

## **EXECUTIVE SUMMARY**

### **RAISON D'ETRE FOR PROPERTY TAX REFORM**

In the context of the growing urbanization in India, and the mounting pressure on the urban infrastructure and services, the slow growth in municipal revenues is a cause for serious concern. Property Tax has been recognized as the principal source of revenue in urban local bodies. Unfortunately, the tax yield is very poor on account of the legal and administrative problems, which plague the property tax system. It is now increasingly realized that it is possible to make this tax a highly revenue productive instrument through an appropriate reform strategy. The 1990s, especially the post 74<sup>th</sup> Constitution Amendment phase witnessed considerable interest in Property Tax reform both from the administrative and taxpayer's perspectives.

This study is an effort to address the various issues concerning the property tax and the options available to formulate a reform strategy. The scope of the study includes an analysis of the problems associated with the Annual Rental Value (ARV) system which have adversely affected revenue productivity, review of the impact of reform measures already put in place in some selected cities and suggesting reform measures to redeem property tax from the existing maladies.

### ***Tax Systems and Practices – Study of 13 Cities<sup>1</sup>***

A study of the tax systems and administrative practices in 13 different cities across India reveals commonalities as well as some differences. The major findings are summarized below:

#### ***Method of Assessment***

Two clear and distinct methods have emerged in the manner of assessment. One is the traditional ARV system and the other that has come into vogue in recent years is what is

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<sup>1</sup> The 13 cities selected for the study are:  
1). Ahmedabad (2). Bangalore (3). Bhopal (4). Chennai (5). Hyderabad (6) Jaipur (7) Kolkata (8) Lucknow (9) Mirzapur (10) Ludhinia (11) Mumbai (12) Patna (13) Thiruvananthapuram .

known as the Area-based System or Unit Value System, which links rental values to the locational, usage and structural qualities of the building. The cities that have adopted the Area-based System are: Ahmedabad, Bhopal, Patna, Lucknow, Mirzapur, Thiruvananthapuram, Bangalore and Hyderabad. While Chennai and Mumbai have tinkered with the existing ARV system, in Jaipur and Kolkata, the ARV system has not undergone much change. *In Ludhiana, by a government notification property tax has abolished.* The only State where the capital value system has been introduced by legislation is Karnataka. However, the new system is yet to be implemented.

The main issues to be addressed while considering property tax reform are three fold:

- (a) Tax structure and related legal issues
- (b) Tax administration and
- (c) Policy and Institutional issues.

### ***Tax Structure and Related Legal Issues***

Most local governments in India have adopted the “Annual Rental Value” (ARV) as the basis to determine the property tax base. The ARV is defined as the rent actually received or the annual rent a property may fetch from year to year, if let out from a hypothetical tenant. Another method is to capitalize the value of the property (hardly in practice). What actually constitutes the “rental value” or “rateable value” has been the subject matter of considerable debate, especially in the context of the Rent Control law. Until recently, the Rent Control Act became the source code for fixation of ARV and therefore completely downsized the scope of taxing property to their actual potential. The principle of valuation under ARV has also been questioned on grounds of fairness, equity and efficiency. Court decisions, until recently, did not go beyond interpreting and applying the Rent Control Act to valuation under the ARV system. The judicial rulings can be summarised as under:

- i. The standard rent or fair rent fixed under the Rent Control Act constitutes the upper limit of rentals. The Rent Control law makes it illegal for any person to demand or

- receive rent in excess of the fair rent or standard rent and doing so is therefore punishable. Hence, 'Reasonable rent' was interpreted to mean the limit imposed by the concept of fair or standard rent as provided for in the Rent Control Acts.
- ii. Where fair rent is not determined under the Rent Control Act, then also, the ARV has to be worked by artificial method of valuation on the basis of annual rent determined as per the provisions of the Rent Control Act.
  - iii. Where standard rent has not been fixed for under the Rent Control Act, and whenever, Municipal Act provides a 'non-obstante clause' in the charging section, then the annual rent received by the owner in respect of the building can be deemed to be the annual rent for which the building might reasonably be expected to be let.
  - iv. The legality of this 'non-obstante clause' has not been challenged because the provision treats the actual rent received as the annual rent the reasonableness of which can hardly be questioned.

