



# URBAN GOVERNANCE DIALOGUE

Transforming Urban Governance

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## Fiscal Empowerment of City Governments – Financial Ratios and Property Taxation

Over the last two decades, Praja Foundation has been working towards enabling accountable governance. In 2017, Praja embarked on an ambitious journey towards 'Transforming Urban Governance' (TUG) across the country, to advocate policy changes that will change the way Indian cities are governed. As part of the initiative, Praja conducted comprehensive study spanned over 3 years (2017-2020) in 40 cities across 28 states and National Capital Territory of Delhi. Based on this, Praja prepared the Urban Governance Index 2020.

As part of carrying forward the advocacy on policy changes required, Praja has undertaken an initiative to conduct in-depth research by deep diving into one of the four themes of the UGI i.e., Fiscal Empowerment of the City Governments. This was taken up as a result of the observation that the municipal finance domain is plagued with lack of useful data and knowledge resource, which can be used for informed decision making. Hence, in collaboration with the National Institute of Urban Affairs (NIUA) and an advisory group consisting of domain experts the study, was started as part of this thematic research project. As part of the initial phase of the project, Praja has worked on 7 states and 14 cities across the country.

In this edition of the Urban Governance Dialogue E-newsletter, we bring you some of the key insights behind the third and fourth indicator of 'Fiscal Empowerment of City Governments – Financial Ratios and Property Taxation'.



**Fiscal Empowerment of City Governments:  
Key Financial Indicators and  
Challenges in Data Availability**

Phase 1 Study  
Final Report  
3<sup>rd</sup> December 2021

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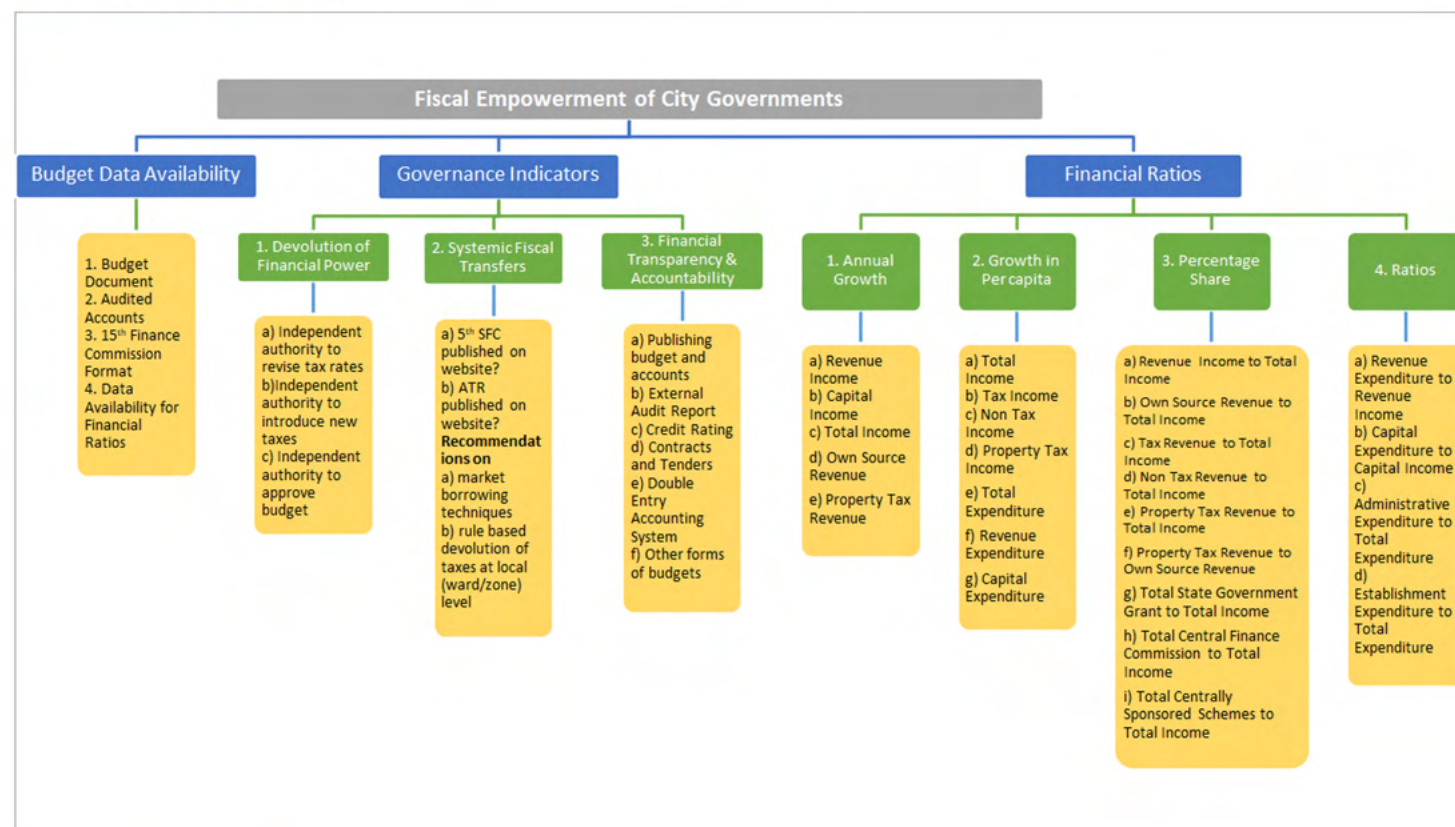
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Challenges in Data  
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## Framework of the Study



