

11/05/12 -
Hindustan Times.

Have a big flat in an old SoBo building? You'll pay more tax

NEW PROPERTY TAX SYSTEM BMC says it rationalises taxes levied, activists say it favours builders

Poorvi Kulkarni
poorvi.kulkarni@hindustantimes.com

DECODING THE NEW SYSTEM

THE OLD RATEABLE VALUE SYSTEM

MUMBAI: The new property tax system will spare residential properties with carpet area of less than 500 sq ft. This will be a relief to many residents living in the island city, where the property tax is set to rise.

Three years after it was proposed, the civic standing committee on Thursday decided to enforce the new property tax system, which is based on the capital value of properties. So far, property tax was calculated on the basis of the rent a property commands.

Put simply, properties with high market value will now be charged higher. This decision will most affect old properties in the island city where rent had been frozen under the Rent Control Act.

With the new rates being calculated on the basis of the market value of the property, in the island city, residences would be paying up to two times more while for commercial units it would be up to three times more. Rajiv Jalota, additional municipal commissioner, said: "The increase in taxes for residents of old buildings in south Mumbai will be marginal. They were paying substantially less than residents of new buildings. The system will rationalise taxes levied in the city."

The civic body said the new system will bring transparency as you will be able to assess your own tax. The capital value of residential and commercial units will be put up on the BMC's website. The rates will get revised every five years, but won't exceed 40%. The system could affect those in new redevelopment projects as these will attract higher tax.

THE NEW CAPITAL VALUE SYSTEM

As per the new system, the property tax will be based on the capital value of a flat. The capital value is derived from a complex formula, which includes the flat's base value — the market value of the property going by the rates in the Ready Reckoner — and the user category of the flat, among other things.

In the new system, the tax will fluctuate according to the increase or decrease of market value of the property.

WHY THE NEW SYSTEM WAS OPPOSED

- Corporators across parties have opposed the new system as they fear the increase in taxes will upset their voter base.
- Calculating the base value of a flat by taking into account the built-up area of the flat and not

Under the new system, the tax will fluctuate according to the market value of the property

HOW TO CALCULATE YOUR FLAT'S PROPERTY TAX
Get the base value (BV) of your flat as per the Ready Reckoner.

Get the user category (UC) of your buildings: whether it is residential or commercial or industrial, etc. Every category has specific weightage.

Determine the nature and type of building (NTB): The BMC has drawn up different categories of buildings with corresponding weightages. The categories are: a luxurious RCC building, an RCC building, pucca building, semi-permanent building and kaccha building.

Age of the building: Different weightage is attached to different

THE FORMULA IS: BV x UC x NTB x A x FN x SA = CV (Capital Value)
Annual property tax = CV x rate of taxation

such as security cabins, gardens, jogging tracks, water tanks, etc., will be taxed," said Rajkumar Sharma, citizen activist.

age groups. The weightage goes down as the building gets older.

Floor number (FN): The BMC has different weightages attached to different floors of a building, including the basement, from 1.05 for the fifth floor to 1.35 for the 100th floor and so on. The higher your flat is, the more it will cost.

Rate of Taxation: Residential properties: 0.348
Shops: 0.651
Offices: 1.303
Banks: 2.606

Built-up area (BA): You will pay as per the built-up area, which generally includes the podium, flower bed, watchman's cabin, entrance lobby, basement, stilt, etc, not the carpet area, which is the actual size of your flat.

the carpet area will ensure your property tax shoots up by 40% or so as the built-up area of a flat is generally 40% of the carpet area.

The current Ready Reckoner rates will be applied to build-

Experts said new commercial properties in the island city would be the worst hit. "The disparity that existed has been

IN NUMBERS

- 3.5 lakh** Total no. properties in city
- 2.3 lakh** Total no. properties for which the BMC possesses records
- 1.2 lakh** No. of properties the BMC does not have any records for. This includes around 70,000 slums
- 45,000** No. of properties that the BMC has mapped so far
- ₹2,900 crore*** Total property tax expected under the old proposal
- ₹2,600 crore*** Total property tax expected under the new proposal
- ₹700 crore** Additional property tax collection expected after mapping of the 1.2 lakh properties that the BMC has no records for

(*THESE FIGURES ARE FROM THE 2.3 LAKH PROPERTIES IN THE CITY FOR WHICH THE BMC HAS RECORDS)

WHERE PROPERTY TAX WILL RISE

- Areas that have old buildings such as Fort, Colaba, Esplanade, Girgaum, Walkeshwar, Khetwadi and Grant Road, where rents were frozen under the Maharashtra Rent Control Act, 1999.

reversed in favour of the suburbs," said Rajendra Mehta, president of Lessors Association.