



ABSTRACT

Property Tax, - General Revision of property tax in Municipal Corporations
- Orders - Issued.

Municipal Administration and Water Supply (MA.IV) Department

G.O (Ms) No.53

Dated 30.03.2022

பிலவ பங்குனி - 16

திருவள்ளூர் ஆண்டு - 2053

Read:

1. G.O. (Ms) No.150, Municipal Administration and Water Supply Department, dated 12.11.2007.
2. G.O. (Ms) No.73, Municipal Administration and Water Supply Department, dated 19.07.2018.
3. G.O. (Ms) No.76, Municipal Administration and Water Supply Department, dated 26.07.2018.
4. G.O. (Ms) No.150, Municipal Administration and Water Supply Department, dated 19.11.2019.
5. From the Director of Municipal Administration, Letter Roc No.40032/2012/R1, Dated 24.03.2022.
6. Government letter No.6754/MA.IV(1)/2020-8, dated 25.03.2022.
7. From the Commissioner, Greater Chennai Corporation letter R.D.C.No.G1/6743/2008, dated 28.03.2022.
8. From the Director of Municipal Administration, Letter Roc No.40032/2012/R1, Dated 28.03.2022.

ORDER:

The 15th Central Finance Commission in its report has recommended that to qualify for any grants for urban local bodies from 2022-23 onwards, States will have to appropriately notify floor rates in the year 2021-22 and thereafter show consistent improvement in collection in tandem with the growth rate of the State's own GSDP. Further, the Government of India has mandated notifying the floor rates of property tax by the urban local bodies as one of the entry level conditions for receiving Central assistance under the Government of India sponsored schemes, viz. Swachh Bharat Mission 2.0 and Atal Mission for Rejuvenation and Urban Transformation 2.0.

2. In the Government Order first read above, orders were issued to the effect that, the general revision of property tax in all the Municipal Corporations, Municipalities and Town Panchayats shall be taken up with effect from 01.04.2008, as per the existing statutory provisions in the relevant Urban Local Bodies' Acts. Based on this, general revision of property tax was carried out in all Municipal Corporations, Municipalities and Town Panchayats, except the Chennai City Municipal Corporation.

3. Subsequently, in the Government Orders second and third read above, orders were issued for general revision of property tax in Greater Chennai Corporation, all other Municipal Corporations, Municipalities and Town Panchayats, with effect from 01.04.2018, as per the existing statutory provisions in the relevant Urban Local Bodies' Acts.

4. In the Government Order fourth read above, orders were issued constituting a Committee to examine the issues related to General Revision of Property Tax in all the Urban Local Bodies and also for withholding of the General Revision of Property Tax ordered in the Government orders second and third read above, till the receipt of the report of the said Committee and the decision of the Government thereon.

5. The Director of Municipal Administration in his letter fifth read above, has forwarded the report of the Committee constituted in the Government order fourth read above.

6. In response to the Government letter sixth read above, the Principal Secretary/Commissioner, Greater Chennai Corporation and the Director of Municipal Administration in their letters seventh and eighth read above, have recommended to accept the report of the Committee and requested the Government to issue orders for the revision of property tax.

7. The Committee in its report has stated that the last revision of property tax was carried out in 1998 and 2008 respectively, for Chennai core city and the rest of Tamil Nadu. To ascertain the quantum of increase in the property tax that can be effected now, the committee has considered the following market indices that provide a good proxy for property valuation increase over time:

(a) Wholesale Price Index Method - The Wholesale Price index (WPI) is an indicator of inflation in the country. The WPI for 1998-99 is 48.1; for 2008-09 is 80 and for January 2022 is 142.9. The WPI has increased by 2.97 times from 1998-99 to January 2022 and it has increased by 1.79 times from 2008-09 to January 2022. Thus, it is inferred that the inflation linked increase for Chennai city (except added areas) can be 2.97 times and 1.79 times for rest of the State.

