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DEVELOPMENT OE PROPERTY TAXATION

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DEVELOPMENT OF PROPERTY TAXATION

In the annals of history when we look back we find that many changes have been considered to have taken place in different taxation systems in the societies but more or less these have remained unaltered. Not that there are no sages in this field but the fact remains that in the entire policy making of taxation it is over and over again the same hackneyed subjects which are searched for new taxation or for improvement of it. It has always been the endeavour of the tax collectors to cut out the bigger chunk of flesh from the tax-payers and it has always been an effort on the part of the tax-payers to avoid it. A big sign of interrogation crops up as to why this happens that the tax systems tend to turn trite. Searching out we find: -

i) Sufficient revenue cannot be generated;

ii) Tax-payers learn the tricks of the trade and learn the avoidance of taxation

iii) The systems have to be updated with the changing times.

iv) Policy makers always have the notion that they have come out with a better system;

v) With the passage of time it is ultimately found that some injustices do creep in which necessitate better administration of taxes and finally;

vi) The political changes introduce some vicissitude.

There may by many more reason. However, the endeavour has a/ways been to search out a solid taxation base to suit the needs of the times and also to meet the ends of justice apart from the suitable generation of tax revenue.

Different bases of taxation have been used for the levy and collection of taxes to the extent they manifest a hackneyed picture but the fact remains that some of the sources have to be employed implicitly or explicitly over and over again. Further, it may also be stated at the same time that while analysing them we find that more and more material is available for using different modes and methods to reach the ends of taxation by sheer innovations with the passage of time. Further if we limit our discussions to Tax on Properties we shall discover much to the chagrins of the tax-*payers,* that there are infinite factors to analyse and levy the tax on. This is highly manifest as the property includes lands and buildings, chattels bonds and wealth and innumerable other properties. Some of them can be valued in tangible terms but some of them invaluable like reputation honour etc. However^ for the purposes of this paper we shall limit our discussion to property in terms of lands and buildings only rather than extending it to any other properties.

PROPERTY TAX - PROSPECTS.

Taxation on properties is more in the nature of a chameleon as it varies and changes from tax to tax. These are the Property Tax on buildings and lands. Land Revenue, Capital Gains Tax on the immovable properties. Stamp Duty on the safe and purchase of lands and buildings, Estate Duty and recently developed new tax termed as Wealth Tax. The base in all these taxes remains basically the same i.e. lands and buildings although the modes of levy of all these taxes are diametrically different. The Constitution of Pakistan through the legislative list has left out the Tax on Properties except for Estate Duty from the purview of Federal Legislation. One out of these is the Property Tax. This Paper shall restrict itself to the Property Tax on lands and buildings rather than on any other subjects like Stamp Duty or Capital Gains Tax etc. Further narrowing of this broad subject is to limit it to urban taxation which becomes a subject of local taxation or provincial taxation within the urban areas rather extending it to rural areas where it transforms itself into Land Revenue. In the Urban Areas in historical terms, the tax on lands and buildings has been a bounty for the local governments but the over expanding needs have pushed this taxation into the Provincial Resource net also apart from the other tax voracious administrative machines.