### 1. Financial Ratios

In the third theme, the study attempted to calculate financial ratios and compare the data across three years and across cities. Ratios help us understand the status of growth of City Governments at different levels. It can show the overall growth across years and also the per capita growth. This data can then help to study the various factors affecting the finances of the city and facilitate to implement necessary reformal changes.

Financial ratios provide data to study the annual growth of City Governments. Evidence based decision making supports authorities to make reforms and implement changes accordingly. The report has calculated: 1) Revenue Income, 2) Capital Income, 3) Total Income, 4) Own Source Revenue and 5) Property Tax. While per capita growth is looked for: 1) Total Income, 2) Tax Income, 3) Non-Tax Income, 4) Property Tax Income, 5) Total Expenditure, 6) Revenue Expenditure and 7) Capital Expenditure.

State	Cities	Annual Growth														
		Revenue Income			Capital Income			Total Income			Own Source Revenue			Property Tax		
		2017-18	2018-19	2019-20	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
Gujarat	Ahmedabad	0.86	5.47	-2.91	5.50	14.68	-14.28	2.41	8.64	-7.05	0.30	0.66	-0.34	-2.72	5.36	-0.50
	Surat															
Karnataka	Bengaluru							7.27	-4.11	-18.48	-4.85	17.24	-10.13	-11.27	10.17	9.82
	Mangaluru	6.81	-7.13	-0.58	212.41	-54.02	24.63	33.13	-21.22	3.84	-13.49	-4.09	-1.29	-1.91	8.41	-9.87
Kerala	Kochi	62.65			-9.77			32.12			7.79			3.35		
	Thiruvananthapuram	-2.88	16.18	-15.72	15.57	97.46	4.78	0.91	35.30	-8.68	-2.71	18.28	-1.45	1.81	16.51	-14.11
Madhya Pradesh	Bhopal	-5.25	-9.73	-13.43	27.26	5.13	28.02	3.51	-4.81	1.74	-13.85	4.29	1.06	-10.94	-0.92	1.61
	Indore															
Maharashtra	Mumbai			-2.97									-7.98			-19.26
	Pune	11.20	-1.90	-1.65										-13.28	4.27	0.47
Odisha	Bhubaneswar	4.38	-5.05		1244.30	116.70		12.94	4.96		-5.38	-5.85		18.43	-10.26	
	Cuttack							9.82								
Tamil Nadu	Chennai	-2.03	8.30	1.51	-0.16	-14.80	3.60	-1.25	-1.43	2.27	13.78	16.06	2.17	1.03		
	Coimbatore	5.55	6.37	-11.06	-55.92	-30.56	65.47	-27.66	-5.79	7.50	23.42	-2.35	-14.10		-24.10	-9.63

