CHAPTER-VI

URBAN LOCAL SELF-GOVERNANCE TAXATION

- Introduction
- Taxes of Urban Local Bodies
- Taxes and Procedures for levy.
- Tax Rates
- Property Tax Reforms in Karnataka
- Conclusion
As better levy methods and collection procedures improve the tax revenue of the local bodies. In the preceding chapter the discussion is made on rural local self-governance taxation rules and procedures as per the Karnataka Panchayat Raj (Grama Panchayat Taxes and Fees) Rules, 1994. Similarly, the present chapter discusses the urban local self-governance taxation rules and procedures of Karnataka Municipalities Act 1964.

6.1 Introduction

The 73rd and 74th Constitutional Amendments in 1992 envisaged creation of local self-governments for the rural and urban populations wherein panchayats and municipalities were provided with the constitutional status for governance. The 74th Constitutional Amendment brought about some principal changes in the urban fabric of the country; it mandated that the municipalities shall have a life for five years, establishment of an independent State Election commission for the superintendence and conduct of municipal elections. It also mandated that a State Finance Commission shall be constituted at the expiration of every fifth year for reviewing the financial position of municipalities. The spirit of the 74th Constitutional Amendment was to empower Urban Local Bodies (ULBs) to function efficiently and effectively as autonomous entities for delivery of usable capital goods and services. To accomplish this goal, Local Bodies should have larger financial resources at their disposal.

Town Panchayats, Town Municipal Councils and City Municipal Councils in Karnataka are governed by the Karnataka Municipalities Act, 1964. Whereas, City Corporation in Karnataka, are governed by the Karnataka Municipal Corporations Act, 1976.

As per Constitution 74th amendment, to enable municipalities to function as local self governments and for economic development, social justice and perform municipal functions 19 functions have been as prescribed in the 12th Schedule.

ULBs do not have a large independent tax domain. They are largely devoid of autonomous revenue sources. The property tax is the mainstay of ULBs own finance. The receipts of ULBs may broadly be classified as 1) Tax and Non-tax revenue and 2) Grants and Loans. The state laws reveal that while power to collect certain taxes is
vested with the ULBs, powers pertaining to the rates and revision thereof, procedure of collection, ceiling and floors, method of assessment, exemptions, and concessions et cetera are vested with the State Government.

6.2 Taxes of Urban Local Bodies

1. **Octroi.** - A duty or tax was levied on the goods which entered the local area for consumption, sale or use. This levy was abolished in Karnataka from April 1, 1979.

2. **Profession Tax.** - This tax on professions, trades, callings and employment was levied by some of the local bodies in the State prior to April 1, 1976. Government took over this source of revenue from April 1, 1976.

3. **Property Tax.** - After the abolition of octroi, this tax has become the most important source of revenue to all the urban local bodies.

4. **Advertisement Tax.** - Advertisement tax is levied mostly in corporation and city municipal areas. It is levied on advertisements displayed for public view at the rates, except in specifically exempted cases. Maximum and minimum rates of tax are laid down by Government.

5. **Water Tax.** - A water rate for water supplied by the Corporations/municipalities is imposed according to the type of consumer. For this purpose, no maximum or minimum rates have been prescribed. While it has been the general practice to charge a flat rate per tap in the past, metering is becoming more common in new areas within the limits of Corporations and Municipalities.

6. **Lighting Tax.** - A lighting tax is levied in a few Corporation and Municipalities to pay for the cost of street lighting. It is linked to the property tax.

7. **Duty on transfer of Immovable properties.** - Karnataka State has been levying a duty under Karnataka Stamp Act. Local bodies are empowered to levy a duty in the form of a surcharge on stamp duty imposed by the Karnataka Stamp Act on various instruments of sale.
Present Position of Sharing of State Taxes.-

The following taxes are basically local in nature:

(1) Entertainment tax

(2) Profession tax

Though the local bodies were empowered to levy these taxes, their powers have been taken over by the State Government and the State Government is now levying these taxes.

6.3 Taxes and Procedures for Levy.

94. Taxes which may be imposed. –

(1) Subject to the general or special orders of the Government, a municipal council,-

(b) At rates not exceeding those specified in this Act may levy any one or more of the following taxes:-

(i) A tax on buildings or vacant lands or both situated within the municipal area (referred to as property tax)

(xii) A duty on transfers of immovable property in the shape of an additional stamp duty;

(xiii) A tax on advertisements (other than advertisements published in newspapers) erected, exhibited, fixed or retained upon or over any land, building, wall, hoarding, frame, post or structure or upon or in any vehicle or displayed to public view in any manner whatsoever visible from a public street or public place (including any advertisement exhibited by means of cinematograph):
(1-A) The following buildings and vacant lands shall be exempted from the property tax, namely:-

(a) Places set apart for public worship and either actually so used or used for no other purpose;

(b) Choultries for occupation of which no rent is charged and choultries the rent charged for the occupation of which is used exclusively for charitable purpose;

(c) Places used for the charitable purpose of sheltering the Destitute or animals and orphanages, homes and schools for the deaf and dumb, asylum for the aged and fallen women and such similar institutions run purely on philanthropic lines as are approved by the State Government;

(d) Such ancient monuments protected under the Karnataka Ancient and Historical Monuments and Archaeological Sites and Remains Act, 1961 (Karnataka Act 7 of 1962) and Ancient Monuments and Archaeological Sites and Remains Act, 1958 (Central Act 24 of 1958) or parts thereof as are not used as residential quarters or public offices;

(e) Charitable hospitals and dispensaries but not including residential quarters attached thereto;

(f) Such hospitals and dispensaries maintained by railway administration as may from time to time be notified by the State Government, but not including residential quarters attached thereto;

(g) Burial and cremation grounds included in the list published by the Municipal Commissioner or Chief Officer;

(h) Government lands set apart for free recreational purposes and such other Government land as may be notified by the Government which in the opinion of the State Government no income could be derived;

(i) Buildings or vacant lands exclusively used for,
(i) Student hostels, which are not established or conducted for profit;

(ii) Educational purposes by recognized educational institutions;

(j) Buildings or vacant lands belonging to the Central Government or any State Government used for the purposes of Government and not used or intended to be used for residential or commercial purposes;

(k) Buildings or vacant lands belonging to the Bangalore Development Authority, the Karnataka Housing Board, the Urban Development Authorities constituted under the Karnataka Urban Development Authorities Act, 1987 or any local authority, the possession of which has not been delivered to any person, in pursuance of any grant, allotment or lease;

(l) Land which is registered as land used for agricultural purpose in the revenue accounts of State Government and is actually used for cultivation of crops;

Provided that nothing contained in clauses (a), (c) and (e) shall be deemed to exempt from property tax, any buildings or vacant land for which rent is payable by the person or persons using the same for the purposes referred to in the said clauses:

Provided further that for the purposes of clause (j), a certificate issued by the Government or any officer duly authorized by the Government that any building or land is used for the purposes of the State Government and not used or intended to be used for residential or commercial purposes shall be binding on the municipal council.