The judiciary's approach to municipal taxes took a turn in the case of Srikant Kashinat Jituri vs Corporation of the City of Belgaum<sup>2</sup> In this case the court expressed the impracticality of the proposition that though the landlord may actually receive Rs.10, 000 per month as rent, the property tax in respect of the said building can be levied only on the basis of say Rs.500 because that would be the basis of fair rent/standard rent. The court after going through the various decisions rendered, expressed that a time had come to move out from the rental valuation principle to a simple and transparent system.

Experiments to move out of the clutches of rent control were undertaken by a few States, which changed the method of valuation of property to an area-based system and computation for assessment. This method of computing the ARV had no relevance either to the 'actual rent,' 'standard rent' or 'hypothetical tenancy,' yet the Supreme Court, in State of Bihar vs. SK Sinha, upheld this method by holding that "while putting the method of determination of

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<sup>2</sup> SCC1994 (6) 496

Annual Rental Value on a more uniform basis eliminating room for arbitrariness and corruption, the corporation has substantially reduced the rate of tax. We are unable to see any room for legitimate grievance on this account". This decision has provided the much needed elbow room for other cities to reform their property tax system and several cities in the country have successfully implemented the Patna's model of area based system with certain variations.

Though currently the property tax law has evolved substantially, it is important to recognize that many legal aspects of the property tax are not resolved, though the area based system has given some measure of relief to both the taxpayer and Municipal Corporation. It is clear that the rationale for linking property tax with locational and other factors for valuation of the ratable value had more to do with a pragmatic approach than with theoretical positions or debates over different schools of thought. However, this should not prevent a debate on the diverse consequences of this approach in terms of economic efficiency, equity and administrative management and whether in the years to come, there is a need to shift to a different base altogether.

### ***Enhancing the valuation within the ARV system***

Despite the limitations caused by the Rent Control Act, some States have attempted to restructure the assessment base. In Mumbai, the assessment base in respect of non-residential properties like commercial banks, factories, industrial estates, office premises, hotels etc., are subject to valuation 3 – 5 times the rental rates in the locality. This is however, not prescribed under the law. Similarly, ad hoc methods are adopted in some cities such as assessments being made on the basis of seating capacity in cinema halls, storage capacity of oil storage tanks and earning capacity in the case of a racecourse. In Kolkata, commercial properties are subject to a surcharge not exceeding 50 per cent of the basic property tax in addition to the usual rates of taxes. All such measures are devised to enhance the revenues but they go against the basic principle of property taxation viz., valuation of property in a locality and converting that capital value to determine property tax either under the ARV or Capital Value System. Some States like Karnataka, Chennai and even Mumbai

have, however, however amended their Rent Control Acts linking the rentals to current market rates.

### ***Effective Tax Rate***

The State governments legislate the minimum and maximum tax rates the municipalities can levy on properties. The tax rate varies from State to State and within a State can vary between large and small cities. Apart from property tax as such, municipalities usually levy some other taxes and cesses as a percentage of the Property Tax. These additional levies may be for municipal services or they may be collected on behalf of the Government. For instance, Mumbai levies service charges as a percentage of Property Tax. These charges have registered a steady increase making the current effective tax rate 225 per cent for non-residential premises and 105 per cent for residential premises depending on whether water meter is connected or not. In Bangalore, the corporation levies 34 per cent Cess on Property Tax and collects it on behalf of Government.

The obvious reason for levy of such charges and cesses is to cover some gaps in the revenues of the municipality or the State Government. Collecting taxes for earmarked civic services is not a bad policy at all. In fact, all public policy experts recommend it. But by linking it to property tax, the effective tax rate is pushed up, which is not sound tax policy. Hence, such earmarked charges for services must be charged separately and not in the property tax bill.

### ***Tax Base: How the base is lost***

The property tax base may be defined as the extent of coverage of the taxable object viz., the property. If this base is fully captured it can contribute to buoyancy. On the other hand, loss of tax base can result in loss of revenue. This study reveals that only about 50 – 60 per cent of the properties are covered in the cadastre. The tax base can be lost in the following ways.

- a) ***Exemptions:*** The municipal laws provide exemption from payment of property tax to certain classes of properties such as lands and buildings used by religious and

charitable institutions, educational institutions recognized by the Government and hospitals. Charitable institutions that are for the poor and needy in respect of education, shelter and health may be worthy of exemption. But in today's environment, it is not uncommon to see choultries (marriage halls) in the guise of charitable organizations charging exorbitant rent, educational institutions charging huge capitation fee and philanthropic hospitals charging patients heavily. Ahmedabad City Corporation has shown the way to tax religious and charitable institutions by levying tax at the rate of rupee one per square foot. Time has now come to review such undeserved exemptions, which reduce the tax base. In respect of government buildings, only those not used for residential or commercial purposes may be exempted from payment of tax but they must be required to pay service charges.

