revenue	Total revenue expenditure
1960-61	47.45	320.53	0.63	149.88	259.45	203.03
1961-62	55.15	343.00	0.66	168.29	269.70	-
1962-63	65.59	467.80	0.69	170.11	269.71	-
1963-64	79.96	549.73	0.86	221.11	336.32	-
1964-65	73.14	561.13	0.86	218.87	303.10	-
1965-66	73.50	591.87	1.07	252.03	337.41	341.21
1966-67	114.91	830.67	1.11	308.27	410.19	-
1967-68	144.45	1137.53	1.15	367.13	465.81	-
1968-69	160.54	1161.07	1.19	415.07	497.00	-
1969-70	201.03	1168.00	1.20	463.11	797.68	-
1970-71	172.41	1269.20	1.21	493.05	730.52	745.40
1971-72	195.29	1374.87	1.27	544.91	929.87	994.45
1972-73	163.56	1662.67	1.32	637.81	887.11	797.90
1973-74	261.25	1942.73	1.49	721.98	996.88	982.79
1974-75	288.46	2074.73	1.62	854.71	1066.88	1058.81
1975-76	365.17	2225.27	1.63	1257.89	1386.89	1344.80
1976-77	398.86	2429.47	1.63	1385.35	1575.22	1498.20
1977-78	398.60	2644.13	1.67	1346.12	1512.89	3901.20
1978-79	419.83	2977.53	1.75	-	-	-
1979-80	462.77	3309.87	1.81	-	-	-

- Sources :
1. Central Statistical Organisation (1978), Statistical Abstract
 2. Bangalore Municipal Corporation

TABLE SA.7

Demand and Collection of Property Tax in
the Municipal Corporation of Delhi
(1970-71 to 1977-78)

(Rs lakh)

Year	Current demand	Arrear demand	Total demand	Current collection	Arrear collection	Total collection
1970-71	555.29	391.98	947.27	389.42	159.12	548.54
1971-72	630.06	491.85	1121.91	381.32	180.48	561.80
1972-73	763.15	624.33	1387.48	518.13	227.56	745.69
1973-74	806.15	704.72	1510.87	544.14	266.45	810.59
1974-75	923.37	930.83	1854.20	596.44	304.65	901.09
1975-76	1098.25	1181.11	2279.36	890.35	388.44	1278.79
1976-77	1083.67	1344.52	2428.19	684.87	207.17	892.04
1977-78	1263.87	1678.22	2941.49	871.89	467.22	1339.11

Source : Municipal Corporation of
Delhi

TABLE SA.8

Demand and Collection of Property Tax in
Madras Municipal Corporation
(1970-71 to 1976-77)

Year	(Rs lakh)					
	Current demand	Arrear demand	Total demand	Current collection	Arrear collection	Total collection
1970-71	641.02	358.70	999.72	425.30	126.09	551.39
1971-72	725.00	487.90	1212.90	471.09	173.20	644.29
1972-73	768.00	619.90	1387.90	479.09	171.60	650.69
1973-74	819.05	765.10	1584.15	557.02	275.00	832.02
1974-75	923.40	786.60	1710.00	634.30	308.00	942.30
1975-76	1082.00	829.10	1911.10	737.60	316.50	1054.10
1976-77	1263.00	921.00	2184.00	818.00	383.00	1201.00

Source : Madras Municipal Corporation

TABLE SA.9

Demand and Collection of Property Tax in
Bangalore Municipal Corporation
(1960-61 to 1979-80)

						(Rs lakh)
Year	Current demand	Arrear demand	Total demand	Current collection	Arrear collection	Total collection
1960-61	48.08	15.51	63.59	36.99	10.46	47.45
1961-62	51.45	18.14	69.59	42.85	12.30	55.15
1962-63	70.17	14.44	80.61	54.00	11.59	65.59
1963-64	82.46	19.01	101.47	67.58	12.38	79.96
1964-65	84.17	21.51	105.68	63.33	9.82	73.15
1965-66	88.78	34.06	122.84	56.66	16.85	73.51
1966-67	124.60	75.93	200.53	77.16	37.75	144.91
1967-68	170.63	85.62	256.25	107.90	36.55	144.45
1968-69	174.16	111.80	285.96	117.81	42.73	160.54
1969-70	175.20	125.41	300.61	129.63	71.40	201.03
1970-71	190.39	99.58	289.97	133.59	38.82	172.41
1971-72	206.23	117.56	323.79	145.97	49.59	195.56
1972-73	249.40	128.50	377.90	91.21	72.35	163.56
1973-74	291.41	163.56	454.97	192.49	68.76	261.25
1974-75	311.21	193.72	504.93	208.10	80.37	288.16
1975-76	333.79	216.47	520.26	250.86	114.30	365.16
1976-77	364.42	185.09	549.51	290.19	118.67	398.86
1977-78	396.62	150.65	547.27	311.83	77.76	389.59
1978-79	446.62	157.68	604.31	343.70	76.13	419.83
1979-80	496.48	184.48	680.96	373.80	88.97	462.77

Source : Bangalore Municipal Corporation

TABLE SA.10

Population of Major Municipal Corporations

(in lakh)

Year	Calcutta	Bombay	Delhi	Madras	Ahmedabad	Bangalore
1961	29.27	39.98	23.97	18.75	11.49	11.41
1962	29.49	41.52	25.07	18.79	11.87	11.76
1963	29.71	43.06	26.22	18.84	12.27	12.13
1964	29.93	44.65	27.43	18.88	12.68	12.50
1965	30.16	46.30	28.69	18.92	13.09	12.89
1966	30.48	48.02	30.00	18.96	13.53	13.29
1967	30.61	49.72	31.37	19.33	13.97	13.70
1968	30.84	51.63	32.80	19.70	14.43	14.13
1969	31.07	53.54	34.29	20.08	14.91	14.57
1970	31.31	55.53	35.85	20.47	15.40	15.02
1971	31.54	59.71	37.48	20.86	15.88	15.48
1972	31.68	61.91	39.18	22.11	16.40	15.96
1973	31.81	64.14	40.95	23.43	16.94	16.46
1974	31.95	66.49	42.80	24.82	17.49	16.97
1975	32.09	68.92	44.74	26.30	18.06	17.49
1976	32.22	71.43	46.75	27.88	18.65	18.04
1977	32.36	74.04	48.86	29.54	19.26	18.60
1978	32.50	76.74	51.06	31.30	19.88	19.17
1979	32.64	79.54	53.35	33.17	20.53	19.77
1980	32.78	82.45	55.74	35.15	21.20	20.38
1981	32.92	-	-	-	-	-

Source : For 1961, 1971 and 1981,
Census Reports
For other years;
projected figures

TABLE SA.11

Consumers Price Index Number
(Urban Non-Manual Workers)
 (1960=100)

Year	Calcutta	Bombay	Delhi	Madras	Ahmedabad	Bangalore
1960	100	100	100	100	100	100
1961	101	102	104	105	102	105
1962	106	106	109	110	105	110
1963	111	112	114	114	108	114
1964	116	122	123	123	123	122
1965	123	130	129	131	129	130
1966	135	139	139	143	140	142
1967	149	150	151	154	160	154
1968	159	155	161	154	160	160
1969	160	160	166	158	166	163
1970	169	167	173	172	171	170
1971	173	171	178	184	171	178
1972	178	180	207	200	182	189
1973	195	199	252	222	214	218
1974	232	233	273	275	259	262
1975	244	246	272	310	277	285
1976	247	251	286	292	260	282
1977	262	266	298	307	284	304
1978	275	280	316	313	298	309
1979	291	306	-	314	312	329

Source : Central Statistical
 Organisation, (1979)
Statistical Abstract 1980

TABLE SA.12

Population Trends in West Bengal Municipalities

Municipality	Area in sq. km.	Population (000)			Population density per sq. km. 1981	Growth rate (per cent per annum)	
		1961	1971	1981		61-71	71-81
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>CID</u>							
<u>A Class</u>							
Howrah	61.50	633	738	742	12065	1.54	0.54
Chinsurah	15.54	83	105	129	8301	2.38	2.08
Chandernagore	9.66	67	75	102	10663	1.13	3.12
Serampore	5.88	91	102	127	21599	1.15	2.22
Bally	11.68	101	135	138	11815	2.95	0.22
Naihati	4.35	58	82	114	26207	3.52	3.35
Bhátpara	11.96	148	205	269	22492	3.31	2.75
Barrackpore	11.65	64	97	109	9356	4.25	1.17
Titagarh	3.24	76	88	104	32099	1.48	1.68
Panihati	19.43	94	148	206	10602	4.64	3.36
Kamarhati	10.96	125	169	240	21898	3.06	3.57
Baranagar	7.12	108	137	168	23596	2.41	2.06
Garden Reach	12.95	131	155	191	14749	1.70	2.11
S. Suburban	30.38	186	273	395	19002	3.91	3.76
Jaçavpur	-	-	-	249	-	-	-
South Dum Dum	15.19	111	174	228	15010	4.60	2.74
Total 'A' Class	231.49	2177	2682	3262	14091	2.25	2.00