(I-B) **No tax shall be levied on any advertisement which,-**

(a) Is exhibited with the window of any building if the advertisement relates to the trade, profession or business carried on in that building; or

(b) Relates to trade, profession or business carried on within the land or building upon or over which such advertisement is exhibited or to sale or letting of such land or building or any effects therein or any sale, entertainment or meeting to be held on or upon or in, the same; or
(c) Relates to the name of the land or building, upon or over which the advertisement is exhibited or to the name of the owner or occupier of such land or building; or

(d) Relates to the business of a railway administration and is exhibited within any railway station or upon any wall or other property of a railway administration;

(e) Relates to any activity of the State Government;

(f) Relates to any public meeting.

[(2) Notwithstanding the exemptions granted under [sub-section (1A)] it shall be open to the Municipal Council to collect service charges for providing civic amenities and for general or special services rendered at such rates as may be prescribed].

(3) The taxes specified in sub-section (1) shall be assessed, levied and collected in accordance with the provision of this Act and the rules made by the Government under section 323.

97. Publication of resolution with notice.-

(1) A municipal council shall by a resolution passed at a general meeting levy any tax specified in section 94 and in such resolution specify the classes of persons or properties which shall be made liable and the amount or rate at which the tax shall be levied. When such a resolution has been passed the municipal council shall publish a notice of such resolution in the notice board of its office and by advertisement in local newspapers.

(2) The publication of such notice shall be conclusive evidence that the tax has been imposed in accordance with the provisions of this Act and the rules made there under.
98. Power to suspend, reduce or abolish any existing tax.-

(1) A municipal council may, except as otherwise provided in clause (b) of the proviso to section 141 at any time for any sufficient reason suspend, modify or abolish any existing tax.

(2) The provisions of this chapter relating to the imposition of taxes shall apply so far as may be to the suspension, modification or abolition of any tax.

(3) Suspension, modification or abolition of a tax made by the Municipal Council under sub-section (1) shall not take effect unless approved by the Government.

99. Duty on transfers of immovable properties.-

(1) The duty on transfers of immovable property shall be levied in the form of a surcharge at the rate of two percent of the duty imposed by the Karnataka Stamp Act 1957, on instruments of sale, gift, mortgage, exchange and lease in perpetuity, of immovable property situated within the limits of a smaller urban area.

Provided that no such duty is leviable in respect of a mortgage where the amount secured by the mortgage does not exceed two thousand and five hundred rupees.

(2) On the introduction of the transfer duty,-

(a) Section 28 of the Karnataka Stamp Act, 1957, shall be read as if it specifically required the particulars to be set forth separately in respect of property situated within and without the municipal area.

(b) Section 61 of the same Act shall be read as if it referred to the municipal council as well as the Government.

(3) The Government may make rules for regulating the collection of the duty, the payment thereof to the municipal council or Town Panchayat and the deduction of any expenses incurred by the Government in the collection thereof.

(4) No duty shall be chargeable.-
(i) In respect of any instrument executed by or on behalf of or in favour of the Government in cases where but for this exemption the Government would be liable to pay the transfer duty under this section in respect of such instrument, or

(ii) In respect of any instrument exempt from stamp duty under the Karnataka Stamp Act, 1957.

Assessment of and liability to tax on buildings and lands

101. Description and class of property tax.-

(1) Unless exempted under this Act or any other law, property tax shall be levied every year on all buildings or vacant land or both situated within the municipal area.

(2) The property tax shall be levied in case of,-

(a) Commercial building at such percentage not being less than 0.5 percent (rupees five per thousand) and not more than [two] percent of taxable capital value of the building.

Provided that the maximum limit of property tax levied in the case of commercial building within a Municipal Council whose population does not exceed one lakh shall be 0.9 percent.

(b) Residential building and buildings other than commercial at such percentage not being less than 0.3 percent (rupees three per thousand) and not more than [one percent (rupees ten per thousand)] of taxable capital value of the building.

[Provided that the maximum limit of property tax levied in the case of a residential building within a Municipal Council whose population does not exceed one lakh shall be 0.6 percent].

(c) Vacant land measuring not above one thousand square meters, at not less than 0.1 percent (rupees one per thousand) and not more than 0.2 per cent (rupees two per thousand) of taxable capital value of land.
(d) Vacant land measuring above one thousand square meters but not above four thousand square meters, at not less than 0.025 percent (rupees twenty five per lakh) and not more than 0.05 (rupees fifty per lakh) of taxable capital value of land.

(e) Vacant land measuring above four thousand square meters, at not less than 0.01 percent (rupees ten per lakh) and not more than 0.02 percent (rupees twenty per lakh) of taxable capital value of land.

[(2A) notwithstanding anything contained in sub-section (2), no property tax shall be levied on a vacant land situated within the Municipal Council having a population of less than one lakh.

(3) Subject to the minimum and the maximum rates specified in sub-section (2), the Municipal Council shall, fix the property tax at such percentage of the taxable capital value of the buildings or vacant land or both having regard to the location, type of construction of the building, nature of use to which the vacant land or building is put, area of the vacant land, plinth area of the building, age of the building and such other criteria as may be prescribed:

Provided that the percentage so fixed may be different in different areas and for different classes of buildings and lands.

[Provided further that the land appurtenant to a building shall be exempted from levy of Property Tax.]

102. Method of Assessment of Property Tax.-

(1) The taxable capital value of the building shall be assessed together with the land occupied by it. The taxable capital value of such land shall be assessed having regard to the market value guidelines of properties published of the land notified by the Government under section 45B of the Karnataka Stamp Act, 1957 subject to such rules as may be prescribed, the taxable capital value of the building shall be equivalent of fifty percent of the market value guidelines of properties published
under section 45B of the Karnataka Stamp Act, 1957 minus depreciation at the time of assessment as may be notified by the Government from time to time shall be substituted.

(2) The taxable capital value of the vacant land shall be [equivalent of fifty percent of] the market value guidelines of properties published of the land notified by the Government under section 45B of the Karnataka Stamp Act, 1957.

102A. Enhancement of Property Tax.-

Notwithstanding anything contained in section 101 and 102 the property tax assessed and levied under either provision shall not be assessed each year thereafter but shall stand enhanced by 15 percent once in every three years commencing from the financial year 2005-2006:

Provided that the Municipal Council may enhance such property tax up to 30 percent once in three years and different rates of enhancement may be made to different areas and different classes of buildings and lands:

Provided further that the non assessment of property tax under this section during the block period of three years shall not be applicable to a building in respect of which there is any addition, alteration or variation to it.