HISTORICAL OVER-VIEW

All along in the history there has been no distinction for taxation between the urban lands or the rural lands. There has always been taxation on the lands in the form of revenue or otherwise some form of taxation on the produce from the lands. Even in the Chinese dynasties we find that there had been some tax on the lands which actually formed the basis of the state taxation. Further, we find that in the entire Roman history there was a/ways a taxation on the agricultural produce. Even in the Islamic system there was a taxation by way of a cut on the agricultural produce. Similarly in Indo Pak Sub-Continent there was a tax on lands by way of Land Revenue. However, as far as the Tax on Buildings and Lands in the urban areas is concerned this became a hot subject only in the modern history. It has been stated earlier that the Tax on lands and Buildings was considered to be a proper and suitable domain for the local taxation. It was segregated only for the levy of taxation by the local bodies. In U.K. this taxation, termed as rates, was kept for the local counties. In fact, in U.K. the tax was introduced through the Poor Relief Act, 7601. The assessment was carried by the Central Government and the local boroughs were left to collect it for their own coffers (The position is now far away from what it used to be). In Indo Pak Sub-Continent, this subject was exclusively for Local Bodies till the Government of India Act, 1 935 when it was included in the provincial tax jurisdiction. In fact this was done in pursuance of the Tax Inquiry Committee Report of 1924-25. In order to meet the more of financial needs, the Government of Punjab for the first time levied Property Tax in the year 1940 through the Punjab Property Tax Act, 1940. There were two different taxes on urban properties at that time after this law of 1940. The Property Tax was essentially the provincial taxation whereas the House Tax was administered by the Local Bodies like Municipal Committees etc. This tax was originally levied in selected towns. The ultimate goal about this tax has always been its levy in the entire urban areas starting from Metropolitan Corporations like Lahore to very small municipal and town committees. In the legislative reports it was stated "the intent/on of the Government is not to deprive the local authorities of the powers to levy such tax and the proposed provincial tax on the immovable properties will therefore, be in addition to any municipal tax of similar nature that may exist at present or may be imposed in future." The tax was originally envisaged o be levied at the rate of 1% of the total capital value of any property or land within the urban areas but ultimately at the Select Committee stage of the proposed legislation of the levy the tax base was changed from capital value to annual value. The original rate of tax was to the maximum of 20% of the annual value of buildings and lands. Even at that stage the tax was to be levied for a period of five years and to be revised subsequently after every five years. The first rating areas i.e. urban areas where the tax was to be collected were Lahore, Lahore Cantt., Sialkot, Sialkot Cantt., Guj'ran wala, Guranwala Cantt., Rawaplindi, Rawaplindi Cantt., Sargodha, Lyallpur (now Faisalabad), Multan and

Multan Cantt., from 1st April 1941. Later on it was extended through another legislation i.e. Urban Immovable Property Tax Act, 1958 to 64 rating areas. At present there are 105 rating areas. The tax was to be charged at the rate of 5% which was later on enhanced to 7.5% from 19th April, 1947. It was further enhanced to 10% in April 19, 1948. In 1 948, Sindh Government also introduced Property Tax •on Lands and Buildings but this tax was slightly different from the tax levied in Punjab (which was essentially in the ur ban areas). In Sindh it was levied both on the urban and rural properties. However, it was left to Provincial Government to notify the areas where the Act was to be enforced. Only a few areas were included in the jurisdiction of the tax by notification which were Hyderabad, Sukkur and municipal limits of Shikarpur but the Municipal Committees of Hyderabad and Shikarpur did not undertake the actual assessment and collection of this tax. Only the Sukkur Municipal Committee undertook the collection which was only Rs 40.000/-. This Property Tax law of Sindh Government remained a nullity till such time it was repealed and re-enactment of law was carried out through West Pakistan Urban Immovable Property Tax Act, 1958. In NWFP, the tax was levied in the year 1948, it was a/so on the pattern of Punjab Urban Immovable Property Tax Act and it was extended to 26 urban areas in NWFP and fatter on, in 1953, to 37 tax areas. The rate of tax continued to be 7.5% and it was ultimately replaced by the 1958 Act of West Pakistan. In Baluchistan, Khairpur and Bahawalpur the Property Tax was extended through the enactment of 1958. The West Pakistan Urban Immovable Property Tax Act was exactly on the pattern of 1940 Act. The only difference was that it extended to the whole of West Pakistan which was one Province (now Pakistan). The rate of tax continued to be 10%. Karachi was still kept out of the purview of this tax, which was first made liable to the levy of Urban Immovable Property Tax in 1963. One main departure from the old system was that the tenants were equally made liable to the payment of Property Tax in case the owner did not pay the tax and further that the tax was cut to half in case the property unit was self-occupied and the owner did not own any other property within the same tax area. A further development took place when the House Tax and Property Tax were amalgamated to form one tax i.e. Property Tax in the year 1972 and the tax was entrusted to the Excise and Taxation Department taking away the collection of House Tax from the Local Bodies. A flat rate of 15% was introduced Instead of 17»5% both on account of Property Tax and House Tax. Ultimately this rate was enhanced to 20% to add up the two taxes i.e. Property Tax and House Tax. A distribution of the collection was also taken care of and at that time 40% tax was passed on to the Local Bodies whereas 60% went to the Provincial

