



Citizens' Action Forum

The Fifth Estate

17/Nov/2015

To

Shri Venkatachalapathy
Deputy Commissioner (Revenue)
& Member Secretary of Panel for Property tax revision
BBMP,
Bengaluru

Dear Sir,

Sub: CAFS' OBJECTIONS to reclassification of Zone's and hike in property tax.

In the draft notification issued by the Office of the Commissioner, BBMP vide No.Comm/BBMP – DC /1658/10-11, Bengaluru and dated 8th Sept 2015 and published in the Karnataka Gazette dated 19th October 2015 it has been stated that objections to the said notification has to be filed within 30 days from the date of gazette notification.

CAF is a civil society organisation (registered under the Societies Act) engaged in taking up issue of governance especially in urban local bodies like BBMP and wants to bring in greater transparency and higher accountability through structured citizen participation. We believe that Revenue mobilisation by the urban local bodies – from Mahanagara Palikes to the Town and City Municipal Councils – should be based on the principles laid out in the 74th amendment to the Constitution of India. The amendment directs that the decentralisation of administrative

Page 1

No 724, 7th "A" MAIN ROAD, 1ST BLOCK, HRBR LAYOUT, KALYANNAGAR BANASWADI, BANGALORE – 560043. www.cafbengaluru.org ; PH: 9845575665./9845470168.

power should be accompanied by devolution of financial resources from the State Government to the 3rd tier of urban and rural governments through the mechanism of State Finance Commission.

We believe that the levy and collection of Property Taxes in urban areas is one of the important sources of revenue. This should therefore be based on a scientific and rational basis and should balance the need for revenue and the efficiency of municipal services for which the urban government is directly responsible. It is therefore essential that the taxation rate is commensurate with the efficiency of service delivery. Such a system will impose responsibility on both the ULB and the citizens. With this end in view we have studied the draft notification issued by the Commissioner of BBMP and we find that the notification is totally one sided in that it places no responsibility on the Municipal Corporation to achieve an efficient service delivery mechanism.

Our objections are as follows:

1. In the draft notification it has been mentioned that the unit area rates have to be revised by a minimum of 15 percent and a maximum of 30 percent once in a block period of three years. **Our OBJECTION is that the revision of unit area value is discretionary and the only thing that the Act prohibits is that the council should not revise the Unit Area Rate MORE THAN ONCE IN A BLOCK PERIOD.** Therefore the notification is based on a false premise.
2. The objective of the said notification is to revise the zonal classification based solely on the Guidance Value as determined by the Department of Stamps and Registration. Our objection to this is **to the methodology of zonal classification** based on the guidance value. It is our assertion that the guidance value is not based on the current status of civic amenities of a particular ward but is dependent on various other factors. For example the guidance value of a particular area is dependent upon the proximity of the area to the business districts, the educational and health facilities available, availability of water (either ground water or piped water supply from the Water Supply Board), transport facility to various parts of the city and the traffic management. BBMP is not involved in providing any of these services. It is therefore not logical for the unit area value, which ultimately decides the value of the property tax to be levied, to be

based on the guidance value. For a particular ward BBMP is involved primarily in the task of garbage clearance and building and maintaining Roads, side and shoulder drains and the Storm Water Drain network. Therefore the determination of the Unit Area Value should be based directly on the level of the specific services mentioned above and not on the guidance value. Lesser the level of delivery of these services, lesser should be the Unit Area Value.

3. It is further mentioned in the said notification that if the New Unit Area Value pushes the zonal classification by more than one step the increase in the rate will be restricted to only one zone and this concession is restricted to the current block period. The notification is not clear about what happens during the next block period for revision. **We believe that this up gradation should be restricted to a jump of one step only during subsequent block periods also.**

We understand that the primary reason for this revision is the need for resource mobilisation to keep pace with the increased need for providing civic amenities to a fast growing city of Bengaluru. CAF has come out with a detailed proposal to mobilize resources to the extent of Rs.18000.00 crores and in which property taxes form just 25%. We have already submitted this to you and the Honourable Mayor. We also had a discussion on this matter with the Mayor and we have been promised that a panel discussion will be arranged on this.

We understand that the expected incremental revenue from this proposal to increase the property taxes based on the revised Unit Area Values is around Rs. 600.00 crores whereas our suggestion when incorporated gives you more than the required resources independent of the State Government's discretion.

We therefore demand that the said notification be with drawn and a fresh notification issued based on a more rational basis like the service delivery level of garbage clearance, state of Roads and drains in the ward rather than on the basis of guidance value. For this BBMP will have to bring out Ward Development Index based on BBMP service delivery levels.

We further demand that the entire process of fixing the Unit Area Value of a given ward should be decided through an intensive **consultation process with the citizens** and not based on bureaucratic thought-process.

We also contend that these objections should be put up on the website of BBMP and if any of these objections are not considered the reasons for rejection should also be put up. Otherwise the entire exercise of calling for objections and rejecting them outright and consigning it to the waste bin becomes more of a ritual than a genuine democratic exercise.

We look forward to a really democratic consultation process which strengthens the concept of citizen participation and deepens democratic traditions further.

Sincerely
Mahalakshmi Parthasarathy
Secretary
Citizens' Action Forum

Rajshekar. D.S
President
Citizens' Action Forum

SUPPORTED BY CAF MANAGING COMMITTEE

Vice President: Ramesh Dutt,

Joint Secretary: N. MUKUND

Organizing Secretary: T. Vidyadhar,

Treasurer Mahesh Kumar B V

Committee Members: N. S. Mukunda, Dr Meenakshi Bharath, K. P Ramachandra, Vijayan Menon