Provided also that nothing contained in this section shall be deemed to affect the power of State Government to direct an earlier revision of property tax.

103. Rebate for Self-occupied Building.-

A rebate at the rate of fifty percent of the property tax shall be allowed in respect of any residential building or part of a residential building which is occupied by the owner of such building.
105. Assessment of Property Tax.-

(1) Every owner or occupier who is liable to pay property tax under this Act shall submit every year to the Municipal Commissioner or the Chief Officer, as the case may be or the officer authorized by the Municipal Commissioner or the Chief Officer in this behalf (referred to as authorized officer), a return in such form, within such period and in such manner as may be prescribed:

Provided that, if the owner or occupier who is liable to pay tax files his returns and also pays the property tax which is due within one month from the date of commencement of the financial year he shall be allowed a rebate of 5 percent on the tax payable by him.

(2) Before any owner or occupier submits any return under sub-section (1) he shall pay in advance full amount of the property tax payable by him on the basis of such return and shall furnish along with the return satisfactory proof of payment of such tax and the tax so payable shall for the purposes of this Act be deemed to be the property tax due from such owner. After the final assessment if made the amount of property tax so paid shall be deemed to have been paid towards the property tax finally assessed.

(3) If the Municipal Commissioner or the Chief Officer, as the case may be or the authorized officer is satisfied that any return submitted under sub-section (1) is correct and complete, he shall assess the property tax in accordance with the provisions of this Act and the rules made there under and shall send a copy of the order of assessment to the owner or occupier concerned. Assessment under this sub-section shall be concluded within one year from the date of submission of return under sub-section (1).

(4) If any owner or occupier fails to submit a return as required under sub-section (1) or fails to pay in advance full amount of property tax as required under sub-section (2) submits an incomplete or incorrect return, the Municipal Commissioner or the Chief Officer, as the case may be or the authorized officer, shall cause an
inspection of the vacant land and building and may also cause such local enquiry as may be considered necessary, and based on such inspection and information collected, he shall assess the property tax and send a copy of the order of assessment to the owner or occupier concerned.

(5) When making an assessment of tax under sub-section (3) or (4), the Municipal Commissioner or the Chief Officer, as the case may be, or the authorized officer may also direct the owner or occupier to pay in addition to the tax assessed a penalty:-

(a) At the rate of two per cent per month of the amount of property tax assessed and due in case of failure to pay amount of property tax due and to submit a return.

(b) Not exceeding two times the amount of difference between the tax assessed and the tax paid along with his return in the case of submitting knowingly an incorrect or incomplete return.

(c) One hundred rupees in case of failure to submit return after payment of property tax in full.

(6) The owner or occupier may either accept the property tax assessed and the penalty if any, levied or send objections to the Municipal Commissioner or the Chief Officer, as the case may be, or the authorized officer within a period of thirty days from the date of receipt of a copy of the order under sub-section (3) or (4).

(7) The Municipal Commissioner or the Chief Officer, as the case may be, or the authorized officer shall consider the objections and pass such order either confirming or revising the assessment of such tax and penalty if any, within a period of sixty days from the date of filling objections and a copy of the order shall be sent to the owner or occupier concerned.

(8) The property tax shall be paid by the person primarily liable within ninety days after the if default is made in making payment the person liable to pay shall pay a
penalty at the rate of two percent per month of the amount of tax remaining unpaid after the expiry of the period.

(9) In order to facilitate filing of return by an owner or occupier of any building or vacant land and assessment of property tax the Municipal Council shall from time to time issue guidelines for determining the taxable capital value and property tax payable thereon.

106. Preparation and Publication of Property Tax Register.-

(1) A Property tax register in respect of buildings or vacant lands or both in the municipal area containing such particulars shall be prepared and revised in such manner as may be prescribed.

(3) The authorized officer may on an application made by any person and subject to payment of such fees as may be specified by the Municipal Council from time to time, permit such person to inspect the Property tax register at reasonable hours or grant certified extract of the entries in the register or certified copies thereof.

107. Levy of Penalty on Unlawful Building.-

(1) Whoever unlawfully constructs or reconstructs any building or part of a building.-

(i) On his land without obtaining permission under this Act or in contravention of any condition attached to such permission; or

(ii) On a site belonging to him which is formed without approval under the relevant law relating town and country planning; or

(iii) On his land in breach of any provision of this Act or any rule or bye-law made there under or any direction or requisition lawfully given or made under this Act or such rules or bye-law;

Shall be liable to pay every year a penalty, which shall be equal to twice the property tax leviable on such building so long as it remains as unlawful
construction without prejudice to any proceedings which may be instituted against him in respect of such unlawful construction:

Provided that such levy and collection of penalty shall not be construed as regularization of such unlawful construction or reconstruction.

(2) Penalty payable under sub-section (1) shall be determined and collected by such authority and in such manner as may be prescribed.

(3) Any person aggrieved by the determination and collection of penalty under sub-section (2) may within thirty days from the date of receipt of the order appeal to the prescribed authority whose decision thereon shall be final.

(4) The prescribed authority may after giving a reasonable opportunity of being heard to the Appellant and Municipal Council pass such order as it deems fit.

107 A. Survey of lands and buildings and preparation of property Register.-

(1) The Municipal Commissioner or the Chief Officer as the case may be, shall, subject to the general or special orders of the Government, direct a survey of buildings or vacant land or both within the Municipal area with a view to the assessment of property tax and may obtain the services of any qualified person or agency for conducting such survey and preparation of property register.

(2) A property register shall be maintained in such manner and containing such particulars in respect of building or vacant land or both as may be prescribed.

(3) For the purpose of preparation of property register or assessment of property tax the Municipal Commissioner or the Chief Officer as the case may be or any person authorised by him in this behalf may enter, inspect, survey or measure any vacant land or building after giving notice to the owner or occupier before such inspection and the owner or occupier shall be bound to furnish necessary information required for the purpose.
108. Notice to be given to the municipal council of demolition or removal of a building.-

(1) When any building or any portion of a building which is liable to the payment of property tax, a tax on buildings or vacant lands or both is demolished or removed, otherwise than by order of the municipal council, the person primarily liable for the payment of the said tax shall give notice thereof, in writing to the municipal council.

(2) Until such notice is given, the person aforesaid shall continue to be liable to pay every such tax as he would have been liable to pay in respect of such building, if the same or any portion thereof, had not been demolished or removed.

(3) Nothing in this section shall apply in respect of a building or portion of a building which has fallen down or been burnt down.