*b) Vacant land (Plot):* The law in most of the municipalities provides for levy of tax on vacant plot on the basis of the current market value. This has, however, remained on paper. Very little revenue is derived from this source and there is uncertainty as to how to tax the vacant plot. The Bangalore municipal corporation has formulated guidelines on the basis of zonal classification of the city, which seems to be paying dividends. This issue deserves urgent attention as a large number of vacant plot are out of the tax base.

*c) Vacancy remission:* All the corporations covered by this study except Ahmedabad and Kolkata have a provision for granting remission or refund of tax paid for the period the property was kept vacant (generally for 60 days or more). Though well intentioned, such a provision is capable of large-scale misuse. In large cities, a number of apartments of other buildings are purchased for speculative or investment reasons and are kept vacant for years. Such vacant properties are not assessed thereby depriving the legitimate revenue to the corporation.

*d) Rebate for owner occupied properties:* Residential properties occupied by owners generally qualify for a rebate ranging from 25 – 50 per cent. Preferential treatment for

certain classes of properties is not based on economic criteria and needs to be reviewed.

*e) Time lag between revisions:* All municipal laws provide for revision of assessment once in 4 – 5 years. In practice, revision is hardly undertaken as per this periodicity, the gap between one assessment and another range from 20 – 30 years. When the Area-based scheme was introduced in Bangalore in 2001, it was observed that no revision had taken place for 28 years. Such long gaps between revisions are bound to result in considerable narrowing of the tax base.

*f) Non-inclusion of new areas:* Urbanisation in India has resulted in rapid growth in the periphery of large cities. These peripheral settlements fall outside the limits of the municipal corporation but enjoy the facilities of the city's infrastructure. They usually come under the jurisdiction of smaller municipalities or Panchayats and either escapes taxation or are taxed at a lower rate. Even in the case of new areas developed by the City Development Authority and transferred to the City Corporation, action is not taken to register the new properties for several years. A survey undertaken, as part of this study, in one of the newly added areas to a City Corporation limits revealed that about 70 per cent of the properties had escaped assessment for over six years.

*g) Unauthorized properties:* Unauthorised constructions are common in all cities in India but they are not taxed on the ground that assessing such buildings would amount to regularizing them. However, assessment need not be equated with regularization. The right view to take would be that property tax is payable irrespective of any authentic title on the part of the owner or occupier, just as income tax is payable even on illegal income. Illegal structures enjoy civic amenities as much as legal structures and there is no reason why they should not be taxed.

*h) Leased municipal properties:* A number of municipal properties leased to individuals or institutions are not subject to tax as they are owned by the

municipality. Many of them are used for commercial purposes and thus a good tax base is lost. The law should be amended to make provision for taxing the lessee or occupier in all such cases.

### *Appeal Process*

All Municipal Acts have made a provision for appeal against the assessment. However, there is a difference between other tax regimes and the property tax. In other tax regimes like sales tax and income tax, assessments are generally concluded on a return based account-based system, where the role of the assessor is to verify the returns with reference to the accounts maintained by the assessee. In the case of property tax, the assessor determines the assessable value of the property and the appeal process gives taxpayers the opportunity to challenge the assessable value, on the grounds of reasonableness, if they so wish. Therefore, potentially every proposal for assessment of a property can become a subject matter of appeal.

With the recent trend in self-declaration of property tax scheme adopted by various cities, the property tax assessment has become return based and automatically acceptable except for a percentage of cases selected for random scrutiny. As such, the number of appeal cases must logically reduce since the mass of the returns filed are accepted except for 5-10 per cent random scrutiny. However, as the predominant practice prevalent in the country is the assessment made by the assessor, the appeals systems should be designed to facilitate the taxpayer's right to appeal.