TABLE SA.12 (contd..)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>B Class</u>							
Bansberia	9.07	45	62	76	8379	3.26	2.06
Bhadereswar	6.47	35	45	56	8657	2.54	2.21
Champdany	6.47	42	58	72	11128	3.28	2.19
Baidyabti	9.06	44	54	67	7395	2.07	2.18
Rishra	3.25	38	63	78	24000	5.19	2.16
Uttarpara	7.25	52	67	83	11428	2.57	2.16
Kanchrapera	9.07	69	79	99	10915	1.36	2.28
Halisahar	14.24	51	69	86	6039	3.07	2.23
Garulia	3.88	29	44	56	14433	4.26	2.44
North Barra- ckpore	8.42	57	76	96	11401	2.92	2.36
Budge Budge	7.77	40	51	65	8366	2.46	2.46
Barasat	14.25	29	43	55	3860	4.02	2.49
North Dum Dum	15.60	38	64	81	5192	5.35	2.38
Total 'B' Class	114.80	569	775	970	8449	3.13	2.27
<u>C Class</u>							
Konnagar	4.33	29	34	42	3700	1.60	2.14
Khardah	3.88	28	32	41	10567	1.34	2.51
New Barrackpore	2.90	21	32	41	14137	4.30	2.51
Dum Dum	2.90	20	31	39	13448	4.48	2.32
Rajpur	20.98	25	34	43	2050	3.12	2.38
Baruipur	9.07	14	20	25	2757	3.63	2.26

TABLE SA.12 (contd..)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Kalyani	21.91	5	18	24	752	13.67	2.92
Gayespur	3.00	-	35	47	1567	-	2.99
Total 'C' Class	68.97	152	236	302	4379	4.50	2.50
Total CMD	415.26	2898	3694	4534	10918	2.50	2.25
<u>Non-CMD</u>							
<u>A Class</u>							
Siliguri	15.55	65	97	154	9904	4.08	4.73
Balurghat	6.37	27	67	113	17739	9.51	5.37
Nabadwip	11.66	73	94	119	10206	2.56	2.39
Kharagpur	-	62	62	153	-	0.00	9.45
Burdwan	22.06	108	143	168	7414	2.85	1.62
Asansol	10.44	103	156	187	17912	4.24	1.83
Durgapur	154.20	42	207	306	1984	17.29	3.99
Total 'A' Class	220.88	418	764	1047	4740	6.20	3.25
<u>B Class</u>							
Cooch-Behar	8.29	42	54	67	6082	2.54	2.18
Jalpaiguri	10.08	49	53	66	6548	0.79	2.22
Darjeeling	10.57	41	43	55	5203	0.48	2.49
Raigunj	10.64	32	43	56	5263	3.00	2.68
Eng. Bazar	4.63	46	61	77	5832	2.86	2.36

TABLE SA.12 (contd..)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Krishnagar	15.80	70	86	99	6266	2.08	1.42
Santipur	24.60	51	61	81	3293	1.81	2.88
Ranaghat	7.72	35	48	64	8290	3.21	2.92
Chekda	15.54	35	46	61	3925	2.77	2.86
Bongoon	15.57	41	50	63	4054	2.00	2.34
Basirhat	22.01	54	64	81	3680	1.71	2.38
Ashoknagar	7.50	38	42	53	7067	1.01	2.35
Habra	17.00	-	51	65	3824	-	2.46
Midnapore	10.36	59	71	87	8398	1.87	2.05
Bankura	18.13	63	79	92	5074	2.29	1.54
Purulia	13.93	48	58	68	4882	1.91	1.60
Berhamore	16.19	62	72	93	5744	1.51	2.59
Total 'B' Class	228.56	766	982	1228	5373	2.50	2.25
<u>C Class</u>							
Dinhata	1.61	11	12	15	9317	0.87	2.26
Alipurduar	9.30	29	37	46	4946	2.47	2.20
Kurseong	5.05	13	16	21	4158	2.10	2.76
Kalimpong	8.68	25	23	30	3456	-0.83	2.69
Old Maldah	3.25	5	7	9	2769	3.42	2.54
Suri	9.48	23	30	35	3692	2.69	1.55

TABLE SA.12 (contd..)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Rampurhat	5.10	20	24	28	5490	1.84	1.55
Bolpur	13.13	23	30	35	2666	2.69	1.55
Dubarjpur	7.51	14	16	19	2530	1.34	1.78
Birnagar	5.52	8	10	13	2355	2.26	2.66
Joynagar	5.18	14	15	19	3668	0.69	2.39
Gobardanga	10.36	13	20	25	2413	4.40	2.26
Baduria	22.43	23	28	36	1605	1.99	2.54
Taki	15.54	17	21	27	1737	2.14	2.54
Tamluk	10.36	18	22	27	2606	2.03	2.07
Ghatal	10.36	21	27	33	3185	2.54	2.03
Chandrekona	16.57	7	10	12	724	3.63	1.84
Ramjibanpur	10.36	8	10	12	1158	2.26	1.84
Khirpai	10.36	6	7	9	869	1.55	2.54
Kharar	10.36	6	7	9	869	1.55	2.54
Contai	14.75	22	27	33	2316	2.07	2.03
Bishanupor	20.72	31	38	44	2124	2.06	1.48
Sonamukhi	11.65	15	19	22	1888	2.39	1.48
Jhaldal	3.88	10	12	14	3608	1.84	1.55
Raghunathpur	12.95	11	13	15	1158	1.68	1.44
Kalna	5.18	23	28	34	6564	1.99	1.96
Katwa	5.18	21	29	36	6950	3.28	2.19
Dainhat	10.36	10	13	16	1544	2.66	2.10
Raniganj	4.79	30	40	49	10230	2.92	2.05

Contd.,....

TABLE SA.12 (contd..)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Arambagh	19.43	16	25	31	1595	4.56	2.17
Tarkeswar	3.29	8	12	15	4559	4.14	2.26
Murshidabad	12.95	17	17	23	1776	0.00	3.07
Jiaganj	11.66	24	26	32	2744	0.80	2.10
Kandi	12.95	20	26	32	2471	2.66	2.10
Jangipur	7.77	24	30	43	5534	2.26	3.67
Dhulian	7.77	17	22	26	3346	2.61	1.68
Beldanga	-	-	-	-	-	-	-
Sainthia	3.37	12	16	19	5638	2.92	1.73
Mathabhanga	1.89	7	9	11	5820	2.54	2.03
Mekliganj	3.88	3	4	5	1289	2.92	2.26
Tufanganj	0.88	3	4	5	5682	2.92	2.26
Haldibari	1.54	4	5	6	3896	2.26	1.84
Total 'C' Class	367.55	632	787	971	2642	2.25	2.10
Total Non-CMD	816.99	1816	2533	3246	3973	3.40	2.50

Source: ^{Census of India} ~~Office of the UDAFC.~~

TABLE SA.13

Total and Per Capita Revenue Expenditure of Municipalities in West Bengal

Municipality	Total revenue expenditure (Rs lakh)		Per capita (Rs)	
	1975-76	1978-79	1975-76	1978-79
	(1)	(2)	(3)	(4)
<u>CMD</u>				
<u>A Class</u>				
Chinsurah	22.96	30.76	19.79	25.01
Chandernagore	51.69	67.39	59.41	70.20
Serampore	29.78	40.18	26.12	32.93
Bally	-	61.98	-	45.24
Howrah	-	-	-	-
Naihati	-	-	-	-
Bhatpara	-	51.00	-	20.68
Barrackpore	-	-	-	-
Titagarh	11.99	19.73	12.48	19.53
Panihati	15.22	23.45	8.70	12.15
Kamarhati	27.85	44.40	13.86	19.82
Baranagar	34.57	61.93	22.74	38.47
Garden Reach	25.29	-	14.70	-
S. Suburban	54.27	69.95	16.55	-
Jadavpur	-	-	-	-
South Dum Dum	31.70	41.39	15.93	19.16
Average 'A' Class			18.62	27.89
<u>B Class</u>				
Bansberia	-	22.50	-	30.82
Bhadreswar	8.87	17.39	17.74	32.20
Champdany	15.39	16.19	23.68	23.46

contd...

TABLE SA.13 (contd.)

Municipality	(1)	(2)	(3)	(4)
Baidyabti	12.43	9.48	20.72	14.81
Rishra	-	40.18	-	53.57
Uttarpara	11.32	16.38	15.09	-
Kanchrapara	-	-	-	-
Halisahar	6.00	21.31	7.79	25.99
Garulia	5.02	7.34	10.04	13.85
North Barrackpore	-	22.06	-	23.98
Budge Budge	22.20	36.04	38.28	69.31
Barasat	5.24	-	10.69	-
North Dum Dum	15.98	21.44	22.19	27.84
Average 'B' Class			18.43	29.66
<u>C Class</u>				
Konnagar	10.31	15.12	27.13	37.80
Khurdah	13.74	16.65	38.10	42.69
New Barrackpore	6.05	7.56	16.81	19.38
Dum Dum	12.39	16.69	35.40	45.11
Rajpur	-	8.10	-	19.76
Baruipur	1.91	4.92	8.68	20.50
Kalyani	15.16	23.16	72.19	100.70
Gayespur	-	-	-	-
Average 'C' Class			31.68	38.09
<u>Non-CMD</u>				
<u>A Class</u>				
Siliguri	17.89	35.85	14.66	25.61
Balurghat	25.07	16.53	28.82	16.21
Nabadwip	13.79	24.61	13.01	21.78

contd...

TABLE SA.13 (contd.)