110. Tax from whom Primarily Leviable.-

(1) Every tax imposed in the form of property tax shall be payable primarily-

(a) If the property is held from Government or municipal council or town panchayat, by the actual occupier;

(b) If the property is held by the owner, by the owner;

(c) If the property is let, from the lessor;

(d) If the property is sub-let, from the superior lessor;

(e) If the property is not let, from the person in whom the right to let the same vests;

(f) If the vacant land has been let for any term exceeding one year to a tenant and such tenant has built building upon the vacant land, the property tax upon the land occupied by such building and building erected thereon shall be primarily payable by the said tenant.
(2) The liability of the several owners of any building which is, or purports to be, severally owned in parts or flats or rooms, for payment of the rate on the building or any instalment thereof payable during the period of such ownership shall be joint and several.

115. Power to assess in case of escaped from assessment.-

Notwithstanding anything contrary contained in this Act or the rules made thereunder if for any reason, any person liable to pay any of the taxes, cess, rates, fees, or charges leviable under this chapter has escaped assessment in any year, the Municipal Commissioner or the Chief Officer as the case may be, or the authorised officer may at any time within six years from the date on which such person should have been assessed, serve on such person a notice assessing him to the tax, rate, cess, charges or fees due and demanding payment thereof within fifteen days from the date of such service; and the provisions of this Act and rules made thereunder shall so far as may be, apply as if the assessment was made in the year to which tax, rate, cess, charges or fee relates.

Advertisement and Advertisements Tax

133. Prohibition of advertisements without written permission of municipal council.-

(1) No advertisement shall, after the levy of the tax under section 94 has been determined upon by the municipal council, be exhibited, erected, fixed or retained upon or over any land, building, wall, hoarding, frame, post or structure or upon or in any vehicle or shall be displayed in any manner whatsoever in any place within the municipal area without the written permission of the municipal council, granted in accordance with bye-laws made under this Act.

(2) The municipal council shall not grant such permission, if,-

(i) The advertisement contravenes any bye-laws made under this Act; or

(ii) The tax, if any, due in respect of the advertisement has not been paid.
(3) Subject to the provisions of sub-section (2), in the case of an advertisement liable to the advertisement tax, the municipal council shall grant permission for the period to which the payment of the tax relates and no fee shall be charged in respect of such permission.

135. Presumption in Case of Contravention.

Where any advertisement has been exhibited, erected, fixed or retained upon or over any land, building, wall, hoarding, frame, post or structure or upon or in any vehicle or displayed to public view from a public street or public place in contravention of the provisions of this Act or any bye-laws made there under, it shall be presumed, unless and until the contrary is proved, that the contravention has been committed by the person or the persons on whose behalf the advertisement purports to be or the agents of such person or persons.


If any advertisement is exhibited, erected, fixed or retained in contravention of the provision of section 133, or after the written permission for the exhibition, erection, fixation or retention thereof for any period shall have expired or become void, the Municipal Commissioner or Chief Officer may, by notice in writing, require the owner or occupier of the land, building, wall, hoarding, frame, post or structure or vehicle upon or over or in which the same is exhibited, erected, fixed or retained to take down or remove such advertisement or may enter any land, building, property or vehicle and have the advertisement dismantled, taken down or removed or spoiled, defaced or screened.

Power to Charge Fees, etc.

137. Fees in respect of Jatra, Urus, etc.

(1) A municipal council may, if in its opinion it is necessary to make special arrangements for the health and comfort of persons resorting to any Shrine, Jatra or Urus periodically within the limits of the municipal area, by resolution, and with the previous sanction of the Government, levy a fee not exceeding fifty naye paise
per capita on persons over twelve years of age resorting to such Shrine, Jatra or Urus, and in such resolution specify the rate of fee and the period or periods during which the fee shall be levied. The levy of fees under this section shall be published in such municipal area in such manner as may be prescribed.

(2) No portion of the proceeds of fees levied under this section shall be expended for purposes other than meeting the charges of the establishment for collection of such fees and the making of arrangements for the health and comfort of persons resorting to such area or the improvement or development of such area.

(3) The levy and collection of such fees shall be made in such manner and be subject to such conditions and exemptions as may be prescribed.

138. Municipal council may charge fees for certain licences, etc.-

(1) When any licence or permit is granted by the municipal council under this Act, or when permission is given by it for making any temporary erection or for putting up any projection, or for the temporary occupation of any public street or other land vested in the municipal council, the municipal council may charge a fee for such licence or permission.

Provided that when permission is given for putting up a projection, the authority giving such permission may charge every year a recurring fee until the projection is removed.

(2) The municipal council may charge a higher fee by way of penalty for any erection, or projection, or for the use or occupation of any public street or other land vested in the municipal council by any person without its permission or licence. Such fee shall be leviable irrespective of any other penalty or liability to which the person liable to pay the same may be subject under any other provision of this Act or any other law for the time being in force. The rates of such higher fees shall be determined by bye-laws made by the municipal council.
(3) The municipal council may charge such fees, not exceeding five rupees per bus, as may be fixed by bye-laws made under section 324, for the use of a bus stand maintained by the municipal council:

Provided that no fee shall be levied under this sub-section unless a bus stand with adequate facilities for travelers is established and the previous sanction of the Deputy Commissioner for such levy is obtained.

(4) The municipal council may also charge such fees as may be fixed by bye-laws either under clause (a) of sub-section (1) of section 324 for the use of any such places mentioned in that sub-section, as belong to the municipal council, or for any other purpose relating to municipal administration.

(5) It shall be lawful for the municipal council to lease the levy of any fee that may be imposed under sub-section (4) by public auction or private contract.

(6) When any fee has been leased under sub-section (5) any person employed by the lessee to collect such fees or the lessee himself may subject to the conditions of the lease, collect the fee or expel from the place for the use of which the fee is payable, any person who is liable to pay the fee, but refuses to pay it.

Special Provisions Relating to Taxes

139. Fixed charges and agreements for payment in lieu of taxes.-

(1) A municipal council may, instead of imposing a water-rate or where a water-rate has been imposed, in individual cases, instead of levying a rate imposed in respect of the supply of water belonging to the municipal council to or for use in connection with, any private (vacant lands or buildings),

(a) Fix at rates not exceeding such as shall be specified in the rules in force under section 323, charges for such supply according to the quantity used, as ascertained by measurement; or
(b) Arrange with any person on his application to supply on payment, periodically or otherwise, water belonging to the municipal council in such quantities, or for such purposes (whether domestic, ornamental, or irrigational or for trade, manufacture or any other purpose), on such terms and subject to such conditions as it shall fix by agreement with such person;

Provided that,-

(i) The meters, connection-pipes and all other works necessary for and incidental to such supply, and all repairs, extensions and alterations of such works shall be under the control of the municipal council and the expense thereof shall, so far as is not inconsistent with the rules or bye-laws of the municipal council, be defrayed by the persons liable for the charges or payments fixed in respect to such supply; and

(ii) Such supply of water shall be, and shall be deemed to have been, granted, subject to all such conditions as to the limit or stoppage thereof, and as to the prevention of waste or misuse, as are prescribed in the bye-laws for the time being in force under section 324.