In a number of municipalities in the country, appeal against the assessment made by the revenue officials/Commissioner lies before the Standing Committee consisting of elected representatives who decide the appeal by passing a resolution. The next level of appeal lies to the District Judge, which is the final fact finding authority. There are differences amongst States in the constitution of committees and subsequent appeals before the Civil Courts. Whatever be the system of appeal, currently the taxpayer across the country does not find the property tax appeal mechanism fair and free from subjectivity. In the circumstances, it would be in the fitness of things to create a separate Tax Tribunal or a bench in the State Appellate Tribunal to adjudicate the tax appeals.

## ***Property tax administration***

Property tax administration universally is problematic, more so in developing countries because of the lack of qualified staff, archaic style of record keeping coupled with low preference for technology, absence of effective interface with other governmental agencies and in some measure the lack of political will to enforce good governance. International experience has shown that successful property tax reform must be comprehensive, covering all aspects of property tax administration namely, coverage, valuation, collection, enforcement and taxpayer service. Before attempting reform, if just coverage and collections are carefully monitored it could yield excellent results.

*a. Coverage:* Failure to list and assess all properties is one of the main causes of low tax yield. Comprehensive and periodic coverage of properties will broaden the tax base, enhance revenue and bring in equity in tax administration. This can be achieved through carrying out field surveys, tax mapping and use of modern technology like GPS. Self-reporting of property particulars by tax payers can also be resorted to. This practice is already in vogue in cities where self-assessment scheme has been introduced.

*b. Billing and Collection:* Assessment is a job half done. The circle gets completed only when the tax is actually collected and remitted. Property tax collection is particularly challenging in developing countries that do not have a culture of paying taxes fully and voluntarily. The problems of billing and collection of tax are:

- i. Generally the mode of service of bills is through the bill collector of the tax office. Bills are not always issued in time. However, computerization of tax information in most corporations has helped in speedy generation of tax bills.
- ii. The procedure for collection of tax has been somewhat cumbersome. Some municipalities insist on taxpayers appearing personally and paying the tax by cash/cheque. Some have made provision for payment at designated Banks. But the

entries in the Bank passbook are not accepted as proof of payment of tax for which a receipt has to be obtained from the tax officer. The self-assessment scheme, which requires the taxpayer to calculate the tax due and remit the tax using a prescribed form, seems to be a convenient method, more so once the information is computerized.

- iii. Poor collection efficiency appears to be the Achilles heel of municipal finance. Property tax collection ratio across the country, barring some exceptions, has hovered around 40 – 50 per cent.

It is worth noting that with more or less similar powers to enforce collection, other tax regimes in the country like Income Tax, Central Excise and State Sales Tax are able to collect generally over 90 per cent of the tax due. The position in other developing countries is, however, not very different from India. The poor collection efficiency has been attributed to:

- 1) lack of taxpayer's confidence or understanding in how the tax is levied, collected and used,
- 2) lack of appropriate collection and enforcement mechanisms and
- 3) lack of political will.

Recent reform efforts have shown that it is possible to improve collection efficiency by effective enforcement. New Delhi Municipal Corporation increased the tax collection to 90 per cent by introducing measures such as discounts for early payments and freezing Bank accounts of defaulters. Cities like Bangalore, Mizapur and Hyderabad have also shown improved performance in recent years.

- c. **Audit:** Tax audit should be driven by the desire to capture maximum amount of revenue. Assessment files must be audited with cross reference to information obtained from other departments and field surveys. Focus should be on large tax payers, especially industrial and commercial establishment and also coverage of properties, particularly those that have

escaped the tax net. Currently, audit systems are not well established in municipal bodies. This is an area that needs special attention including training of auditors.

*d. Training and Human Resources Development:* Administrative efficiency in urban local bodies has suffered on account of neglect of human resource development. Unlike in the Revenue Services at Central and State levels, the Revenue staff in municipalities hardly receive any training. Reforms and changes in tax systems and procedures should first be understood well by the officials in charge of implementing them. Upgrading internal skills is therefore of prime importance. It would be useful for every State to set up a Municipal and Urban Training Institute. Initially, the State Administrative Training Institutes can include training of municipal staff in their programmes. A central institute like the NIUA can act as a nodal agency to guide training activities in States.

### ***Policy and Institutional Issues***

Property tax reform to succeed and sustain will have to be considered in the context of overall local government reforms. Municipal revenues account for a paltry 0.6 per cent of the country's GDP. Given the encouraging growth of the urban economy, there is tremendous potential for enhancing local revenues. A strong institutional framework is essential to realise this potential and upgrade urban infrastructure and services. State Governments to be in tune with the spirit of the 74<sup>th</sup> constitutional amendment must decentralize adequate fiscal and administrative powers to ensure that finance matches functions. Institutional capacity building is essential for effective delivery of urban services.