Municipality	(1)	(2)	(3)	(4)
Kharagpur	-	19.13	-	14.95
Burdwan	53.12	72.39	34.27	44.69
Asansol	-	-	-	-
Durgapur	-	-	-	-
Average 'A' Class			23.33	25.45
<u>B Class</u>				
Cooch-Bihar	16.58	27.27	27.63	42.61
Jalpaiguri	16.74	24.15	28.37	38.33
Darjeeling	51.16	49.44	104.41	95.08
Raigunj	-	-	-	-
Eng. Bazar	14.79	20.82	21.43	28.52
Krishnagar	15.55	38.21	16.90	39.80
Santipur	8.50	18.04	12.14	23.74
Ranaghat	6.66	13.82	12.11	23.03
Chakdah	2.66	13.08	5.02	22.55
Bangaon	7.28	13.85	13.00	23.08
Basirhat	5.31	10.63	7.38	13.81
Ashoknagar	-	-	-	-
Habra	-	-	-	-
Midnapore	16.56	22.86	20.96	27.54
Bankura	22.38	37.08	26.33	41.66
Purulia	18.13	26.10	28.78	39.55
Berhampore	-	24.71	-	28.08
Average 'B' Class			23.47	33.76
<u>C Class</u>				
Dinhata	-	-	-	-
Alipurduar	3.64	5.82	8.88	13.23

contd...

TABLE SA.13 (contd.)

Municipality	(1)	(2)	(3)	(4)
Kurseong	5.57	8.07	30.94	40.35
Kalinpong	5.38	5.96	20.69	21.29
Old Maldah	1.48	2.00	18.50	22.22
Suri	7.72	12.92	24.13	38.00
Rampurhat	3.68	5.45	14.15	20.19
Bolpur	7.09	10.95	22.16	32.21
Dubarjpur	-	-	-	-
Birnagar	1.43	2.77	13.00	23.08
Joynagar	2.89	8.53	17.00	47.39
Gobardanga	2.54	-	11.55	-
Baduria	-	-	-	-
Taki	3.12	5.06	13.00	19.46
Tamluk	2.56	4.63	10.67	17.81
Ghatal	5.86	7.71	19.53	24.09
Chandrakona	0.72	1.78	6.55	14.83
Ramjibanpur	-	-	-	-
Khirpai	0.59	-	7.38	-
Kharar	0.77	0.68	9.63	7.56
Contai	5.86	-	19.53	-
Bishnupur	6.65	9.73	16.22	22.63
Sonamukhi	4.89	9.31	24.45	44.33
Jhalda	2.78	4.37	21.38	31.21
Raghunathpur	-	-	-	-
Kalna	5.09	8.01	16.42	24.27
Katwa	7.72	15.39	24.13	45.26
Dainhat	0.86	1.80	6.14	12.00
Raniganj	-	15.11	-	32.15

contd...

TABLE SA.13 (contd.)

Municipality	(1)	(2)	(3)	(4)
Arambagh	5.51	11.65	19.68	38.83
Tarkeswar	-	-	-	-
Murshidabad	3.08	4.78	15.40	21.73
Jiaganj	-	11.06	-	35.68
Kandi	2.49	15.19	8.59	49.00
Jangipur	-	5.72	-	14.30
Dhulian	0.83	1.92	3.46	7.68
Beldanga	-	-	-	-
Sainthia	-	-	-	-
Mathabhanga	-	-	-	-
Mekliganj	-	-	-	-
Tufanganj	-	-	-	-
Haldibari	-	-	-	-
Average 'C' Class			16.26	27.51

Source : Office of the West Bengal
Municipal Finance Commission

TABLE SA.14

Total Revenue, Per Capita Revenue & Their Break-up in
West Bengal Municipalities
(1978-79)

Municipality	Total revenue (Rs lakh)	Grants (Rs lakh)	Total revenue-grants (Rs lakh)	Total tax revenue (Rs lakh)	Property tax revenue (Rs lakh)	Per capita total tax revenue (Rs)	Per capita property tax (Rs)	Per capita grant (Rs)	Proportion of PT to TTR (Per cent) (col.5 as per cent of col.4)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>CMD</u>									
<u>A Class</u>									
Chinsurah	37.62	19.34	18.28	15.90	14.43	12.93	11.73	15.72	90.75
Chandernagore	57.31	41.34	15.97	11.28	10.10	11.75	10.52	43.06	89.54
Serampore	46.31	28.13	18.18	17.72	14.54	14.52	11.92	23.06	82.05
Bally	54.04	24.75	29.29	28.94	25.96	21.12	18.95	18.07	89.70
Howrah	-	-	-	137.76	118.03	18.59	15.93	-	86.30
Naihati	-	14.35	13.60	-	-	-	-	13.41	-
Bhatpara	59.89	34.59	25.30	24.03	13.25	9.46	5.22	13.62	55.14
Barrackpore	-	-	-	-	-	-	-	-	-
Titagarh	20.94	11.62	9.32	7.53	7.04	7.46	6.97	1.51	93.49
Panihati	43.61	27.16	16.45	14.81	13.84	7.67	7.17	14.07	93.45
Kamarhati	53.99	24.14	29.75	29.28	26.79	13.07	11.96	10.73	91.50
Baranagar	51.44	25.42	26.02	25.79	23.55	16.02	14.63	15.79	91.31
Garden Reach	-	-	-	-	-	-	-	-	-

TABLE SA.14 (contd.)

Municipality	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
S. Suburban	-	-	-	-	-	-	-	-	-
Jadavpur	-	-	-	-	-	-	-	-	-
South Dum Dum	48.12	25.34	22.78	20.93	18.82	9.69	8.71	11.73	89.92
<u>B Class</u>									
Bansberia	24.01	13.15	10.86	10.26	10.05	14.05	13.77	18.02	97.95
Bhadreswar	16.16	8.55	7.61	6.42	6.22	11.89	11.52	15.83	96.88
Champdany	23.79	10.47	13.32	11.63	11.41	16.36	16.54	15.17	98.11
Baidyati	17.27	10.14	7.13	5.77	5.22	9.02	8.16	15.84	90.47
Rishra	31.07	6.62	24.45	9.24	7.59	12.32	10.12	8.83	82.14
Uttarpara	-	-	-	-	-	-	-	-	-
Kanchrapara	-	-	-	-	-	-	-	-	-
Halisahar	12.54	8.32	4.22	3.53	3.29	4.30	4.02	10.15	93.20
Garulia	12.69	6.12	6.57	6.33	6.14	11.94	11.58	11.55	97.00
North Barrackpore	30.42	15.27	15.15	9.58	7.98	10.41	8.67	16.60	83.30
Budge Budge	36.04	13.63	22.41	14.28	14.12	23.03	22.17	21.98	98.88
Barasat	-	-	-	-	-	-	-	-	-
North Dum Dum	17.62	7.39	10.23	9.57	4.71	12.43	6.12	9.60	49.22
<u>C Class</u>									
Konnagar	14.10	6.93	7.7	6.54	6.21	16.35	15.53	17.33	94.95

contd...

TABLE SA.14 (contd.)

Municipality	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Khardah	15.19	8.95	6.24	6.64	5.57	17.03	14.28	22.95	80.87
New Barrackpore	5.23	3.08	2.15	1.61	1.24	4.13	3.18	7.80	77.02
Dum Dum	17.83	6.63	11.20	9.34	3.80	25.24	23.78	17.92	94.22
Rajpur	14.19	3.10	6.09	2.47	2.24	6.02	5.46	19.76	90.69
Baruipur	5.48	4.10	1.38	1.10	1.02	4.58	4.25	17.08	92.73
Kalyani	25.27	15.23	10.04	9.95	9.19	43.26	39.96	66.21	92.36
Gayespur	-	-	-	-	-	-	-	-	-
<u>Non-CMD</u>									
<u>A Class</u>									
Siliguri	33.95	12.19	26.76	20.29	16.84	14.49	12.03	8.71	83.00
Balurghat	10.09	6.62	3.47	3.10	2.32	3.04	2.76	6.49	90.97
Nabadwip	20.93	10.66	10.27	9.44	3.13	8.35	7.19	9.43	86.12
Kharagpur	18.46	10.31	8.15	6.97	5.97	5.45	4.46	8.05	85.65
Burdwan	48.78	22.79	25.99	20.89	19.24	12.90	11.88	14.07	92.10
Asansol	59.62	23.71	35.91	32.68	30.26	18.16	16.81	13.17	92.59
Durgapur	-	-	-	-	-	-	-	-	-
<u>B Class</u>									
Cooch-Behar	25.90	14.75	11.15	8.65	7.60	13.52	11.88	23.05	87.86
Jalpaiguri	23.14	12.09	11.05	9.62	9.11	15.27	14.46	19.19	94.70
Darjeeling	38.81	18.32	20.49	12.14	10.59	23.35	20.37	35.23	87.23
Raigunj	-	-	-	-	-	-	-	-	-

TABLE SA.14 (contd.)

Municipality	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Eng. Bazar	25.12	9.94	15.18	7.44	6.26	10.19	8.58	13.62	84.14
Krishnagar	42.85	31.13	11.72	6.48	5.90	6.75	6.15	32.43	91.05
Santipur	12.74	7.59	5.15	4.34	3.14	5.71	4.13	9.99	72.35
Ranaghat	14.44	6.66	7.78	5.24	4.16	8.73	6.93	11.10	79.39
Chakdah	7.25	3.17	4.08	3.87	1.17	6.67	2.02	5.47	30.23
Bangaon	-	-	-	-	-	-	-	-	-
Basirhat	8.46	5.60	2.96	2.45	1.43	3.18	1.86	7.27	58.37
Ashoknagar	-	-	-	-	-	-	-	-	-
Habra	-	-	-	-	-	-	-	-	-
Midnapore	24.87	14.75	10.12	9.72	7.52	11.71	9.06	17.77	77.37
Bankura	22.70	10.44	12.26	10.75	9.34	12.08	10.49	11.73	86.88
Purulia	21.11	14.95	6.26	4.37	3.77	6.62	5.71	22.50	86.27
Berhampore	21.52	-	-	10.23	9.23	11.63	10.49	-	90.22
<u>C Class</u>									
Dinhat	-	-	-	-	-	-	-	-	-
Alipurduar	5.27	3.17	2.10	1.86	1.45	4.23	3.30	7.20	77.96
Kurseong	11.79	6.57	5.22	4.88	4.09	24.40	20.45	32.85	83.81
Kalimpong	8.34	3.53	4.81	2.88	2.62	10.29	9.36	12.71	90.97
Old Maldah	2.46	1.02	1.44	0.55	0.51	6.11	5.67	11.33	92.73
Suri	12.06	5.63	6.43	5.33	5.04	15.68	14.82	16.56	94.56
Rampurhat	5.52	3.15	2.37	2.34	2.06	8.67	7.63	11.67	88.03

contd...

