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Property tax hardly reflects rental, guideline value changes

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CHENNAI: A resident in Muthialpet in north Chennai pays more property tax than someone with a similar property in Velachery or Anna Nagar West Extension despite the market and rental values for his property being comparatively far less. Property tax is also the same for similar properties in Pudupet and Thiruvanmiyur.

While a residence in Muthialpet is charged Re.1 per square foot, the property in Velachery is charged only 80 paise as the basic rate for property tax.

Likewise, commercial properties in Kasturibhai Nagar and Indira Nagar pay the same property tax as the shops on Usman Road or Ranganthan Street in T.Nagar.

This anomaly exists because the annual rental value that forms the basis of the property tax is calculated based on the guideline value of properties that prevailed in 1993 and adjusted for 1998, the year in which the Chennai Corporation last revised its property tax.

Though the tax was due for revision in 2003, the Corporation decided against it.

In the last 11 years both the guideline values and the rental values have changed significantly and the current tax does not reflect either of them. Between 1998 and 2009, the Registration Department has revised the guideline value of the properties several times.

The low property tax rates are beginning to reflect on the financial health of the Chennai Corporation.

After paying Rs.123 crore as salary arrears as recommended by the Sixth Pay Commission and budgeting Rs.72 crore (annual figures) towards salary hike, the civic body is facing a financial crunch. The surplus in the revenue account in 2007-08 was Rs.72.54 crore and it has come down to Rs.3.94 crore in the current budget.

In addition, the debts incurred through Jawaharlal Nehru National Urban Renewal Mission (JNNURM) projects are beginning to mount. About Rs.1,000 crore has been sanctioned to the Chennai Corporation for various projects. Half of this comes as grants from State and Central governments and the Chennai Corporation has to mobilise the remaining amount. The government sources told *The Hindu* that bulk of Rs.500 crore has to be borrowed and the Corporation has to commit about Rs.40 crore per year over the next 20 years towards this borrowing.

The annual property tax collection is about Rs.350 crore and forms the bulk of the corporation's revenue. Instead of revising the property tax that is long overdue and mobilising more revenue, the Chennai Corporation has revised only the professional tax. The upward revision of professional tax would only fetch about Rs.35 crore.

When contacted, Rajesh Lakhoni, Commissioner of the Corporation, said the Corporation was "focusing on collecting arrears and looking at under-assessed properties." About Rs.383-core property tax arrears are yet to be collected .