

o/c

THE PROPERTY OWNERS' ASSOCIATION

(Established in 1924, Governed by the Bombay Non-Trading Corporation Act, 1959)

33 AD NARTMAN POINT TEL (4000021)
IN RM079151543TIN
Transfer Nos/DP-Code/07
Telex: EXCELLENCY SHRI PRANAB MUKHERJEE
NEW DELHI, PIN:110004



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204, Chandra Mahal,
Premises No. 9, 1st Floor,
Thakurdwar Road,
Above Chandu Halwai,
Mumbai - 400 002.

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VERY URGENT

15th March 2013

To,

1. **His Excellency Shri.Pranab Mukherjee,
Hon'ble President of India,**
Rashtrapati Bhavan,
New Delhi.
2. **Shri. Manmohan Singh,
Hon'ble Prime Minister of India,**
19, Safdarjung Road,
New Delhi.
3. **His Excellency Shri. K. Sankaranarayanan,
Hon'ble Governor of Maharashtra,**
Raj Bhavan, Malabar Hill,
Mumbai- 400035.
4. **Shri. Shivajiraoji Deshmukh,**
Hon'ble Chairman,
Maharashtra Legislative Council,
Mumbai.
5. **Shri. Dilip Walse Patil,**
Hon'ble Speaker, Maharashtra Legislative Assembly.
State of Maharashtra,
Vidhan Bhawan, Mumbai.
6. **Shri. Prithviraj Chavan,
Hon'ble Chief Minister**
State of Maharashtra,
Mantralaya, Mumbai.
7. **Shri. Ajit Pawar,
Hon'ble Deputy Chief Minister,**
State of Maharashtra,
Mantralaya, Mumbai.
8. **Shri.J. K. Banthia,**
The Chief Secretary,
Govt. of Maharashtra,
Mantralaya, Mumbai
9. **Hon'ble Principal Secretary,**
Urban Development Department,
Govt. of Maharashtra,
Mantralaya, Mumbai.
10. **Hon'ble Principal Secretary,**
Housing Department,
Govt. of Maharashtra,
Mantralaya, Mumbai.
11. **The Municipal Commissioner,**
M.C.G.M., Mahapalika Marg,
Opposite C.S.T.Station,
Mumbai - 400 001.

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राज्यपालांचे सचिवालय, राजभवन,
मुंबई - ४०० ०३५,
पत्र प्राप्त झाले
15 2013
30/3/13

21/3/13

मुख्यांमत्री सचिवालय
महाराष्ट्र शासन
मंत्रालय, मुंबई ४०० ०३२
दिनांक

21/3-93
लिपिक
सहमुख्यांमत्री कार्यालय
मंत्रालय, मुंबई ४०० ०३२

मुख्या सचिवांचे कार्यालय
दिनांक 21/3/93

21/3/93

४४ - लिपिक 'हालात'
मंत्रालय, मुंबई ४०० ०३२

लिपिक
गणतंत्र विभागाचे सचिवालय
मंत्रालय, मुंबई - ४२

21/3/93
लिपिक, नोंदणी शाखा
गृहनिर्माण विभाग
मंत्रालय, मुंबई ४०० ०३२

मुख्या सचिवांचे कार्यालय
दिनांक 24/3/93
म. न. पा. महाराष्ट्र शासन
वृहत्मुंबई महानगरपालिका

12. Hon'ble Mayor of Mumbai,
M.C.G.M.,
Mumbai.



Respected Sirs,

Sub: 1) The New Extremely High Property Tax System levied by the Municipal Corporation (Mumbai) on Capital Value System is unconstitutional.

- 2) Residential, Commercial, Banks etc. may have to pay extremely high taxes or shift from the City of Mumbai.
- 3) Request for withdrawal of New Property Tax based on Capital value system and continue with old Rateable Value system of Property Tax.

The Property Owners as well as the members of Co-operative Societies and the premises held on ownership or Tenancy are extremely disturbed due to very high increase in the property taxes levied on the basis of capital value of the properties (i.e. the new formula of levying property taxes based on market value of Property as per Government Stamp Duty Ready Reckoner rates) & Municipal Corporation of Greater Mumbai (MCGM) has asked Citizens & others to pay the bills before 30th June 2013 for a period of three years i.e. from 1st April 2010 to 31st March 2013.