TABLE SA.14 (contd.)

Municipality	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Bolpur	7.98	4.19	3.79	3.51	3.20	10.32	9.41	12.32	91.17
Dubarjpur	-	-	-	-	-	-	-	-	-
Birnagar	2.27	1.66	0.61	0.30	0.28	2.50	2.33	13.83	93.33
Joy nagar	3.79	2.06	1.73	1.54	1.34	8.56	7.44	11.44	87.01
Gobardanga	-	-	-	-	-	-	-	-	-
Baduria	-	-	-	-	-	-	-	-	-
Taki	2.65	1.60	1.05	0.60	0.51	2.31	1.96	6.15	85.00
Tamluk	5.57	3.15	2.42	2.09	1.79	8.04	6.85	12.12	85.17
Ghatol	3.24	2.44	0.80	0.58	0.47	1.81	1.47	7.63	81.03
Chandrakona	1.36	0.90	0.46	0.37	0.30	3.08	2.50	7.50	81.08
Ramjibanpur	-	-	-	-	-	-	-	-	-
Khirpai	-	-	-	-	-	-	-	-	-
Kharar	1.44	1.21	0.23	0.22	0.14	2.44	1.56	13.44	63.64
Contal	-	-	-	-	-	-	-	-	-
Bishnupur	10.63	-	-	1.95	1.81	4.53	4.21	-	-
Sonamukhi	12.24	1.74	0.50	0.42	0.33	2.00	1.57	8.29	78.57
Jhalda	3.66	3.00	0.66	0.59	0.49	4.21	3.50	21.43	83.05
Raghunathpur	-	-	-	-	-	-	-	-	-
Kalna	9.70	4.49	5.21	4.21	2.79	12.76	8.45	13.61	66.27
Katwa	9.43	5.07	4.41	3.58	2.88	10.53	8.47	14.91	80.45
Dainhat	2.11	1.44	0.67	0.45	0.32	3.00	2.13	9.60	71.11
Raniganj	15.86	5.88	9.98	9.39	8.64	19.98	18.38	12.51	92.01

TABLE SA.14 (contd.)

Municipality	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Arambagh	5.18	3.38	1.80	1.67	1.33	5.57	4.43	11.27	79.64
Tarkeswar	-	-	-	-	-	-	-	-	-
Murshidabad	5.74	2.98	2.76	2.51	2.16	11.41	9.82	13.55	36.06
Jiaganj	10.10	-	-	2.64	2.14	0.52	6.90	-	01.06
Kandi	4.74	3.24	1.50	1.09	0.99	3.52	3.19	10.45	90.83
Jangipur	6.42	3.78	2.64	1.19	0.92	2.98	2.30	9.45	77.31
Dhulian	4.02	2.10	1.92	1.59	1.42	6.36	5.68	8.40	89.31
Beldanga	-	-	-	-	-	-	-	-	-
Sainthia	-	-	-	-	-	-	-	-	-
Mathabhanga	-	-	-	-	-	-	-	-	-
Mekliganj	-	-	-	-	-	-	-	-	-
Tufanganj	-	-	-	-	-	-	-	-	-
Haldibari	-	-	-	-	-	-	-	-	-

Source : Office of the West Bengal
Municipal Finance Commission

TABLE SA.15

Growth Rate of Property Tax Revenue in
West Bengal Municipalities
(1970-71 - 1978-79)

Municipality	Property tax revenue (1970-71) (Rs lakh)	Property tax revenue (1978-79) (Rs lakh)	Growth rate (per cent per annum)
	(1)	(2)	(3)
<u>UMD</u>			
<u>A Class</u>			
Chinsurah	-	14.43	-
Chandernagore	-	10.10	-
Serampore	7.58	14.54	7.54
Bally	14.23	25.96	6.91
Howrah	-	111.03	-
Naihati	-	10.37	-
Bhatpara	-	13.25	-
Barrackpore	-	7.87	-
Titagarh	2.67	7.04	11.67
Panihati	-	13.84	-
Kamarhati	-	26.79	-
Baranagar	14.28	23.55	5.71
Garden Reach	9.50	18.85	7.91
S. Suburban	14.08	28.98	8.34
Jadavpur	-	-	-
South Dum Dum	10.88	18.82	6.27
<u>B Class</u>			
Bansberia	6.31	10.05	5.32
Bhadereswar	5.57	6.22	1.24
Champdany	7.26	11.41	5.15
Baidyabti	2.26	5.22	9.78

contd..

TABLE SA.15 (contd..)

	(1)	(2)	(3)
Rishra	6.97	7.59	0.96
Uttarpara	4.80	7.26	4.86
Kanchrapara	-	35.55	-
Halisahar	-	-	-
Garulia	3.03	6.14	8.15
North Barrackpore	3.70	7.98	8.92
Budge Budge	-	14.12	-
Barasat	1.32	2.25	6.09
North Dum Dum	2.55	4.71	7.06
<u>C Class</u>			
Konnagar	3.43	6.21	6.82
Khardah	1.88	5.57	12.38
New Barrackpore	0.27	1.24	18.65
Dum Dum	5.36	8.80	5.66
Rajpur	-	2.24	-
Baruipur	-	1.02	-
Kalyani	-	9.19	-
Gayespur	-	-	-
<u>Non-CMD</u>			
<u>A Class</u>			
Siliguri	7.30	16.84	9.73
Balurghat	1.68	2.82	5.94
Nabadwip	-	8.13	-
Kharagpur	-	5.97	-
Burdwan	1.17	19.24	36.53
Asansol	17.72	30.26	6.13
Durgapur	-	-	-

contd..

TABLE SA.15 (contd..)

	(1)	(2)	(3)
<u>B Class</u>			
Cooch-Bihar	2.86	7.60	11.48
Jalpaiguri	5.91	9.11	4.92
Darjeeling	-	10.59	-
Raigunj	-	3.63	-
Eng. Bazar	4.36	6.26	4.10
Krishnagar	6.39	5.90	-0.89
Santipur	1.73	3.14	6.86
Ranaghat	2.72	4.16	4.85
Chakdah	0.75	1.17	5.03
Bangaon	0.92	2.04	9.26
Basirhat	1.31	1.43	0.96
Ashoknagar	-	-	-
Habra	-	-	-
Midnapore	-	7.52	-
Bankura	4.89	9.34	7.45
Purulia	-	3.77	-
Berhampore	1.93	9.23	19.00
<u>C Class</u>			
Dinhata	-	-	-
Alipurduar	1.49	1.45	-0.28
Kurseong	1.67	4.09	10.44
Kalimpong	1.70	2.62	4.90
Old Maldah	0.25	0.51	7.87
Suri	2.43	5.04	8.43
Rampurhat	1.16	2.06	6.58
Bolpur	-	3.20	-

contd..

TABLE SA.15 (contd..)

	(1)	(2)	(3)
Dubarjpur	-	-	-
Birnagar	0.17	0.28	5.98
Joy nagar	0.62	1.34	8.98
Gobardanga	0.40	0.71	6.55
Baduria	-	-	-
Taki	0.38	0.51	3.48
Tamluk	-	1.78	-
Ghatal	0.50	0.47	-8.77
Chandrakona	0.15	0.30	7.93
Ramjibanpur	-	-	-
Khirpai	6.30	11.00	6.39
Kharar	0.10	0.14	4.28
Contai	-	-	-
Bishanupur	1.08	1.81	5.86
Sonamukhi	0.28	0.33	1.52
Jhalda	0.47	0.49	0.56
Raghunethpur	-	-	-
Kalna	1.44	2.79	7.63
Katwa	-	2.88	-
Dainhat	0.22	0.32	4.52
Raniganj	4.08	8.64	8.69
Arambagh	0.89	1.33	4.51
Tarkeswar	-	-	-
Murshidabad	0.96	2.16	9.47
Jiaganj	0.79	2.14	11.76
Kandi	0.89	0.99	1.20
Jangipur	0.78	0.92	1.89
Dhulian	0.61	1.42	9.80

contd..

TABLE SA.15 (contd..)

	(1)	(2)	(3)
Beldanga	-	-	-
Sainthia	-	-	-
Mathabhanga	-	-	-
Mekliganj	-	-	-
Tufanganj	-	-	-
Haldibari	-	-	-

Source : Office of the West Bengal
Municipal Finance Commission

TABLE SA.16

Per Capita Property Tax in West Bengal Municipalities
and their Growth Rates
(1970-71 - 1978-79)

Municipality	Per capita property tax (Rs) 1970-71 (1)	Per capita property tax (Rs) 1978-79 (2)	Growth rate (per cent per annum) 1970-71 - 1978-79 (3)
<u>CMD</u>			
<u>A Class</u>			
Chinsurah	-	11.73	-
Chandernagore	-	10.52	-
Serampore	7.43	11.92	6.09
Bally	10.54	18.95	7.61
Howrah	-	15.93	-
Naihati	-	-	-
Bhatpara	-	5.22	-
Barrackpore	-	-	-
Titagarh	3.03	6.97	11.05
Panihati	-	7.17	-
Kamarhati	-	11.96	-
Baranagar	10.42	14.63	4.33
Garden Reach	6.13	-	-
S. Suburban	5.16	-	-
Jadavpur	-	-	-
South Dum Dum	6.25	8.71	4.24
<u>B Class</u>			
Bansberia	10.18	13.77	3.85
Bhadreswar	12.38	11.52	-0.90
Champdany	12.52	16.54	3.54

contd...

