



Your Toolkit

How is the property tax calculated?

Property tax, often forgotten until it's due, is an annual bill that keeps homeowners on their toes

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Levied annually by local municipal bodies, property tax is one of the most consistent and yet often overlooked and misunderstood aspects of homeownership. For homeowners, understanding how this tax is calculated, assessed, and applied is essential to understand long-term homeownership costs.

Counting the cost

In urban areas, property tax is typically calculated based on factors such as the property's size, location, usage (residential or commercial, commercial units generally attract higher levies), type of construction, and age. Many municipal bodies follow either the annual rental value method, the capital value system, or the unit area system, to determine the payable amount. "In rural settings, property tax is less prevalent and tends to be restricted to particular types of land, buildings or land revenue. Proceeds in both, rural and urban areas, are used to fund local infrastructure, sanitation, water supply, and civic amenities. Location is very important; plots in high-grade areas or core city centres usually command higher taxation than those situated in peripheral or under-developed areas. The local authorities provide elaborate rate schedules or zoning grades to facil-

itate comprehension and transparency of assessments," informs Meghna Mishra, senior partner, Karanjawala & Co. "Concessions such as rebates to senior citizens, single women, and ex-service-men are offered by many municipalities. Green-certified or sustainable buildings may also be eligible for eco-friendly incentives in some jurisdictions," opines Ramesh D Patel, partner, Platinum Group. These measures not only ease the financial burden

Property tax is more than just an annual payment; it is a vital source of revenue that supports essential civic services and infrastructure. With increasing digitisation and progressive policies offering rebates, the property tax landscape is evolving to become more transparent and equitable

on eligible individuals but also serve as incentives to encourage responsible ownership and green development.

Whose bill is it anyway?

The responsibility for paying property tax typically lies with the legal owner of the property, irrespective of the fact whether the property is self-occupied, rented out, or lying vacant. "Builders ensure timely payment of property tax on unsold invento-

ry or under-construction properties that remain registered in their name," mentions Prashant Sharma, president, NAREDCO Maharashtra.

Digital tools, smarter taxes

Municipalities across India are embracing digital platforms and Geographic Information System (GIS) mapping to modernise property tax systems. This shift aims to enhance accuracy in property assessments, streamline tax collection, and reduce disputes. "Property owners in some states can now view, pay, and monitor their tax liabilities online, download receipts, and make changes to ownership records. Geographic Information System (GIS) mapping is utilised to generate spatial databases of properties, detect unassessed or under-assessed properties, and achieve fair taxation. Digital surveys and drone mapping also improve accuracy. These changes minimise human error, maximise transparency, and raise revenue intake. As a part of a larger effort towards e-governance, some cities have also incorporated mobile applications and e-wallets to facilitate payments," explains Mishra.



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