Data not available

Formula:  $= ((\text{base year} - \text{previous year}) / \text{previous year}) * 100$

Data taken from 2016-17 (A) to 2019-20 (A) for calculations

\*Values calculated are inflation adjusted

• Data taken from 2016-17 (A) to 2019-20 (A) for calculations

\* values calculated are inflation adjusted



**Study Observations:**

- Growth in revenue income is negative in the year 2019-20 for all cities except Chennai.
- Bhopal has negative revenue income growth for all the years.
- Thiruvananthapuram and Bhopal have a positive growth in Capital Income across the three years.
- Mangaluru has experienced negative growth in own source of revenue for all the three years.
- Chennai has a positive growth in own source of revenue for all the three years.

State	Cities	Annual Growth in Per Capita											
		Total Income			Tax Income			Non Tax Income			Property Tax		
		2017-18	2018-19	2019-20	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
Gujarat	Ahmedabad	0.67	6.79	-8.63	4.06	0.57	-2.08	-11.80	-8.94	0.80	-4.38	3.56	-2.19
	Surat												
Karnataka	Bengaluru	4.97	-6.19	-20.25	-13.59	6.62	7.38	2.03	23.81	-31.01	-13.18	7.79	7.43
	Mangaluru	31.27	-22.32	2.40	-3.53	6.44	-11.46	-18.98	-10.84	2.14	-3.28	6.90	-11.12
Kerala	Kochi	29.50			2.66			16.06			1.30		
	Thiruvananthapuram	-1.17	32.49	-10.59	-8.66	22.37	-17.89	-15.37	12.68	44.86	-0.29	14.09	-15.91
Madhya Pradesh	Bhopal	1.64	-6.51	-0.07	-13.19	-9.74	0.64	-17.73	15.95	-1.93	-12.54	-2.70	-0.20
	Indore												
Maharashtra	Mumbai			-3.86			-20.00			-3.37			-20.00
	Pune	9.42	-3.45	-3.20							-14.66	2.62	-1.11
Odisha	Bhubaneswar	10.54	2.73		4.45	-17.74		-17.84	3.26		15.92	-12.16	
	Cuttack	8.27			160.35			-15.27					
Tamil Nadu	Chennai	-2.14	-2.28	1.42	3.70	24.55	3.85	42.95	-7.91	-6.97	0.12		
	Coimbatore	-28.89	-7.39	5.68	33.83	-22.68	-9.92	2.76	32.07	-21.94		-25.39	-11.17

Data not available

\*values calculated are inflation adjusted

\*Data taken from 2016-17 (A) to 2019-20 (A) for calculations

Formula: = ((base year – previous year) / previous year) \* 100

Per Capita Formula: = ((inflation adj. value \* 1,00,00,000) / city population of the year)

\* values calculated are inflation adjusted

\* Data taken from 2016-17 (A) to 2019-20 (A) for calculations

**Study Observations:**

- Per Capita Annual Growth in total income of 6 cities (Ahmedabad, Bengaluru, Thiruvananthapuram, Bhopal, Mumbai and Pune) was negative in 2019-20 while 3 cities (Mangaluru, Chennai and Coimbatore) had positive growth in 2019-20.
- Per Capita Annual growth in tax income of only Chennai has seen a positive growth in all three years.
- Per Capita Annual growth in property tax in 2019-20 is negative for 7 cities (Ahmedabad, Mangaluru, Thiruvananthapuram, Bhopal, Mumbai, Pune and Coimbatore). Only Bengaluru has seen a positive annual increase in 2019-20.