(2) Where a municipal council has made provision for the cleansing of any factory, hotel, club or any group of buildings or vacant lands used for any one purpose and under one management, it may, instead of levying in respect thereof any special sanitary cess imposed under this chapter, fix a special rate and the dates and other conditions for periodical payments thereof; such rate, dates and conditions shall be determined either,-

(i) In accordance with the rules for the time being in force under section 323, or

(ii) By written agreement with the person who would have been otherwise liable for the cess:

Provided that in fixing the amount of such rate proper regard shall be had to the probable cost to the municipal council of the service to be rendered.
(3) Where a municipal council has imposed a tax on vehicles or animals used for riding, draught or burden and kept for such use within the municipal area it may be compounded with the keeper of any livery-stable or of horses or vehicles kept for sale and hire for the payment of a lumpsum for any period not exceeding one year at a time, in lieu of any amount which such keeper would otherwise have been liable to pay on account of the tax imposed as aforesaid.

(4) The municipal council may compound for a period not exceeding one year at a time, with any person for a sum to be fixed in accordance with a scale approved by the municipal council and to be paid monthly, quarterly, or half yearly, in advance in lieu of all tolls payable in respect of any vehicle belonging to such person and issue a pass for the free admittance of the vehicle or animal, within the limits of the municipal area, provided that the sum charged shall not be less than one-half of the amount which such person would have been liable to pay if the vehicle had to pay toll once every day during the period for which the pass is issued.

(5) Every sum claimed by municipal council due under sub-section(1) as charges, payments or expenses, or as a special rate under sub-section (2) or as lumpsum under sub-section(3), shall for the purposes of chapter VII be deemed to be, and shall be recoverable in the same manner as, an amount claimed on account of a tax recoverable under the said chapter:

Provided that nothing in this section shall affect the right or power of a municipal council to contract with any person to supply for use beyond the limits of the municipal area at such rates and on such conditions as the municipal council may think fit, any quantity of water belonging to the municipal council but not required for the purposes of this Act.

140. Power of Government to suspend or prohibit levy of objectionable taxes.-

(1) If it shall at any time appear to the Government on complaint made or otherwise, that any tax or fee leviable by a municipal council, is unfair in its incidence, or that the levy thereof, or of any part thereof, is obnoxious to the interests of the general
public, the Government may require the said municipal council, within such period as it shall fix in this behalf, to take measures for removing any objection which appears to it to exist to the said tax or fee, and if within the period so fixed, such requirements shall not be carried into effect to the satisfaction of the Government, it may, by notification suspend the levy of such tax or fee, or of such part thereof, until such time as the objection thereto shall be removed.

(2) The Government may at any time, by a notification, rescind any such suspension.

141. Power of the Government to require municipal council to impose taxes.-

The Government may by notification require the municipal council or Town Panchayat to impose any tax specified in the notification as may be imposed under section 94 in such manner and to such extent as the Government considers fit and the municipal council or the Town Panchayat, as the case may be, shall forthwith proceed to impose the tax in accordance with the requisition.

Recovery of Municipal Claims

142. Presentation of bill for taxes.-

(1) When any amount,-

(a) Which, by or under any provisions of this Act, is declared to berecoverable in the manner provided by this Chapter, or

(b) Which, is claimable as an amount or installment on account of any tax which is now imposed or hereafter may be imposed in any municipal area, shall have become due, the municipal council shall, with the least practicable delay, cause to be presented to the person liable for the payment thereof, a bill for the sum claimed as due:
Provided that no such bill shall be necessary in the case of:-

(i) A tax on vehicles;

(ii) A tax on dogs;

(iii) Toll payable on demand;

(iv) A tax on advertisements;

(v) Property tax including penalty leviable under sub-section(5) of section 105.

Provided further that no such bill shall be presented to any person for payment of profession tax to the extent to which tax has been deducted from his salary, wages or remuneration by his employer.

(2) Every such bill shall specify,-

(a) The period for which, and

(b) The property, occupation or thing in respect of which, the sum is claimed, and shall also give notice of,-

(i) The liability incurred in default of payment, and of

(ii) The time within which an appeal may be preferred as hereinafter provided against such claim.

(3) If the sum for which any bill has been presented as aforesaid is not paid into the municipal office, or to a person authorized by any rule in that behalf to receive such payments, within fifteen days from the presentation thereof, or if the tax on vehicles or the tax on dogs or the property tax including the penalty leviable under sub-section(5) of section 105 is not paid after it has become due, the municipal council may cause to be served upon the person liable for the payment of the same a notice of demand in the form set forth in Schedule X or to the like effect.
143. Distress.-

(1) If the person on whom a notice of demand has been served under sub-section(3) of section 142, does not within thirty days from the service of such notice of demand, either,-

(a) Pay the sum demanded in the notice, or

(b) Show cause to the satisfaction of the municipal council, or of such officer as the municipal council by rule may appoint in this behalf, or the Municipal Commissioner or Chief Officer, if any, why he should not pay the same, or

(c) Prefer an appeal in accordance with the provisions of section 150 against the demand, he shall be deemed to be in default, and thereupon such sum not exceeding twenty per cent of the amount of the tax as may be determined by the Municipal Commissioner or the Chief Officer, may be recovered from him by way of penalty, in addition to the amount of tax as an arrear of tax; and the tax and penalty with all costs of the recovery may be levied under a warrant caused to be issued by the municipal council in the form set forth in Schedule XI or to the like effect, by distress and sale of the movable property or attachment and sale of the immovable property of the defaulter:

Provided that where any measures precautionary or otherwise have been taken in respect of any such property for the recovery of any sum claimed by the Government, any proceedings under this Chapter in respect of such property shall abate.

(2) Every warrant issued under this section shall be signed by the Municipal Commissioner or Chief Officer, of the municipal council causing the same to be issued.

(3) Where the property is in the area under the control of the municipal council, the warrant shall be addressed to an officer of the municipal council. Where the property is in another municipal area constituted under this Act or the Karnataka Municipal Corporations Act, 1976, or a cantonment or in a place which is not a
municipal area constituted under this Act, the warrant shall be addressed to the Municipal Commissioner or Chief Officer of the Corporation or of the municipal council concerned or the Executive Officer of the cantonment or to the Tahsildar of the taluk, as the case may be: provided that such Municipal Commissioner, Chief Officer, Executive Officer or Tahsildar may endorse such warrant to a subordinate officer.