Urban Land policy reforms become important if the full value of urban property is to be captured. States which have not repealed the Urban Land Ceiling and Regulating Act, 1976, must do so early to release more land to the market. Stamp duty and registration charges need to be rationalized to minimize the temptation for undervaluation. Policies relating to land use, especially in case of exemptions granted to certain uses, call for a review. All these are closely related to increasing property tax revenue.

Political support is the sine qua non for the success of any reform process. A highly visible tax like property tax involves a diversity of interests covering various sections of the population. It is, therefore, essential to gain political acceptance for the reform measures both at the state and the local government levels. It is also important to educate the stakeholders, the tax payers, about proposed changes in tax systems and procedures before they are actually put in place. People understanding the benefits of reform can go a long way in ensuring voluntary compliance. That perhaps is the ultimate test of a good tax system.

### ***Choice of Tax Design***

A good property tax policy should ensure that the property tax structure has an inbuilt mechanism for maintaining elasticity of the tax by periodical revaluation. Secondly, the system must be transparent to the tax payer. He must know the basis of valuation and the valuation indexes adopted for periodic revaluation. The tax payer must be convinced that the index value relatively reflect the value of the property. Thirdly, the system must not be costly to administer. Lastly, the system should ensure horizontal equity, i.e it should treat similar properties in the same way. With these as benchmarks for a good and efficient property tax system, a suitable design has to be chosen from the following options:

- (i) A tax based on the annual or rental value of the property.
- (ii) A tax based on the capital value of the property
- (iii) A tax based on the site value.
- (iv) A combination of the above two or three methods.

### ***An Approach to Reform the ARV System***

For the ARV system to remain tax productive, it is essential that the rental values for computation of tax should represent the current market value. As the problems of rent control come in the way, the solution seems to lie in either abolishing rent control or de-link property tax from rent control regulations. It is possible to amend the Rent Control Act as Karnataka has done and redefine the Standard Rent as the rent calculated on the basis of a certain percentage of the cost of construction and the market price of the land on the date of

commencement of construction. Some enhancement linked to inflation is also an accepted calibration method for periodic revision. The other (avoidable) option is to raise the tax rate to the levels required.

### ***Capital Value System***

While ARV reflects the income from a property in its current use, capital value reflects the market's assessment of the income to be derived from a property in future including income generated by more intensive use of the property. The tax base comprises the assessed value of land and improvements i.e., the value at which a willing buyer and seller would agree in a free market. It follows that the capital value is extremely elastic and the property tax will have a base that will grow with the economy. The capital value system is in vogue in U.S and a number of European and Latin American countries. If it has to succeed in Indian conditions, certain pre-requisites would have to be fulfilled. First it is essential to create an updated credible database to derive the value of land and building. This depends on a well-developed property market with multiple sources of information instead of placing reliance solely on sale statistics with Sub-Registrars, which generally reflect undervaluation. Secondly, the tax rate should be carefully prescribed after analyzing the quantum jump due to the shift to valuation process to the tax payer/Municipality in comparison with the previous system<sup>3</sup>. Thirdly, there may be problems from tenanted properties as the owner may find it legally difficult to pass the burden to the existing tenant. Shifting the tax burden to the occupier, who will reap the benefits of improvements in the locality, is worth considering. Finally, any shift to the capital value system needs to be preceded by lot of preparation by way of training the staff and educating the public.

### ***Site Value Taxation***

Under this system, tax is levied only on the capital value of the land, the structures are not taxed. Its chief merit is its potential in improving the efficiency of urban land use. Secondly,

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<sup>3</sup> In Karnataka, an analysis of the amended provision shows that the tax rate under the capital value system (0.3– 0.6percent) could, if implemented increase the taxes for residential properties while the Commercial properties will pay less than previously assessed. In the process, it is projected that the City Corporation will collect far less than what it is currently collecting.

the administrative task is simplified, as valuation of structures is not involved. The main disadvantage of the system is that it narrows the tax base and requires a higher tax rate to produce the same revenue. Some cities in Australia, New Zealand and Kenya have adopted this system. It has not been tried anywhere in India so far. But it is worth a detailed study considering the simplicity of the system both in technical and administrative terms.