State	Cities	Annual Growth in Per Capita								
		Total Expenditure			Revenue Expenditure			Capital Expenditure		
		2017-18	2018-19	2019-20	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
Gujarat	Ahmedabad	-0.42	5.14	3.30	7.80	5.14	0.08	-10.32	5.13	7.96
	Surat									
Karnataka	Bengaluru	31.26	-1.88	-18.37						
	Mangaluru	21.85	-9.60	-14.48	0.01	1.73	-7.04	59.42	-21.84	-24.94
Kerala	Kochi	33.61			13.29			51.88		
	Thiruvananthapuram	8.60	19.85	-21.23	11.65	28.45	-29.87	3.92	5.69	-3.93
Madhya Pradesh	Bhopal	-2.32	23.96	-1.89	-13.21	32.10	-0.38	15.33	14.02	-4.03
	Indore									
Maharashtra	Mumbai			24.97			21.72			34.08
	Pune	-6.63	-4.80	10.30	-11.85	10.24	0.28	-1.82	-17.24	21.35
Odisha	Bhubaneswar	33.57	8.36		38.37	12.02		26.49	-3.55	
	Cuttack									
Tamil Nadu	Chennai	-22.02	7.25	-6.00	-4.33	8.99	-5.46	-43.97	3.56	-7.21
	Coimbatore	17.90	-7.36	17.43	32.52	-0.36	-7.51	0.00	-18.71	67.00

Data not available

Data taken from 2016-17 (A) to 2019-20 (A) for calculations

Values calculated are inflation adjusted

• Formula: = ((base year – previous year) / previous year) \* 100

• Per Capita Formula: = ((inflation adj. value \* 1,00,00,000) / city population of the year)

• Data taken from 2016-17 (A) to 2019-20 (A) for calculations

• Values calculated are inflation adjusted



**•Study Observations:**

- Ahmedabad had a positive per capita annual growth in revenue expenditure across the three years.
- Per capita annual growth in revenue expenditure of Coimbatore has seen a negative growth for two consecutive years (2018-19 and 2019-20).
- Annual growth in per capita of capital expenditure in 2019-20 is positive for 4 cities (Ahmedabad, Mumbai, Pune and Coimbatore) and negative for 4 cities (Mangaluru, Thiruvananthapuram, Bhopal and Chennai).

Property Tax		
City	Status	Interview Insights
Bhopal	<ul style="list-style-type: none"> <li>• The property tax rates have not been revised since 2001.</li> </ul>	<ul style="list-style-type: none"> <li>• Citizens have to do a self-assessment and fill the tax either online or physically. If it is found that the assessment is not correct, a notice is sent and there is a provision for citizens to have arbitration as well.</li> <li>• If the individuals do not pay taxes, there are provisions for extra fines and auction of properties.</li> </ul>
Bhubaneswar	<ul style="list-style-type: none"> <li>• Bhubaneswar levies holding tax and not property tax.</li> <li>• The rates previously applicable in 1977 are used currently too.</li> </ul>	
Cuttack	<ul style="list-style-type: none"> <li>• Identifying the owner during an assessment, not reporting on time, repeating the surveys continuously, pressure from High Court, etc. are some issues.</li> </ul>	<ul style="list-style-type: none"> <li>• The penalty of 10% increases every year for those who fail to pay property tax.</li> </ul>
Chennai	<ul style="list-style-type: none"> <li>• To enhance property tax coverage, the Greater Chennai Municipal Corporation uses 'Drone surveys' to map the property areas and conduct 'field surveys' for ground truthing.</li> <li>• Due to lack of technical capacity, the use of geographic information system (GIS) has been outsourced.</li> </ul>	<ul style="list-style-type: none"> <li>• Vacant land tax is levied in Chennai.</li> <li>• Property tax board has been set up under the state government. The board evaluates the status of finance, and gives recommendations every 5 years on property taxations and mechanisms to improve revenue.</li> </ul>
Coimbatore	<ul style="list-style-type: none"> <li>• Even though property tax is the major source of revenue, property tax revision has not taken place for 20 years.</li> <li>• The correct coverage of property tax is about 94%.</li> <li>• There are about 2000 cases where deviation charges have not been paid (original property tax applicable + prop tax for extended area of property).</li> <li>• Property tax rates are to be revised every 5 years. In 2019, there was a proposal to revise property tax rates. However, due to elections and political challenges, the revision was not done.</li> <li>• Last revision had taken place in 2008. In 2013, there was a Government Order to revise the tax rates, but in 2018 the order was withdrawn, causing the property tax rate to be the same as 2008 revision.</li> </ul>	<ul style="list-style-type: none"> <li>• There is no property tax board set up at the state level.</li> <li>• Unlike Chennai, the Coimbatore City Municipal Corporation doesn't have IAS officers at the deputy commissioner's post. Here, the officials are handling multiple services and there is overburdening. There could be complete restructuring of staff.</li> </ul>