TABLE SA.16 (contd.)

Municipality	(1)	(2)	(3)
Baidyabi	4.19	8.16	8.69
Rishra	11.06	10.12	-1.12
Uttarpara	7.16	-	-
Kanchrapara	-	-	-
Halisahar	-	4.02	-
Garulia	6.89	11.58	6.70
North Barrackpore	4.87	8.67	7.47
Budge Budge	-	22.77	-
Barasat	3.07	-	-
North Dum Dum	3.98	6.12	5.53
<u>C Class</u>			
Konnagar	10.09	15.53	5.54
Khardah	5.88	14.28	11.72
New Barrackpore	0.84	3.18	18.10
Dum Dum	17.29	23.78	4.05
Rajpur	-	5.46	-
Beruiipur	-	4.25	-
Kalyani	-	39.96	-
Gayespur	-	-	-
<u>Non-CMD</u>			
<u>A Class</u>			
Siliguri	7.53	12.03	6.03
Balurghat	2.51	2.76	1.19
Nabadwip	-	7.19	-
Kharagpur	-	4.66	-
Burdwan	0.82	11.88	39.60
Asansol	11.36	16.81	5.02
Durgapur	-	-	-

Contd...3/-

TABLE SA.16 (contd.)

Municipality	(1)	(2)	(3)
<u>B Class</u>			
Cooch-Behar	5.30	11.88	10.62
Jalpaiguri	11.15	14.46	3.30
Darjeeling	-	20.37	-
Raigunj	-	-	-
Eng. Bazar	7.15	8.58	2.31
Krishnagar	7.43	6.15	-2.39
Santipur	2.84	4.13	4.79
Ranaghat	5.67	6.93	2.55
Chakdah	1.63	2.02	2.72
Bangaon	1.84	-	-
Basirhat	2.05	1.86	-1.22
Ashoknagar	-	-	-
Habra	-	-	-
Midnapore	-	9.06	-
Bankura	6.19	10.49	6.82
Purulia	-	5.71	-
Berhampore	2.68	10.49	18.60
<u>C Class</u>			
Dinhata	-	-	-
Alipurduar	4.03	3.30	-2.60
Kurseong	10.44	20.45	8.77
Kalimpong	7.39	9.36	3.00
Old Maldah	3.57	5.67	5.97
Suri	8.10	14.82	7.85
Rampurhat	4.83	7.63	5.88
Bolpur	-	9.41	-
Dubarjpur	-	-	-
Birnagar	1.70	2.33	4.01

Contd...4/-

TABLE SA. 6 (contd.)

Municipality	(1)	(2)	(3)
Joynagar	4.13	7.44	7.63
Gobardanga	2.00	-	-
Baduria	-	-	-
Taki	1.81	1.96	1.00
Tamluk	-	6.85	-
Ghatal	1.85	1.47	-2.91
Chandrakona	1.50	2.50	6.59
Ramjibanpur	-	-	-
Khirpai	-	-	-
Kharar	1.43	1.56	1.10
Contai	-	-	-
Bishnupur	2.84	4.21	5.04
Sonamukhi	1.47	1.57	0.83
Jhalda	3.92	3.50	-1.43
Raghunathpur	-	-	-
Kalna	5.14	8.45	6.41
Katwa	-	8.47	-
Dainhat	1.69	2.13	2.96
Raniganj	10.20	18.38	7.65
Arambagh	3.56	4.43	2.80
Tarkeswar	-	-	-
Murshidabad	5.65	9.82	7.16
Jiaganj	3.04	6.90	10.79
Kandi	3.42	3.19	-0.88
Jangipur	2.60	2.30	-1.54
Dhulian	2.77	5.68	9.40
Beldanga	-	-	-
Sainthia	-	-	-
Mathabhanga	-	-	-
Mekliganj	-	-	-
Tufanganj	-	-	-
Haldibari	-	-	-

Source : Office of the
West Bengal Municipal
Finance Commission

TABLE SA.17

Rateable Values and Their Growth Rates in
West Bengal Municipalities
(1970-71 - 1978-79)

Municipality	Rateable value (Rs lakh) (1970-71)	Rateable value (Rs lakh) (1978-79)	Growth rate (per cent per annum)
	(1)	(2)	(3)
<u>CMD</u>			
<u>A Class</u>			
Chinsurah	56.97	65.28	1.71
Chandernagore	41.69	81.83	8.80
Serampore	48.91	63.58	3.33
Bally	108.78	147.59	3.89
Howrah	353.28	397.00	1.35
Naihati	33.63	-	-
Bhatpara	99.70	185.58	8.07
Barrackpore	31.06	-	-
Titagarh	32.27	35.87	1.34
Panihati	62.12	104.65	6.74
Kamarhati	81.47	134.55	6.46
Baranagar	-	475.85	-
Garden Reach	153.97	-	-
S. Suburban	116.25	-	-
Jadavpur	-	-	-
South Dum Dum	-	134.25	-
<u>B Class</u>			
Bansberia	35.89	50.55	4.38
Bhadereswar	26.31	39.47	5.20
Champdany	48.00	53.44	1.36

Contd.../-

TABLE SA.17 (contd..)

	(1)	(2)	(3)
Baidyabti	18.45	35.95	8.70
Rishra	41.86	56.42	3.80
Uttarpara	42.83	-	-
Kanchrapara	10.78	-	-
Halisahar	38.02	69.22	7.77
Garulia	28.96	37.63	3.33
North Barrackpore	-	-	-
Budge Budge	48.83	62.69	3.17
Barasat	15.55	-	-
North Dum Dum	17.82	66.04	17.79
<u>C Class</u>			
Konnagar	26.25	34.81	3.59
Khardah	28.23	28.48	0.11
New Barrackpore	8.74	15.21	7.17
Dum Dum	26.18	43.81	6.65
Rajpur	9.57	22.79	11.45
Baruipur	7.97	11.48	4.67
Kalyani	-	84.96	-
Gayespur	-	-	-
<u>Non-CMD</u>			
<u>A Class</u>			
Siliguri	76.17	114.28	5.20
Balurghat	14.26	28.63	9.10
Nabadwip	15.69	33.05	9.75
Kharagpur	-	41.80	-

contd..

TABLE SA.17 (contd..)

	(1)	(2)	(3)
Burdwan	-	24.55	-
Asansol	92.86	170.93	7.92
Durgapur	-	-	-
<u>B Class</u>			
Cooch-Bihar	-	45.93	-
Jalpaiguri	26.46	47.02	7.44
Darjeeling	29.13	41.20	4.42
Raigunj	-	-	-
Eng. Bazar	-	38.26	-
Krishnagar	24.04	29.05	2.40
Santipur	16.56	32.91	8.95
Ranaghat	11.81	24.00	9.25
Chaddah	10.31	17.12	6.55
Bangson	-	-	-
Basirhat	14.25	20.68	4.77
Ashoknagar	-	-	-
Habra	-	-	-
Midnapore	22.90	44.63	8.70
Bankura	-	48.79	-
Purulia	18.57	28.09	5.31
Berhampore	-	52.63	-
<u>C Class</u>			
Dinhata	-	-	-
Alipurduar	17.18	25.21	4.91
Kurseong	10.05	17.09	6.86
Kalimpong	16.48	17.90	1.03

contd..

TABLE SA.17 (contd..)

	(1)	(2)	(3)
Old Maldah	2.42	3.36	4.19
Suri	14.40	23.28	6.19
Rampurhat	-	30.90	-
Bolpur	12.78	23.99	8.19
Dubarjpur	-	-	-
Birnagar	2.67	4.64	7.15
Joynagar	6.01	7.85	3.40
Gobardanga	-	-	-
Baduria	-	-	-
Taki	-	8.62	-
Tamluk	10.72	20.36	8.35
Ghatal	6.06	6.53	0.93
Chanorakona	3.07	4.21	4.03
Ramjibanpur	-	-	-
Khirpai	-	-	-
Kharar	1.25	1.74	4.22
Contai	-	-	-
Bishnupur	-	23.31	-
Sonamukhi	-	9.10	-
Jhalda	2.80	5.20	8.05
Raghunathpur	-	-	-
Kalna	7.68	19.61	12.44
Katua	10.28	16.98	6.47
Dainhat	1.86	1.86	0.00
Raniganj	-	33.22	-
Arambagh	6.49	9.55	4.94

contd..

TABLE SA.17 (contd.)

	(1)	(2)	(3)
Tarkeswar	-	-	-
Murshidabad	-	9.81	-
Diaganj	-	13.30	-
Kandi	6.47	9.38	4.75
Jangipur	-	7.50	-
Dhulian	6.13	10.40	6.83
Beldanga	-	-	-
Sainthia	-	-	-
Mathabhanga	-	-	-
Mekliganj	-	-	-
Tufanganj	-	-	-
Haldibari	-	-	-

Source: Office of the WBMFC.