(4) It shall be lawful, for any officer to whom a warrant issued under sub-section (2) is addressed or endorsed, if the warrant contains a special order authorizing him in this behalf, but not otherwise, to break open, at any time between sunrise and sunset, any outer or inner door or window of a building, in order to make the distress directed in the warrant, if he has reasonable grounds for believing that such building contains property which is liable to seizure under the warrant, and if after notifying his authority and purpose and duly demanding admittance, he cannot otherwise obtain admittance:

Provided that such officer shall not enter or break open the door of any apartment occupied by women, until he has given three hours notice of his intention, and has given such women an opportunity to withdraw.

(5) It shall also be lawful for any such officer, authorised by the warrant, to distrain, wherever it may be found, any movable property or attach any immovable property of the person named in the warrant issued under sub-section (1), as defaulter, subject to the following conditions, exceptions and exemptions, namely:-

(a) The following property shall not be distrained:-

(i) Necessary wearing apparel and bedding of the defaulter, his wife and children, and their cooking and eating utensils,

(ii) Tools of artisans;

(iii) Books of account; or
When the defaulter is an agriculturist, his implements of husbandry, seed, gain, and such cattle as may be necessary to enable the defaulter to earn his livelihood;

(b) The distress shall not be excessive, that is to say, the property distrained shall be as nearly as possible equal in value to the amount recoverable under the warrant, and if any articles have been distrained which, in the opinion of a person authorised by or under sub-section (2) to sign a warrant or of the person to whom the warrant was addressed, should not have been so distrained, they shall forthwith be released;

(c) The officer shall, on distraining the property forthwith make an inventory thereof and shall before removing the same give to the person in possession thereof at the time of distraint a written notice in the form set forth in Schedule XII;

(d)(i) When the property is immovable, the attachment shall be made by an order prohibiting the defaulter from transferring or charging the property in any way and all persons from taking any benefit from such transfer or charge;

(ii) The order shall be proclaimed at some place on or adjacent to the property by beat of drum or other customary mode, and a copy of the order shall be affixed on a conspicuous part of the property and upon the notice board of the municipal office, and also, when the property is land paying revenue to the Government in the office of the Tahsildar of the Taluk in which the land is situate;

(e) Any transfer of or charge on the property attached or of any interest therein made without the written permission of the Municipal Commissioner or Chief Officer shall be void as against all claims of the municipal council enforceable under the attachment.

147. Procedure when Distraint is Impracticable.-

(1) If, for any reason, the distraint or a sufficient distraint of the defaulter's property under the foregoing provisions of this Chapter is impracticable, the municipal council may prosecute the defaulter before a magistrate of the first class:
Provided that an occupier of a building or vacant land, in respect of which any tax remains unpaid in whole or in part, shall not be liable to prosecution in respect of any sum recoverable from him unless he has willfully prevented distraint or a sufficient of movable property found on the building or vacant land.

(2) Every person who is prosecuted under sub-section "(1), shall be liable on proof, to the satisfaction of the magistrate, that he willfully omitted to pay the amount due by him, to pay a fine not exceeding twice the amount which may be due by him on account of, the tax and warrant fee, if any, and if the distraint has taken place, the distraint fee and the expenses incidental to the detention and sale, if any, of the property distrained.

(3) Whenever any person is convicted of an offence under sub-section (2), the magistrate shall, in addition to any fine which may be imposed, recover summarily and pay over to the municipal council the sum, if any, due under the heads specified in clauses (a) and (b) of sub-section (2), and may in his discretion also recover summarily and pay to the municipal council such amount, if any, as he may fix as the cost of the prosecution.

148. Summary proceeding may be taken against persons about to leave the [municipal area].

(1) If the municipal council has reason to believe that any person from whom any sum recoverable under the provisions of this chapter is due or is about to become due, is about to leave the [municipal area], the municipal council may cause a bill for the sum due or about to become due to be presented to such person and demand immediate payment thereof.

(2) If, on presentation of such bill, the said person does not forthwith pay the sum due or about to become due by him, the amount shall be leviable by distress and sale of the movable property or attachment and sale of immovable property of the defaulter in the manner herein before prescribed, except that it shall not be necessary to serve upon the defaulter any notice of demand and the municipal
council’s warrant for distress or attachment and sale may be issued and executed without any delay.

149. Fee.-

Fees for,-

Every notice issued under sub-section (3) of section 142.

Every warrant issued under sub-section (1) of section 143;

Every distress or attachment made under sub-section (5) of section 143; and the cost of maintaining any live-stock seized under sub-section (5) of section 143; shall be chargeable at the rates, respectively, specified in that behalf in the rules and shall be included in the costs of recovery to be levied under section 144.

151. Liability of [vacant land], building, etc., for tax.-

All sums due on account of any tax imposed in the form of [property tax] mentioned in section 110 shall subject to prior payment of land revenue, if any, due to the Government thereupon, be a first charge upon the [building or vacant land], in respect of which such tax is leviable, and upon the movable property, if any, found within or upon such [building or vacant land], and belonging to the person liable for such tax or taxes and shall be recoverable as arrears of land revenue:

Provided that no arrear of any such tax shall be recovered from any occupier who is not the owner if it has been due for more than three years or for a period during which such occupier was not in occupation.

152. Suspension of power to recover by distress and sale.-

The Government may, at any time by notification, suspend the operation of sections 143 and 144 in any [municipal area], and form such date as shall be fixed in this behalf in the notification, every amount due on account of any tax therefore recoverable under the said sections, shall be recoverable on application to a magistrate of the first class, in the
manner provided insub-section (2) of section 276 for the recovery of such fines as are therein referred to, and not otherwise.

**153. Receipt to be given for all payments.-**

For all sums paid on account of any tax under this Act, a receipt stating the amount and the tax on account of which it has been paid shall be tendered by the person receiving the same.

**154. Recovery of rent on land.-**

(1) Where any sum is due on account of rent from a person to the municipal council in respect of land vested in, or entrusted to the management of, the municipal council, the municipal council may apply to the Deputy Commissioner to recover any arrear of such rent as if it were an arrear of land revenue.

(2) The Deputy Commissioner on being satisfied that the sum is due shall proceed to recover is an arrear of land revenue.

**6.4 Tax Rates**

<table>
<thead>
<tr>
<th>Items</th>
<th>1st (Rs.)</th>
<th>2nd (Rs.)</th>
<th>3rd (Rs.)</th>
<th>4th (Rs.)</th>
<th>5th (Rs.)</th>
<th>6th (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Shops</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For each shop per year:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[City Municipal areas]</td>
<td>100</td>
<td>80</td>
<td>60</td>
<td>40</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>[Town Municipal areas]</td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>20</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td><strong>2. Other places where business or profession is carried on for purposes of profit,-</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For each place per year:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[City Municipal areas]</td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>20</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>[Town Municipal areas]</td>
<td>30</td>
<td>25</td>
<td>20</td>
<td>10</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>
Explanation: For the purposes of this Schedule the class of the shop shall be determined in accordance with the resolution made under section 95.