Innovative Financing		
City	Innovative Financing	Other Agencies
Bengaluru	<ul style="list-style-type: none"> <li>Under Solid Waste Management, taxes can be collected based on the quantity of waste generated.</li> <li>Imposing tax on construction waste.</li> <li>Garbage collection fees could be brought under the component of property tax.</li> </ul>	<ul style="list-style-type: none"> <li>Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) also looks into funding of infrastructure projects for cities.</li> </ul>
Bhopal	<ul style="list-style-type: none"> <li>Bonds were issued in June 2018 for the contribution in AMRUT project worth 117 crores.</li> <li>Bhopal is not planning to issue Municipal Bonds for the time being.</li> </ul>	<ul style="list-style-type: none"> <li>Bonds issued while 20 crores at 7.25 rate of interest were received as subsidy from the Central Government.</li> </ul>
Bhubaneswar	<ul style="list-style-type: none"> <li>The corporation has engaged with transgender community to collect property tax. They are also engaged in collection of trade license collection, parking management, etc.</li> </ul>	
Cuttack	<ul style="list-style-type: none"> <li>Revenue generated from solid waste collection.</li> <li>Taxes are also collected from temporary Rakhi stalls, melas etc.</li> <li>Taxes imposed on pani-puri stalls and small ice cream shops, which were previously exempted (rate differs in commercial or rural areas).</li> </ul>	
Chennai	<ul style="list-style-type: none"> <li>GCMC has a separate fund allocation from surcharges of stamp duty.</li> </ul>	
Coimbatore	<ul style="list-style-type: none"> <li>The CCMC is not eligible for municipal bonds given that the credit rating is BBB+.</li> </ul>	<ul style="list-style-type: none"> <li>Major JNNURM funding is routed by The Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) and Tamil Nadu Urban Development Fund (TNUDF).</li> </ul>

### Consultation Summary:

The case example for Property Tax for Bruhat Bengaluru Mahanagara Palike (BBMP) was shared in the consultation. It was stated that, till date, there is no such terminology as 'Property Tax Officer' which only focuses on tax collection. Self-Assessment Method (SAS), an Area-based method, has been beneficial in the case of Bengaluru. Discussions on the legal status of the property took place. It was shared that licensing and building approval departments should be linked with property tax department for larger coverage.

It was shared that in Delhi, GPS survey followed by ground survey, has increased the tracking of properties and issuance of tax notice, with the hope of cover more ground. The case for Andhra Pradesh was shared on consolidated billing, with other charges (water, electricity etc.) and property tax being a successful approach for property tax collection. In fact, it became easier for all departments to coordinate on one bill. Another issue discussed was the exemptions made in tax collection. Udaipur has exempted property tax for all plots less than 1500 sq. ft., whereas Ahmedabad has let gone of all open areas. Hence, clauses need to be specified on the areas which can be exempted. Innovative financing should be looked at from the perspective of market borrowings and land value capturing. Capacity building of officials is a key issue across the themes on financing.

### Consultation Recommendations:

1. Technology, like GIS and Ground Survey, should be used adequately for better property tax collections.
2. Strict internal audit should be conducted for Property Tax Department.
3. Electricity and Water bills to be connected with property, to ensure payment of tax takes place.
4. Capacity Building needs to be done for officials and collectors in Property Tax Department.



5. Green Buildings to be given a rebate on taxes.
  6. Professional training and capacity building for property tax collectors to be enhanced.
  7. Property Tax is majorly collected from authorised colonies, so reforms to tap into unauthorised colonies is required.
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We would like to know your views and feedbacks based on the above information shared.  
Feel free to reach us at [urbandialogue@praja.org](mailto:urbandialogue@praja.org)

Kind Regards,



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