TABLE SA.18

Growth of Rateable Value per Holding in
Municipalities of West Bengal
(1970-71 to 1978-79)

Municipality	R.V. per holding 1970-71	R.V. per holding 1978-79	Growth rate (per cent per annum)
	(1)	(2)	(3)
<u>CMD</u>			
<u>A Class</u>			
Chinsurah	345	334	-0.34
Chandernagore	325	530	6.30
Serampore	450	523	1.90
Bally	1092	1255	1.75
Howrah	756	722	-0.57
Naihati	669	-	-
Bhatpara	930	1369	4.93
Barrackpore	447	-	-
Titagarh	1243	1147	-1.05
Panihati	323	344	0.82
Kamarhati	605	720	2.20
Baranagar	-	2489	-
Garden Reach	1023	-	-
S. Suburban	347	-	-
Jadavpur	-	-	-
South Dum Dum	-	614	-
<u>B Class</u>			
Bansberia	665	735	1.26
Bhadereswar	635	840	3.45

contd..

TABLE No. 18 (contd..)

	(1)	(2)	(3)
Champdany	1166	1055	-1.35
Baidyabati	214	331	5.60
Rishra	1105	1175	0.77
Uttarpara	496	-	-
Kanchrapara	243	-	-
Halisahar	476	671	4.39
Garulia	811	871	0.90
North Barrackpore	-	392	-
Budge Budge	1106	1289	1.93
Barasat	165	-	-
North Dum Dum	124	345	13.65
<u>C Class</u>			
Konnagar	542	528	-0.03
Khardah	728	638	-1.65
New Barrackpore	150	224	5.14
Dum Dum	1480	1955	3.54
Rajpur	142	311	10.30
Baruipur	269	269	0.00
Kalyani	-	951	-
Gayespur	-	-	-
<u>Non-CMD</u>			
<u>A Class</u>			
Siliguri	988	1096	1.12
Balurghat	291	510	7.25
Nabadwip	120	239	9.00
Kharagpur	-	330	-

contd..

TABLE SA.18 (contd..)

	(1)	(2)	(3)
Burdwan	-	111	-
Asansol	938	1370	4.95
Durgapur	-	-	-
<u>B Class</u>			
Cooch-Bihar	-	585	-
Jalpaiguri	508	748	5.10
Darjeeling	800	1007	2.98
Raigunj	-	-	-
Eng. Bazar	-	435	-
Krishnagar	198	225	1.60
Santipur	110	209	8.40
Ranaghat	192	351	7.80
Chakdah	131	214	6.45
Bangaon	-	-	-
Basirhat	170	221	3.30
Ashoknagar	-	-	-
Habra	-	-	-
Midnapore	278	395	4.55
Bankura	-	453	-
Purulia	222	317	4.60
Berhampore	-	424	-
<u>C Class</u>			
Dinhata	-	-	-
Alipurduar	313	403	3.20
Kurseong	770	1179	5.45
Kalimpong	954	1250	3.48

contd..

TABLE SA.18 (contd..)

	(1)	(2)	(3)
Old Maldah	143	200	4.30
Suri	296	416	4.45
Rampurhat	-	790	-
Bolpur	222	350	5.85
Dubarjpur	-	-	-
Birnagar	67	101	5.24
Joynagar	167	196	2.05
Gobardanga	-	-	-
Baduria	-	-	-
Taki	-	173	-
Tamluk	305	515	6.80
Ghatal	112	112	0.00
Chandrakona	65	81	2.75
Ramjibanpur	-	-	-
Khirpai	-	-	-
Kharar	47	65	4.12
Contai	-	-	-
Bishanupur	-	316	-
Sonamukhi	-	247	-
Jhalda	147	258	7.45
Raghunathpur	-	-	-
Kalna	148	309	9.55
Katwa	230	347	5.35
Dainhat	60	60	0.00
Raniganj	-	779	-
Arambagh	226	308	3.98
Tarkeswar	-	-	-
Murshidabad	-	234	-

contd..

TABLE SA.18 (contd..)

	(1)	(2)	(3)
Jiaganj	-	276	-
Kandi	142	184	3.30
Jangipur	-	176	-
Dhulian	204	291	4.50
Beldanga	-	-	-
Sainthia	-	-	-
Mathabhanga	-	-	-
Mekliganj	-	-	-
Tufanganj	-	-	-
Haldibari	-	-	-

of basic data
Source: Office of the West Bengal
Municipal Finance Commission
and T & C P (1974)

TABLE SA.19

Growth Rate of Number of Holdings
in West Bengal Municipalities

(1970-71 - 1978-79)

Municipality	No. of holdings (1970-71)	No. of holdings (1978-79)	Growth rate (Per cent per annum)
	(1)	(2)	(3)
<u>CMD</u>			
<u>A Class</u>			
Chinsurah	16500	19545	2.14
Chandernagore	12831	15450	2.36
Serampore	10862	12168	1.44
Bally	9960	11752	2.09
Howrah	46751	55000	2.05
Naihati	5029	-	-
Bhatpara	10724	13560	2.98
Barrackpore	6950	-	-
Titagarh	2596	3126	2.36
Panihati	19244	30380	5.86
Kamarhati	13473	18700	4.19
Baranagar	-	19119	-
Garden Reach	15055	-	-
S. Suburban	33518	-	-
Jadavpur	-	-	-
South Dum Dum	25199	21870	-1.79

contd..

TABLE SA.19 (contd..)

	(1)	(2)	(3)
<u>B Class</u>			
Bansberia	5399	6882	3.08
Bhadereswar	4145	4700	1.58
Champdony	4117	5064	2.62
Baidyabti	8618	10869	2.95
Rishra	3787	4800	3.01
Uttarpara	8639	-	-
Kanchrapara	4441	-	-
Halisahar	7983	10310	3.25
Garulia	3571	4318	2.40
North Barrackpore	9636	11168	1.87
Budge Budge	4416	4862	1.20
Barasat	9402	-	-
North Dum Dum	14360	19119	3.64
<u>C Class</u>			
Konnagar	4846	6597	3.93
Khardah	3879	4465	1.78
New Barrackpore	5813	6780	1.94
Dum Dum	1769	2240	3.00
Rajpur	6728	7332	1.08
Baruipur	2966	4273	4.68
Kalyani	-	8931	-
Gayespur	-	-	-
<u>Non-CMD</u>			
<u>A Class</u>			
Siliguri	7710	10425	3.85

contd..

TABLE SA.19 (contd..)

	(1)	(2)	(3)
Balurghat	4898	5615	1.72
Nabadwip	13055	13825	0.71
Kharagapur	-	12665	-
Burdwan	-	22071	-
Asansol	9900	12475	2.92
Durgapur	-	-	-
<u>B Class</u>			
Cooch-Behar	-	7846	-
Jalpaiguri	5211	6289	2.38
Darjeeling	3642	4092	1.48
Raiganj	-	-	-
Eng. Bazar	-	8798	-
Krishnagar	12115	12938	0.82
Santipur	15116	15723	0.50
Ranaghat	6152	6837	1.34
Chakdah	7873	7997	0.20
Bangaon	-	-	-
Basirhat	8404	9358	1.35
Ashoknagar	-	-	-
Habra	-	-	-
Midnapore	8237	11303	4.06
Bankura	-	10775	-
Purulia	8376	8875	0.72
Berhampore	-	12420	-

contd..

TABLE SA-19 (contd..)

	(1)	(2)	(3)
<u>C Class</u>			
Dinhata	-	-	-
Alipurduar	5482	6260	1.68
Kurseong	1306	1449	1.31
Kalimpong	1728	1432	-2.38
Old Maldah	1689	1676	-0.09
Suri	4861	5597	1.78
Rampurhat	-	3894	-
Bolpur	5749	6850	2.21
Dubarpur	-	-	-
Birnagar	4000	4585	1.72
Joy nagar	3600	4011	1.37
Gobardanga	-	-	-
Baduria	-	-	-
Taki	-	5992	-
Tamluk	3510	3951	1.49
Ghatal	5406	5853	1.00
Chandrakona	4724	5227	1.28
Ramjibanpur	-	-	-
Khirpai	-	-	-
Kharar	2684	2687	0.01
Contai	-	-	-
Bishanupur	-	7373	-
Sonamukhi	-	3680	-
Jhalda	1901	2012	0.71
Raghunathpur	-	-	-
Kalna	5190	6339	2.53

contd..

TABLE SA.19 (contd..)

	(1)	(2)	(3)
Katwa	4462	4900	1.18
Dainhat	3107	3107	0.00
Raniganj	-	4264	-
Arambagh	2867	3100	0.99
Tarkeswar	-	-	-
Murshidabad	-	4185	-
Jiaganj	-	4827	-
Kandi	4564	5101	1.40
Jangipur	-	4256	-
Dhulia	3005	3576	2.20
Beldanga	-	-	-
Sainthia	-	-	-
Mathabhanga	-	-	-
Mekliganj	-	-	-
Tufanganj	-	-	-
Haldibari	-	-	-

Source: ^{of basic data} Office of the WBMFC
and T&EP 1974

TABLE SA.28

Property Tax Collection Performance According to Class of Municipalities in West Bengal (1976-78)