### Table 6.2

**SCHEDULE VII (Section 94)**

**Tax on advertisements**

<table>
<thead>
<tr>
<th>SL. NO.</th>
<th>Particulars</th>
<th>Maximum amount of tax per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Non-illuminated advertisements on land, building, wall, hoardings, frame, post, structures, etc.-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) For a space up to 1 sq. m.</td>
<td>Rs. 10</td>
</tr>
<tr>
<td></td>
<td>(b) For a space over 1 sq. m. and up to 2.5 sq. m.</td>
<td>Rs. 16</td>
</tr>
<tr>
<td></td>
<td>(c) For every additional 2.5 sq. m. or less</td>
<td>Rs. 16</td>
</tr>
<tr>
<td>2.</td>
<td>Non-illuminated advertisements carried on vehicles, drawn by bullocks, horses, or other animals, human beings, cycle or any other device carried on any vehicle,-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) For a space up to 5 sq. m.</td>
<td>Rs. 60</td>
</tr>
<tr>
<td></td>
<td>(b) For every additional 5 sq. m. or less</td>
<td>Rs. 60</td>
</tr>
<tr>
<td>3.</td>
<td>Illuminated advertisement boards carried on vehicles,-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) For a space up to 5 sq. m.</td>
<td>Rs. 75</td>
</tr>
<tr>
<td></td>
<td>(b) For every additional 1 sq. m. or less</td>
<td>Rs. 15</td>
</tr>
<tr>
<td></td>
<td>Non-illuminated advertisement boards, carried by sandwich board men,-</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>-------------------------------------------------</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td>(a)For each board not exceeding 1 sq. m.</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>(b)For each board exceeding 1 sq. m. and up to 2.5 sq. m.</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>(c)For each additional 1 sq. m. in area or less</td>
<td>15</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Illuminated advertisement boards carried by sandwich board men,-</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(a)For each board not exceeding 1 sq. m.</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>(b)For each board exceeding 1 sq. m. and up to 2.5 sq. m.</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>(c)For each additional 1 sq. m. in area or less</td>
<td>30</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Illuminated advertisements on land, building, wall or hoardings, frame, post, structures, etc,-</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(a)For a space up to .2 sq. m.</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>(b)For a space over .2 sq. m. and up to .5 sq. m.</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>(c)For a space over .5 sq. m. and up to 2.5 sq. m.</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>(d)For every additional 2.5 sq. m. or less</td>
<td>35</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Advertisements exhibited on screens in cinema houses and other public places by means of lantern slides or similar devices,-</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(a)For a space up to .5 sq. m.</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>(b)For a space over .5 sq. m. and up to 2.5 sq. m.</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>(c)For every additional 2.5 sq. m. or less</td>
<td>55</td>
</tr>
</tbody>
</table>
8. Non-illuminated advertisements suspended across streets,-
   (a) For a space up to 1 sq. m. 10
   (b) For a space over 1 sq. m. and up to 2.5. sq. m. 16
   (c) For every additional 2.5 sq. m. or less 16
   N.B. – The tax on item 8 will be in addition to the space which will be chargeable according to the scale to be determined by the Municipal Commissioner or Chief Officer.

9. Non-illuminated advertisement hoardings standing blank but bearing the name of the advertiser or with the announcement “To be let” displayed thereon,-
   (a) For a space up to 1 sq. m. 5
   (b) For a space over 1 sq. m. and up to 2.5 sq. m. 8
   (c) For every additional 2.5 sq. m. or less 8

10. Permission to auctioneers to put up not more than two boards of reasonable size advertising each auction sale, other than those in the premises where the auction is held, one on a prominent site in the locality and one on Municipal lamp post. 100 (including the rent for exhibiting the board on a Municipal lamp post)

6.5 Property Tax Reforms in Karnataka

In Karnataka, initiatives have been made to reform the property tax administration both, in municipalities and corporations. The system of property tax assessment was based on ARV till 2000. The tax was being assessed based on the expected ARV irrespective of the fact that it is let out or not and it was calculated as per the discretion of the assessing officer as the expected rental values were difficult to get in case of self-occupied properties and special properties like hotels, nursing homes, etc. Often there was criticism that the decisions are arbitrary and the allegations of corruption against the
assessing officers as the system of arriving at the rental values was mostly invisible, notional and subjective. The ULBs faced similar problems like undue discretion given to the tax officials in the absence of objective criteria, lack of transparency in the method of assessment and collision between tax-payers and tax officials which are common problems encountered in the ULBs across the country.

6.5.1 Introduction of the Capital Value Based System of Property Tax.

The Capital Value Based Self-Assessment Scheme was introduced in both, municipalities and corporations with effect from 19.11.2001. To introduce the new system, the Karnataka Municipalities Act and the Karnataka Municipal Corporations Act were amended thereby, giving a legal backing to the reform. The significant aspect of the reform initiative relates to the basis of taxation. The existing system of assessing properties based on ARV was replaced by the Capital Value Method (CVM). There are two aspects of this reform one relates to the method of assessment and the other self-assessment.

6.5.2 The Assessment Methodology

Area-based tax was introduced to assess the properties based on capital values. The property tax is levied on a percentage of the taxable value of the property calculated with reference to location, area of land, type of building, plinth area of building, age of the building and nature of use. The capital value of the building includes built-up area and the site. The property on which building is not constructed is called a vacant land. Property tax is levied on constructed properties as well as vacant lands.

6.5.3 Vacant Lands

Imposition of tax on land and building comes in the purview of the State government. The Government had taken responsibly to levy tax on urban land as municipalities failed to levy the property tax on vacant land effectively. In order to levy tax on urban vacant land, the Government enacted the Karnataka Urban Land Tax Act. Provision was made in this Act to collect the tax of 1% (Rs.1000 per lakh rupees) of the actual market value
of urban vacant land. The urban land tax officer could levy the tax after conducting the spot examination. After the 74th Amendment to the Constitution, with a view to give more taxation power to Municipalities, the Karnataka Urban Land Tax Act was repealed in 2000 and municipalities were delegated with the power of levying tax on vacant land. Currently, the capital value of the vacant land is based on the estimated market value of the land as published by the committee constituted under Sec. 45B of the Karnataka Stamp Act. The capital value is simply arrived at by multiplying area of the land with the value of the land in sq.fts./sq.mts.

6.5.4 Buildings

The taxable capital value of the building is determined including the land occupied by the buildings as per the following formula:

$$CVB = (CC \times PLA) + (CC \times PLA \times DQA) + LV \times PLA$$

$CC =$ cost of construction per sq.ft. Or meter as published in 5.45B of the Stamp Act.

$DQA =$ Depreciation Quotient approved by PWD

$PLA =$ Plinth area of the building/area of the land occupied by the building.