(b) Cost Inflation Index of income Tax Department - The change in notional value of capital assets due to inflation over a period of time is prescribed by Income Tax department. The increase in the index from

1998-99 to 2021-22 is 3.8 times and from 2008-09 to 2021-22 it is 2.31 times.

(c) GDP growth method - The GSDP of the State at current prices for 2008-09 was Rs. 4,17,272 crore. The GSDP for 2021-22 is estimated to be around Rs.21,79,655 crore. This shows a growth by a factor of around 5.2 times.

8. The above factors indicate the steady increase over a time in the economic indicators, whereas, during this period, the property tax has remained the same. On the other hand, the share of own source revenue of urban local bodies have declined drastically during the period, whereas the revenue expenditure has increased manifold putting the municipal finances under severe strain.

9. Considering the above factors and the mandatory conditions specified by the 15th Finance Commission (CFC) for availing grants and also the entry level conditions for receiving financial assistance under various schemes of the Government of India, the Committee has recommended for revision of property tax as below:-

A. Residential Properties.

Area (sq.ft.)	GCC Core City	GCC added area and Other Municipal Corporations
	Increase Factor	Increase Factor
<= 600	1.5	1.25
601-1200	1.75	1.5
1201-1800	2	1.75
>= 1801	2.5	2

B. Non-Residential Properties

Category	GCC Core City	GCC added area and Other Municipal Corporations
	Increase Factor	Increase Factor
Industry	2	1.75
Commercial	2.5	2
Special Category (Hotel, Kalayana Mandapam, Hospital, Cinema Theatre) - Chennai City Only	To be taxed on par with commercial properties	To be taxed on par with commercial properties
Private Schools and colleges including self-financing courses/departments in Aided Institutions	2	1.75

C. Vacant Land Tax

Vacant Land Tax may be increased by 100% in all urban local bodies. Further, where two-third or more of the land is vacant, Vacant Land Tax on such vacant land should also be levied alongwith the property tax in Greater Chennai Corporation as is the case in rest of the State.

D. Floor Rates

The Annual value of the property is calculated based on the Basic Street Rates in Chennai and Zonal Basic Values in other cities. The Property Tax Rate as a percentage is applied on this Annual Value. The existing rates of property tax (i.e. % of Annual Value, which is levied as Tax) in each city may be notified as the Floor Rates of property tax.

E. Automatic Revision

An automatic annual increase of 6% or simple average of the growth rate of State's GSDP for the past five years, whichever is higher to be effected from 2023-2024 onwards.

10. After careful examination of the report of the Committee constituted for examining the issues relating to General Revision of Property Tax in urban local bodies and the remarks thereon by the Director of Municipal Administration and the Principal Secretary/Commissioner, Greater Chennai Corporation and also considering the financial needs of the municipal corporations to provide civic infrastructure and basic amenities/services to the citizens, the mandatory conditions specified by the 15th Finance Commission (CFC) for availing grants and entry level conditions for receiving funds under various schemes of Government of India, the Government have decided to accept the report of the Committee and notify the floor rates as given in para 9 and accordingly advises that the general revision of property tax in all the Municipal Corporations, including Greater Chennai Corporation, may be taken up by the respective Councils as per the laws governing the relevant Municipal Corporations.

// By Order of the Governor //

**SHIV DAS MEENA
ADDITIONAL CHIEF SECRETARY TO GOVERNMENT**

To

The Principal Secretary/Commissioner,
Greater Chennai Corporation, Chennai - 600 003.
The Director of Municipal Administration,
Chennai - 600 028.

The Director of Local Fund Audit, Chennai - 600 035.

All District Collectors

The Commissioners of all Corporations.

(Through the Director of Municipal Administration, Chennai - 600 028)

Copy to:-

The Chief Minister's Office, Chennai - 600 009.

The Special Personal Assistant to Hon'ble Minister for Municipal Administration, Chennai -600 009.

All Sections in Municipal Administration and Water Supply Department, Chennai -600 009.

././ Forwarded by Order ././

M. V. S. S. S.
Section Officer

20/3/2022