We have submitted our Memorandum dated 16.1.2013 & 7th February 2013 duly signed by more than 800 Owners of the properties to Hon'ble President of India, Hon'ble Prime Minister, Hon'ble Governor, Hon'ble Chairman (MLC), Hon'ble Speaker (MLA) Hon'ble Chief Minister of Maharashtra, Hon'ble Dy. Chief Minister, Hon'ble Mayor of Mumbai and others.

- 1.A The BMC Act is amended and now the Property Tax based on Capital Value. In the case of Residential premises there shall be a Cap of two times of the existing Tax, Commercial premises shall have a cap of Three times of the existing Tax and for Residential premises upto 500 sq.ft. the cap is equivalent to the existing Tax upto 31.3.2015. The said Tax is being demanded in the bills from 1st April, 2010.
- B. In year 2016, the cap would stand removed and the Property tax [as per BMC Act Section 140A(i)b(ii) (proviso)] shall be increased by 40% of the Property Tax payable. The further Property Tax shall be increased by 40% every five years. (i.e. As per legal advice the Property Tax

determined on Capital Value in Column No.18 is the Property Tax.) Further, property of 24% would be levied for delay in paying bill on time. It is important that the Tax levied today based on Capital Value is extremely high and it is only due to the cap, that the Tax presently is twice or thrice of existing Tax.

- C. The New Property Tax Bill, shows that MCGM has fixed extremely high Capital Value of property in Crores and tax is levied on the said basis of Capital Value of premises/market value of the premises. You will observe in the following statement made for property in "A" Ward for Small premises annexed with MCGM bills as follows:

- | | |
|---|-----------------------|
| a. Column 15 shows Capital Value of premises.(i.e.387 Sq.Ft.) | Rs.56,75,025/- |
| b. Column 16 shows Date of Effect. | (1.4.2010) |
| c. Column 18 shows <u>Tax on Capital Value.</u> | (Rs.19,807)** |
| d. Column 19 shows Existing Tax. | (Rs.650/-) |
| e. Column 20 shows Tax after capping. | (Rs.650/-) |
| f. After 2015 the Tax will be 40% of(c) | (Rs.27,730)*** |
| g. The Tax after 2015 approximately would be <u>4266.12%</u> of Tax prior to Capital value system tax. | |

- 2.A **On removal of cap by the Municipal Corporation with the approval of state, the Tax determined today in Column 18 of the tabular statement is ranging from 16 times to 40 times or more of the existing Tax. The said Tax would become impossible for anyone to pay.**

- B. **In case of Offices, Shops, Premises with Banks, Financial Institutions etc. the Taxes are extremely high and this will result into shifting of offices, shops, Banks, financial institutions being shifted from the Island City/Mumbai to outside the city/state. Even the commercial establishments due to extremely high tax will prefer to shift from Mumbai. (For example for commercial premises the approximate increase is 12,593%).**

- C. **In case of new buildings, the Taxes on flats/premises are extremely high and it would become totally unaffordable to pay tax by the purchasers of flats.**

- D. LIVING IN MUMBAI DUE TO RECURRING EXTREMELY HIGH TAX LIABILITY WOULD MAKE IT MORE DIFFICULT FOR PERSONS USING THE PREMISES TO MEET TWO ENDS AND IT WOULD BECOME UNAFFORDABLE AND SLOWLY THE MUMBAIKAR POPULATION COULD BE SHIFTING FROM GREATER MUMBAI TO SMALLER TOWNS OR EVEN OTHER STATES.**
3. As per the Act, the Property Tax should have a reasonable correlation with the money required to perform the obligations cast on the Corporation with regard to the specific services for which the property tax is levied. In view of the above, the value of our property is totally irrelevant for arriving at the basis of the property tax. In every compensation tax, the authorities have to establish that the levy has a co - relation with the expenditure for providing the same. Therefore the system should be based on sound, economic consideration and commensurate with the services provided in a given locality. In any event, the Corporation has been making substantial surpluses every year and there is no reason or ground to increase the property tax being levied on us.
4. If at all any concessions or free services are to be rendered by the civic corporations to the hutments/slum dwellers/illegal encroachers on land or the like, we have to state "**SUBSIDY IS THE FUNCTION OF THE STATE**". The State should bear the said burden and cost of services rendered to hutments/Slums. This cost of services should not be transferred arbitrarily to another citizen and thereby causing unreasonable discrimination and deprivation. One cannot rob Peter to pay Paul.
5. **The levying of taxes in any form has to be prospective and not with retrospective effect.**
6. **The levy of Municipal Taxes based on Capital Value system is illegal, unconstitutional and beyond Legislative competence.**
7. We also state that we find that the present mode of arriving at the property tax is erroneous and we have grave reservations and objections as:
- a) The basis of arriving the Capital Value of property, is contrary to law,