Municipality	Current demand (Rs lakh)	Collection out of current demand (Rs lakh)	Arrear demand (Rs lakh)	Collection out of arrear demand (Rs lakh)	Total demand (Rs lakh)	Total collection (Rs lakh)	Current collection as per cent of current demand	Arrear collection as per cent of arrear demand	Total collection as per cent of total demand
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>CMD</u>									
<u>A Class</u>									
Chinacurah	54.86	5.58	16.77	9.40	51.63	15.08	16.29	56.05	29.20
Chandernagore	8.81	5.72	19.79	7.93	28.60	13.65	64.93	40.07	47.72
Durgapore	42.28	5.02	18.75	9.55	61.03	15.57	14.24	51.47	25.67
Dally	42.70	10.67	27.47	15.65	70.17	26.32	24.99	56.97	37.50
Howrah	110.51	45.91	356.96	72.12	467.47	118.03	41.54	20.20	25.25
Maihati	15.33	6.82	44.18	2.91	57.51	9.73	51.15	6.59	16.91
Shatpara	52.90	6.89	31.88	15.64	84.78	22.53	15.02	49.06	26.57
Baruackpore	-	-	-	-	-	-	-	-	-
Titagarh	12.77	2.26	8.23	4.78	21.00	7.04	17.70	58.08	33.52
Parhati	56.61	6.41	20.92	7.41	77.53	13.83	11.32	35.42	17.83
Kamarhati	16.69	6.79	34.90	19.44	51.58	26.23	40.68	55.70	50.85
Baranagar	-	-	-	-	-	-	-	-	-
Garden Reach	62.28	9.04	21.31	10.20	83.59	19.29	14.52	47.86	23.07
S. Suburban	-	-	-	-	-	-	-	-	-
Jadavpur	-	-	-	-	-	-	-	-	-

TABLE SA.20 (contd..)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
South Dum Dum	157.34	11.26	41.05	22.54	198.39	34.20	7.16	55.88	17.24
Average 'A' Class							26.46	44.45	29.28
B Class									
Bansberia	-	-	-	-	-	-	-	-	-
Bhadereswar	6.85	5.50	2.91	0.60	9.75	6.10	80.29	20.62	62.56
Champdany	11.89	9.99	4.95	2.32	16.83	12.31	84.02	46.87	73.14
Saidyabti	22.48	2.59	10.35	2.45	32.83	5.05	11.52	23.67	15.38
Rishra	4.10	0.73	11.09	3.45	15.19	4.18	17.80	31.11	27.52
Utterpara	5.21	1.75	7.81	5.21	13.02	6.96	33.59	66.71	53.46
Kanchrapara	16.84	1.55	5.99	2.17	22.84	3.72	9.20	36.23	16.29
Halisahar	21.14	1.23	8.42	2.33	29.57	13.56	5.82	27.67	12.04
Garulia	22.16	3.91	8.43	2.19	30.60	6.10	17.64	25.98	19.93
North Barrackpore	-	-	-	-	-	-	-	-	-
Budge Budge	22.08	11.96	28.93	1.46	51.00	13.43	54.17	5.05	26.33
Barasat	5.75	0.82	2.74	1.43	8.49	2.25	14.26	52.19	26.50
North Dum Dum	39.17	2.11	8.73	2.59	47.90	14.69	5.39	29.67	9.79
Average 'E' Class							30.34	33.65	31.18
C Class									
Konnagar	9.90	1.09	12.45	5.06	17.15	6.15	11.01	40.64	35.86
Khardah	7.57	1.68	6.19	14.25	13.76	5.93	22.19	68.66	43.10
New Barrackpore	6.52	0.84	1.80	0.40	8.32	1.24	12.88	22.22	14.90

contd..

TABLE SA.20 (contd..)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Dum Dum	2.13	0.85	8.76	7.58	10.39	8.43	39.91	86.53	77.41
Rajpur	3.11	1.00	9.66	1.47	12.77	2.47	32.15	15.22	15.34
Baruipur	-	-	-	-	-	-	-	-	-
Kalyani	32.77	7.74	13.25	2.04	46.02	9.78	23.62	15.40	21.25
Gayespur	-	-	-	-	-	-	-	-	-
Average 'C' Class							23.46	41.45	35.31
<u>Non-CMD</u>									
<u>A Class</u>									
Siliguri	30.57	7.87	18.69	8.86	49.26	16.73	25.74	47.41	33.96
Balurghat	4.18	1.02	4.87	1.79	9.68	2.82	24.40	36.76	29.13
Nabadwip	9.22	1.92	7.69	3.62	16.91	5.54	20.82	47.07	32.76
Kharegpur	11.37	2.36	8.66	3.19	20.03	5.55	20.76	36.84	27.71
Burdwan	28.44	10.98	28.14	8.01	56.58	18.99	38.61	28.46	33.56
Asansol	87.70	11.30	43.21	18.78	130.91	30.08	12.88	43.46	22.98
Durgapur	-	-	-	-	-	-	-	-	-
Average 'A' Class							23.87	40.00	30.02
<u>B Class</u>									
Cooch-Bihar	-	-	-	-	-	-	-	-	-
Jalpaiguri	9.30	1.42	9.06	6.96	19.26	8.38	15.27	76.82	43.51
Darjeeling	10.44	1.81	11.40	8.97	21.84	10.78	17.34	78.68	49.36
Raigunj	5.48	2.09	16.51	1.98	21.99	4.07	38.14	11.99	18.51

contd..

TABLE SA.20 (contd..)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Eng. Bazar	10.17	8.06	5.51	2.11	15.58	10.17	79.25	38.29	64.86
Krishnagar	2.41	1.37	8.43	4.41	10.34	5.78	56.85	52.31	53.32
Santipur	7.37	1.76	3.70	1.42	11.07	3.18	23.88	38.38	28.73
Ranaghat	9.07	2.47	5.32	2.76	14.39	5.23	27.23	51.88	36.34
Chakdah	5.51	0.92	2.14	0.24	7.65	1.16	16.70	11.21	15.16
Bangaon	2.46	0.79	5.59	1.25	8.05	2.02	32.11	22.00	25.09
Basirhat	2.36	0.45	2.29	1.15	4.65	1.60	19.07	50.22	34.41
Ashoknagar	-	-	-	-	-	-	-	-	-
Habra	-	-	-	-	-	-	-	-	-
Midnapore	13.56	2.87	10.11	4.64	23.67	7.51	21.17	45.90	31.73
Bankura	11.61	7.62	11.75	2.55	23.36	10.17	65.63	21.70	43.54
Purulla	7.46	1.46	6.32	2.30	13.78	3.76	19.57	36.39	27.29
Berhampore	-	-	-	-	-	-	-	-	-
Average 'B' Class							33.25	41.21	36.30
C Class									
Dinhata	-	-	-	-	-	-	-	-	-
Alipurduar	7.69	0.70	2.41	0.87	10.11	1.57	9.10	36.10	15.53
Kurseong	7.16	2.65	3.62	1.76	10.78	4.41	37.01	48.62	40.91
Kalimpong	4.09	1.06	2.92	1.64	7.01	2.70	25.92	56.16	38.52
Old Malda	0.64	0.18	0.49	0.22	1.13	0.40	28.13	44.90	35.40
Suri	11.08	1.87	5.18	2.35	16.26	4.22	16.88	45.37	25.95
Rampurhat	4.50	1.14	4.32	0.92	8.82	2.06	25.33	21.30	23.36

contd..

TABLE SA.20 (contd..)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Bolpur	7.19	1.55	3.28	1.51	10.47	3.06	21.56	46.04	29.23
Dubarjpur	-	-	-	-	-	-	-	-	-
Birnagar	0.88	0.28	0.70	0.32	1.58	0.60	31.82	45.71	37.97
Joyanagar	2.27	0.72	1.32	0.61	3.59	1.33	31.72	46.21	37.05
Gobardanga	-	-	-	-	-	-	-	-	-
Baduria	0.31	0.12	1.42	0.12	1.74	0.24	38.71	8.45	15.73
Teki	0.80	0.31	1.90	0.34	2.71	0.65	38.75	17.89	23.99
Tataluk	-	-	-	-	-	-	-	-	-
Ghatal	0.97	0.12	0.92	0.42	1.89	0.54	12.37	45.65	28.57
Cheridipona	0.34	0.10	0.42	0.20	0.76	0.30	29.41	47.62	39.47
Ramjhanpur	-	-	-	-	-	-	-	-	-
Kiipe	0.08	0.02	0.14	0.09	0.22	0.11	25.00	64.29	50.00
Khater	0.04	0.02	0.16	0.12	0.20	0.14	50.00	75.00	70.00
Conrai	2.90	1.13	4.84	1.27	7.74	2.40	38.97	26.24	31.01
Bishanpur	3.03	0.95	2.46	0.76	5.49	1.72	31.35	30.89	31.33
Sonamukhi	2.54	0.27	1.29	0.25	3.83	0.52	10.63	19.38	13.58
Jhalda	1.26	0.10	0.77	0.38	2.03	0.48	7.94	49.35	23.65
Raghu thpur	-	-	-	-	-	-	-	-	-
Kalna	1.20	0.82	3.14	2.00	4.34	2.82	68.33	63.59	64.98
Katwa	3.07	0.87	4.32	2.31	7.59	3.18	28.34	53.47	43.03
Dainhat	0.24	0.15	0.37	0.17	0.61	0.32	62.50	45.95	52.46
Raniganj	8.00	5.85	9.03	2.08	17.03	7.93	73.13	23.03	46.56
Arambagh	2.28	0.48	1.59	0.87	3.88	1.35	21.05	54.72	34.79

contd..