$LV =$ Estimated land value per sq.ft.or sq.mtr.

$CVB =$ Capital value of the building including land.

The capital value of the building is calculated by subtracting the depreciation out of the cost of construction of building and by adding the capital value of the land on which the building is erected. The land appurtenant to the building shall be exempt from levy of property tax.

6.5.6 Rebates

A rebate of 50% of the property tax is allowed for the owner occupied residential properties (Sec 103, KM Act, 1964). Further, a rebate of 5% is allowed if the owner or
occupier files his returns and also pays the tax due within one month from the date of commencement of the financial year (Sec.105. KM Act, 1964).

6.5.7 Rate of Tax

The following rates of tax are being levied in the municipalities and corporations in Karnataka.

**Commercial Buildings:** Between 0.5% (Rs five per thousand) and 2% of (Rs. Twenty per thousand) taxable capital value. The maximum limit of property tax in case of commercial building situated in a municipal council whose population is below one lakh shall be 0.9%.

**Residential Buildings:** Between 0.3% (Rs three per thousand) and 1% (Rs ten per thousand) of taxable capital value. The maximum limit of property tax in case of a residential building situated in a municipal council whose population does not exceed one lakh shall be 0.6%.

6.5.8 Vacant Land:

- For the first 10760 sq.ft-0.1% of taxable capital value.
- From 10760 sq.ft to 43040 sq.ft-Rs 25/- for every one lakh of taxable capital value.
- Above 43040 sq.ft Rs 10/-for every one lakh of taxable capital value.
- Further, it is provided that no vacant land tax shall be levied on the vacant lands situated within the municipal council whose population does not exceed one lakh.

The Municipality determines the rate of tax and publishes the same. The tax payer will have to assess his property and file tax returns under the newly introduced Self Assessment Scheme (SAS) of Property Tax. In order to guide the tax papers, the following information are also provided to the tax payers:

- The estimated market value of land published in each ward or locality or streets as per the Stamp Act.
- Types of building and their estimated cost of construction.
- The depreciation quotient based on the age of the building.
- Rate of tax with reference to nature of use of the premises.
- Property tax returns form and the method of submission.
- The name of the banks receiving tax payment and the challan form.
- Procedure for giving rebate to the tax payers paying tax within the prescribed time.

6.5.9 Self-Assessment Scheme in Karnataka

Under the self-assessment scheme, the owner or occupier is liable to submit the returns every financial year. He has to pay full amount of the self-assessed tax payable in advance and submit the tax payment receipt along with the returns before 30th June of every financial year (Sec 105, KM Act, 1964 and KM Taxation (Amendment) Rules, 2002). The taxpayers should calculate the tax for their properties and file the returns. To facilitate self-assessment, the ULB issues guidelines and provide the information viz. the rate of tax fixed and published by the ULB; estimated market value of land published in each ward or locality or street as per the Stamp Act; types of building and their estimated cost of construction; the depreciation quotient based on the age of the building; rate of tax with reference to nature of use of the premises; property tax return form and the method of submission; the name of the bank receiving tax payment and the challan form; and procedure for giving rebate to the tax-payers paying tax within the prescribed time.

In order to make the self-assessment system effective, penalty provisions were also made in the Act itself. If the owner or occupier fails to submit the return or pay advance tax or submits false information, the Municipal Commissioner or the Chief Officer shall assess the property. While making such as assessment, the authorized officer may also impose a penalty as bellow:
• In case of failure to submit returns pay advance tax: 2% of the property tax due.
• In case of submitting false information in the returns: Not exceeding two times of the difference between tax assessed and the tax paid along with the returns.

The self-assessment scheme is now operational in all the ULBs in Karnataka. The Government of Karnataka has provided guidelines to submit the self-assessment returns. The ULBs are slowly moving into the self-assessment system. The legal backing appears to be working well. The Directorate of Municipal Administration is monitoring the implementation of the scheme and the progress made periodically.

Conclusion

The 74th Constitutional Amendment envisaged creation of urban local government. There are five categories of ULBs they are City Corporations, City Municipal Councils, Town Municipal Councils, Town Panchayats, Notified Area Committees. The state government has assigned 19 functions to municipalities to function as local self government and for economic and social justice, as listed in the Twelfth Schedule of the Constitution. The finances of municipalities consist of Tax revenue, Non-tax revenue and Grants and Loans. Tax revenues are important sources of income to the municipalities. They levy taxes such as property tax, advertisement tax, water tax, market tax, fee on transfer of immovable property, fees in respect of Jatras, Urus etc. Octroi has been abolished in Karnataka which was a major source of income. Though the local bodies were empowered to levy entertainment tax, motor vehicle tax and professional taxes, their powers have been taken over by the state government and state government is now levying these taxes.

Among the taxes property tax constitute the single largest source of revenue to the ULBs. In spite of loopholes in the levy, assessment and collection, this tax continues to be most significant to the ULBs. The system of property tax assessment was based on ARV. ARV method of assessment is widely used in respect of the buildings. Main problem with the ARV method is artificial lowering of rents by various methods like payment of premium, multiple leases, separate charging for fixtures etc. In the absence
of transparent rental market, the ARV is mostly based on notional values of similar properties. The notional rent is often misleading due to subjective element involved, providing wide scope for exercise of the discretion by the assessors. The net result is collision between the tax assessor and tax payer. The option left is to standardize the assessment methodology by making the system scientific, simple and transparent. Several reforms are under way in the property tax assessment in the country. In Karnataka initiatives have been made to reform the property tax administration in municipalities. The Capital Value Based Self-assessment scheme was introduced in municipalities with effect from 19.11.2011. The existing system of assessing properties based on ARV was replaced by the Capital Value Method (CVM). Area based tax was introduced to assess the properties based on Capital Values.

The property tax is levied on a percentage of the taxable value of the property. Property tax is levied on constructed properties as well as vacant lands. The land appurtenant to the building shall be exempt from levy of property tax and no vacant land tax shall be levied on the vacant land situated within the municipal council whose population does not exceed one lakh. The central government properties enjoy exemption from local taxation. Further self-assessment method was introduced in the ULBs to overcome the problems like under assessment and non-assessment of properties and usual complaints of the ULBs that they lack adequate staff to do assessment and also expected to overcome the problem of collision between the tax payers and the assessing authorities. In this scheme the municipalities determine the rate of tax and publish the same. The tax payer will have to assess his property and file tax returns under the newly introduced self assessment scheme of property tax. In order to guide the tax payers the Government of Karnataka has provided guidelines to submit the self assessment returns. Subject to minimum and maximum rates, the Municipal Council shall fix the property tax at such percentage of the taxation Capital Value of the buildings or vacant land. The Municipal Council may enhance such property tax up to 30% once in 3 years. The central government properties enjoy exemption from local taxation.
Reference