### ***Hybrid Model: Area-based/Unit Value System***

The Area-based system which combines the features of the above three models has shown encouraging results in cities like Ahmedabad, Bangalore, Hyderabad and Patna. There is an attempt to make the process transparent and objective by basing the valuation on certain parameters like location, usage and building characteristics. But the system needs to be further simplified. The classification of structures in Bangalore appears complicated while in Ahmedabad, the formulae for calculating the tax is too elaborate to be easily understood. The long-term buoyancy potential is yet to be tested. But the immediate success of the Area Based system is that it has pushed the revenue upwards. Most cities which adopted this system, have introduced the self-reporting system, thus shifting the onus of reporting the assessable value of the property in terms of the parameters provided under the system and the tax payable thereon. Since the owners have to file the self-reporting forms within a specified time, the level of compliance increased and in turn increased revenue. The self-reporting system did away with the Municipal staff's onerous task of service of the property tax bills. Even collection of tax was made simpler by increasing the number of collection centers and also facilitating payments at commercial banks. The negative aspect of the self-reporting scheme is that it could result in wrong reporting and consequently result in lower taxes. However, strict enforcement is required to prevent such attempts. On the positive side, the citizens have found that the self-reporting scheme has reposed faith in them and secondly, for the first time they were made aware how to compute the valuation of their property for property tax and that such valuation was no longer at the discretion of the revenue staff. For these reasons, the area based system found immediate acceptance not only by the citizen but also the judiciary who found the new system was not injurious to public good. Another positive side to the area based system is that in the valuation process it has included both the

locational and quality of building. These features here, makes it possible to gradually shift to a capital value system. The reforms introduced till now in some cities, have no doubt achieved some initial successes. In short, it suggests that major reforms need to be incremental. The impact of these reforms can be summed up as follows:

- Successful in the short run.
- Revenues have increased significantly.
- The problem of a badly outdated valuation roll has been addressed.
- The taxpayer acceptance of the reform measures.
- Preparing groundwork for an ultimate shift to a capital value system

#### *Sustaining the reform process*

Sustaining the reform initiated would require conscious act of the government to ensure:

- a) *The long run revenue elasticity of the new system:* The revenue elasticity can be ensured by calibrating the rates periodically and implementing the revision of rates once in 4-5 years. A central valuation committee can be form to ensure its objectivity. If the valuations are not periodically revised, the new system will lose its initial buoyancy.
- b) *The transparency of the system:* This is an important attribute of a taxing system. If taxpayers understand how they are taxed, they are more likely to comply with the system. Under the ARV transparency was compromised, but the chief attribute of the area based system is its transparency of valuation methods, though these methods are to be fine tuned.
- c) *The administrative ease and costs effective tax collection system:* The cost of collection should be at the minimum. The area based system with its self-reporting system has ensured minimizing its role in the collection of tax by opening up collection centers and payment at the designated banks. However, the administration should ensure through random check that there are no cases of wrong reporting. Secondly it is the

administration job to ensure that all properties, especially new properties are in the tax roles.

- d) *Horizontal equity*: Property tax should be horizontal equitable, which in brief, means that similar properties must be taxed similarly. This is more easily said than done and therefore calls for a lot of intelligent exercise by the municipal staff to ensure horizontal equity.

Sustaining the reform would, therefore, mean calibrating the rates at periodic intervals, removing inequities, periodic evaluation of the system and ensuring taxpayers service and education.

### ***What is a Suitable Model for India?***

In the light of experience of the ARV system and the reform measures already introduced in some cities, the following suggestions are made.

- a) **Initial Phase**: Take steps to de-link property tax from the rental value system. In the meantime introduce the Area-based system, on a combination of factors such as location, usage and quality of building.
- b) **Transitional Phase**: Develop a good database of market value of land. Observe the operation of the property market, obtain information from different sources – sale statistics of Registration Department, Real Estate Agents, Developers etc., and formulate index value. After the Area-based system has worked for some time and as and when the necessary database is in place, prepare for shifting towards capital value system. Also, the site value system can be tried in some cities, as it appears extremely feasible in the Indian context. During this phase, officials should be well trained in valuation methods, information must be computerized and people educated about the changes in tax system.
- c) **Final Phase**: Introduce capital value system or site value system depending on the experience gained and the suitability of the system for the particular City/State.