TABLE SA.20 (contd..)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Tarkeswar	-	-	-	-	-	-	-	-	-
Murshidebad	1.24	1.01	3.27	1.17	5.22	2.18	52.06	35.78	41.76
Jiaganj	-	-	-	-	-	-	-	-	-
Kandi	1.15	0.37	1.57	0.75	2.73	1.12	31.90	47.77	41.03
Jangipur	1.27	0.74	1.23	0.29	2.30	1.03	58.27	23.58	44.78
Chulian	0.21	0.11	1.23	1.10	1.43	1.21	52.38	89.43	84.62
Beldanga	-	-	-	-	-	-	-	-	-
Sainthia	-	-	-	-	-	-	-	-	-
Mathabhanga	-	-	-	-	-	-	-	-	-
Mekliganj	-	-	-	-	-	-	-	-	-
Tufangurj	0.26	0.05	0.15	0.10	0.41	0.15	19.23	66.67	36.59
Haldibari	1.64	0.32	0.41	0.01	2.05	0.33	19.51	2.44	16.10
Average 'C' Class							33.24	42.72	37.20

Source : Office of the WBMFC

TABLE SA.21

Rate of Property Tax, Tax Per Holding and Their Growth
Rate in West Bengal Municipalities
(1970-71 - 1978-79)

	Rate of tax *	Property tax per holding (1970-71)	Property tax per holding (1978-79)	Growth rate (per cent per annum)
	(1)	(2)	(3)	(4)
<u>CMD</u>				
<u>A Class</u>				
Chinsurah	25.00	-	73.83	-
Chandernagore	23.00	-	65.37	-
Serampore	25.25	69.79	119.49	7.05
Bally	21.00	142.82	220.90	5.55
Howrah	25.00	-	214.60	-
Naihati	22.00	-	-	-
Bhatpara	25.00	-	97.68	-
Barrackpore	-	-	-	-
Titagarh	23.00	100.42	225.21	10.55
Panihati	22.00	-	45.56	-
Kamarhati	26.00	-	143.26	-
Baranagar	27.00	-	123.18	-
Garden Reach	24.75	63.09	-	-
S. Suburban	-	42.03	-	-
Jadavpur	-	-	-	-
South Dum Dum	23.50	43.19	86.05	9.03
<u>B Class</u>				
Bansberia	24.00	116.78	146.01	2.85
Bhadreswar	24.00	134.26	132.34	-0.15

* Total of holdings tax, water-rate, lighting-rate and conservancy rate as of 1978-79.

TABLE SA.21 (contd..)

	(1)	(2)	(3)	(4)
Chandany	24.50	176.32	225.32	3.15
Baidyabti	23.50	26.26	48.03	7.70
Rishra	21.00	184.00	158.20	-1.85
Uttarpara	16.00	54.84	-	-
Kanchrapara	18.75	-	-	-
Halisahar	24.50	111.34	90.11	-2.68
Garulia	23.00	84.96	142.20	6.66
North Barrackpore	24.00	38.38	71.45	8.07
Budge Budge	27.50	-	290.42	-
Barasat	18.00	14.06	-	-
North Dum Dum	25.00	17.76	24.64	4.18
<u>C Class</u>				
Konnagar	21.00	70.78	94.13	3.63
Khardah	22.50	48.44	124.75	12.55
New Barrackpore	9.00	4.58	18.29	18.90
Dum Dum	23.00	303.11	392.86	3.30
Rajpur	16.00	-	30.55	-
Baruipur	-	-	23.87	-
Kalyani	18.00	-	102.90	-
Gayespur	-	-	-	-
<u>Non-CMD</u>				
<u>A Class</u>				
Siliguri	19.00	94.68	161.52	6.95
Balurghat	17.00	34.24	50.22	4.97
Nabadwip	24.56	-	58.81	-
Kharagpur	26.50	-	47.14	-
Burdwan	-	-	87.17	-
Asansol	25.00	179.00	242.57	3.85
Durgapur	-	-	-	-

TABLE SA.21 (contd.,)

	(1)	(2)	(3)	(4)
<u>B Class</u>				
Cooch-Behar	17.00	-	96.86	-
Jalpaiguri	21.30	113.45	144.85	3.15
Darjeeling	27.50	-	258.80	-
Raigunj	23.00	-	-	-
Eng. Bazar	-	-	71.15	-
Krishnagar	29.50	52.76	45.60	-1.90
Santipur	19.00	11.43	19.97	7.20
Ranaghat	28.00	44.16	60.85	4.10
Chakdah	14.50	9.55	14.63	5.47
Bangaon	20.00	-	-	-
Basirhat	16.00	15.61	15.29	-0.23
Ashoknagar	-	-	-	-
Habra	-	-	-	-
Midnapore	26.00	-	66.53	-
Bankura	20.50	-	86.68	-
Purulia	22.50	-	42.48	-
Berhampore	25.00	-	74.29	-
<u>C Class</u>				
Dinhata	-	-	-	-
Alipurduar	9.50	27.13	23.16	-1.98
Kurseong	23.00	128.18	282.26	10.37
Kalimpong	19.50	98.55	182.96	8.05
Old Maldah	15.00	15.28	30.43	8.95
Suri	23.00	50.03	90.05	7.65
Rampurhat	18.00	-	52.90	-
Bolpur	16.50	-	46.72	-
Dubarjpur	-	-	-	-
Birnagar	11.00	4.15	6.11	4.85

TABLE SA.21 (contd..)

	(1)	(2)	(3)	(4)
Joy nagar	18.00	17.17	33.41	8.70
Gobardanga	11.00	-	-	-
Baduria	15.50	-	-	-
Taki	-	-	10.22	-
Tamluk	23.00	-	45.05	-
Ghatal	18.00	9.32	8.03	-1.89
Chandrakona	10.00	3.20	5.74	7.63
Ramjibanpur	-	-	-	-
Khirpai	10.00	-	-	-
Kharar	10.00	3.58	5.21	4.92
Contai	-	-	-	-
Bishnupur	12.00	-	24.55	-
Sonamukhi	12.50	-	8.97	-
Jhalda	15.00	24.51	24.35	-0.10
Raghunathpur	15.00	-	-	-
Kalna	25.00	27.75	44.01	5.85
Katwa	21.75	-	58.78	-
Dainhat	20.50	6.92	10.30	5.10
Raniganj	24.50	-	202.63	-
Arambagh	19.00	31.18	42.90	4.10
Tarkeswar	-	-	-	-
Murshidabad	-	-	51.61	-
Jiaganj	20.00	-	44.33	-
Kandi	17.50	19.48	19.41	-0.05
Jangipur	15.50	-	21.62	-
Dhulian	16.00	20.37	39.71	8.70
Beldanga	-	-	-	-
Sainthia	-	-	-	-
Mathabhanga	-	-	-	-
Mekliganj	-	-	-	-
Tufanganj	-	-	-	-
Haldibari	-	-	-	-

of basic data
 Source: Office of the AMFC.
 and T & C P (1974)

Sample Design

The population (or universe) for the sample survey undertaken for this study consisted of households falling under the municipal jurisdictions of Calcutta, Midnapore, Purulia, Dum Dum, Darjeeling and Siliguri. The selection of households for the survey was made by using a multi-stage stratified random sampling design. The stages under the multi-stage stratified sampling were as follows:

First Stage. The wards in a municipal jurisdiction were first stratified into "residential", "commercial-cum-business", "industrial", "mixed" and "bastee". The wards were selected in consultation with the officials of the Corporation/municipalities concerned in order to ensure fair representation to each of the characteristics mentioned above. Wards which are regarded as very important from the angle of revenue potential and also those in which the administration of the PT presents particular problems were purposively included. The wards so selected constituted the first stage sample units. The list of these wards is given in Table 1.

Second Stage. Within each ward selected in the manner indicated above, the streets, in the case of Calcutta Corporation, and circles, in the case of municipalities, were classified into "important" and "unimportant" on the basis of revenue potential, scale of construction activity, commerce and trade and locational attributes. Twenty per cent each of the streets/circles falling under the first stage sample units constituted the second stage sample units. The number of

important and unimportant streets included in the sample was determined on the basis of their proportion in the total number of important and unimportant streets in the selected wards.

Third Stage... For the selection of the final stage sample units, i.e., holdings, the sample size was first proposed at the ward level. The number of holdings included in the sample from each selected ward depended on the proportion of the holdings in that ward to the total number of holdings in the selected wards. Once the number of holdings to be taken from each of the selected wards was determined, they were distributed over the selected important and unimportant streets in their relative proportion in the total number of streets in that particular ward. From the selected streets, the holdings were selected on a random basis using the random number table. However, in order to facilitate a comparative study of the basis of variations in the assessment of the holdings, it was decided to select holdings forming only one-fifth of the total sample size using the random number table. These selected holdings were called the "designated" holdings. The investigators were instructed to visit the designated holding and select four other holdings close to the designated holding to make a cluster of five holdings. If the owner of the designated holding was not co-operative, the investigators were first required to determine another designated holding in the same area and then follow the above procedure to form a cluster.

Where the holdings surveyed were fully owner-occupied or fully tenanted, the owner/occupier was the respondent. If the holding was inhabited by multiple households, the owner and one tenant were taken as the respondent. The list of selected holdings constituting the final sample is presented in Table 2.

TABLE 1

Selected Wards Constituting the First Stage
Sampling Units

Corporation/ Municipality	Ward No.
Calcutta	10, 44, 45, 65, 69, 72, 78, 80, 93, 96
Howrah	4, 5, 6, 8
Midnapore	1, 3, 5, 6, 12
Siliguri	4, 7, 8, 14, 15, 16
Purulia	1, 6, 7, 9
Darjeeling	1, 2, 6, 18, 19, 22
Dum Dum	1, 2, 5, 6, 8, 9, 10, 11, 12, 13, 14

TABLE 2

Sample Size

Corporation/ Municipality	Population 1981 census (in lakh)	No. of holdings (1978-79)	Sample size
Calcutta	3292	132695	926
Howrah	741	55000	413
Midnapore	87	11303	170
Darjeeling	55	4092	113
Purulia	68	8875	150
Siliguri	154	10425	150
Dum Dum	39	2240	130

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Abbreviations

AIR : All India Reporter
CWN : Calcutta Weekly Notes
ITR : Income Tax Reports
CTR : Current Tax Reporter

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