- b) Stamp Duty Ready Reckoner is not the measure of capital value as it does not arrive with true value for the purpose of calculating capital value,
- c) the age of building/structure, as the building is more than hundred years old, and the same is not taken into account.
- d) the rate should be of only 2 users – Residential and Non-residential user instead of the multiple classifications made in the Rules.
- e) actual carpet area of premises and multiplying factor for Carpet area instead of actual built up area,
- f) the cap on Tax proposed of twice the Rateable Value for five years from 1st April 2010 to 31st March 2015, however the cap of twice of Rateable Value is not followed,
- g) Under the property tax while capping the taxes on capital value at 2 times or 3 times of the existing taxes the % of the general tax is 30 % of the RV in the existing bill of property tax . However the same is made 90 % of RV which is not valid under the rules as rules cannot over ride of provisions of Act /Section and hence in valid.
- h) we dispute in general the formula applied for arriving the Rateable Value and Tax.
- i) Even though the Act requires the rates to be taken as Stamp Duty, Ready Reckoner, the Corporation has failed to do so and has come out with its own basis.

8.A Under the Maharashtra Rent Control Act 1999, all the increase of Taxes of the property/premises has to be recovered from Tenant/Occupiers and if the Tenant/Occupant do not pay the high increased taxes they can be evicted from the premises under the Rent Act. This will give rise to the dispute between Owners & Tenants and lacs of litigation will be filed in the Hon'ble Courts of Mumbai. On the tenants failure to pay, the landlord, whose rent is frozen at 1940 levels or first letting out will not have the funds to pay the extremely high property tax to the Corporation and he/she could lose his/her property.

B. Under the Maharashtra Co-op.Housing Societies Act, all the increased Taxes and the Maintenance charges are to be paid by the members of the Society. The members can be evicted from the flats/premises for non-payment of increased Taxes. This will

give rise to dispute between members and lacs of litigations will be filed in the Co-operative Courts.

9. In Mumbai the Market Value of premises are very high and specially in the Island City, the value of the property/premises are extremely high and thus the taxes based on Market Value of premises is extremely high and the persons would not be able to pay such high exhorbitant Taxes. The buildings which are tenanted cannot fetch the value mentioned in the Ready Reckoner. The income from such property is only the rent.
10. The Association earnestly request you to give necessary directions/orders to the concerned authorities - Municipal Corporation of Greater Mumbai for the following:-
- i. The New Capital value system for levy of Property Tax be given up and MCGM to recover taxes based on Rateable Value.
 - ii. The property owners' Property Tax should be based only on Rateable Value.
 - iii. In case of premises affected by S. 3 (1) (b) of the Bombay Rent Act, 1% to 5% of the actual rent/ license fee may be levied by way of property tax or at a rate not exceeding Rs.1/per Sq.ft. in case of such premises, uniformly in Mumbai.

Under these circumstances, we earnestly appeal to His Excellency to issue directions/orders to the Municipal Corporation of Greater Mumbai and State of Maharashtra to forthwith withdraw the new Property Tax based on Capital Value System and continue with collection of Taxes based on old Rateable Value System.

We further request you to give us an early appointment and personal hearing in the aforesaid matter.


Thanking you,

Yours truly,

for THE PROPERTY OWNERS' ASSOCIATION,



M.N. PITTIE
(PRESIDENT)



B.R. BHATTAD
(VICE-CUM-EXECUTIVE PRESIDENT)

The aforesaid Memorandum is unanimously consented to by all the Property Owners present in the meeting on 15.3.2013 and each owner has put his/her signature to the Memorandum on the attached sheet.