Consolidated Fund after deduction of 5% as collection charges. The present situation is that 85% of Property Tax collection is reimbursed to the Local Bodies from where the tax is collected and 15% is contributed to Provincial Consolidated Fund after the deduction of 5% as collection charges.

PRESENT LA W

The West Pakistan Immovable Property Tax Act, 1958, at present, is applicable in all the four Provinces with their own amendments as such. No major shift has taken place in all the four provinces except minor modifications here and there. Present position as far as the Punjab Province is concerned is that the rate of tax is 20% upto Rs 20.000/' of annual value and after Fts 20.000/-. a surcharge 'is levied on the tax at the rate of 25% which practically makes it a rate of 25% of the annual value. The basic point at this stage which remains as an eye -catcher, at feast for the purposes of this paper, is that the tax base essentially remains the annual rental value or alternately called annual value. The re-assessment of the properties is carried out after every five years through a general survey of properties. In Punjab, the total colle ction of tax at present is Rs78.18.82.998/- during the financial year 1993-94. The progressive increase in the tax for the last ten years has been as below: -

YEARS	**REVENUE (Rs)**
1984-85	23,30,68.419
1985-86	27,64,76.481
1986-87	34.99,59.771
1987-88	39.62,87.968
1988-89	43.39,74.926
1989-90	45.83,34.639
1990-91	51.07.00.970
1991-92	60,51,98.926
1992-93	67.06,51.328
1993-94	78.18,82.998

The number of properties in Punjab has also increased over the years and so are the number of taxable property units in Punjab. The number of properties those are taxable and non-taxable are as under: -

Total Property Units:	2 // 08,000
Total Taxable Property Units:	7,97,600

As far as the exemptions are concerned, a self-occupied property is exempt if the annual value is Rs 1.200/-. Beyond it, the properties are subjected to Property Tax. One residential house belonging to a window or a minor orphan or a disabled person is exempted irrespective of the fact whether it is self-occupied or rented. Yet another property belonging to a widow or a minor orphan is exempted upto the extent of Rs 12.000/- whether commercial or otherwise and beyond it the Property Tax is charged after the deduction of annual value of Fis 12.000/- from the total annual value of the property.

The collection of Property Tax in the province has been good as far as the Government of Punjab is concerned. It has turned out to be quite a contributor to the provincial exchequer although in overall perspective it is only 8% of the total Provincial receipts. About the tax compliance, the Punjab Excise and Taxation Department can easily add laurels to its cap as we have been successful in achieving upto 90% of the total demand in the Province. The un-recovered is due to disputes in ownership, chronic defaulters like LDA, MDA etc. One more factor which contributes to the default is that the number of tax assessees is too large to be dealt with properly and further that the tax is not related to the ability to pay. Yet another factor is high rate of tax. Complacency about the tax compliance apart, there /s always a room for improvement in the administration of this tax as we tax administrators are ever pre-sumptuous. It was so said even in the earliest part of this Paper.

MAIN SCHEME OF THE TAX

Scantily, the scheme of this tax has been dribbled in the, previous paragraphs so far. In furtherance of the thesis to be developed it is still needed that the main features be re-iterated. The tax is levied at a substantial rate of aggregate annual value of lands and buildings belonging to the same person in an urban area or town. It is payable in two installments in a year by the assessee. The annual value is a tax base which is ascertained by estimating the gross annual rental value at which such tenements or buildings may be let out from year to year. In case of rented buildings actual rents are endeavoured to be recorded. In case of owner-occupied and non-rented buildings reasonable rent is assessed and attributed to these properties. The annual value once determined remains in force for a period of five years. Particulars of owners of buildings and rental values are first entered into a valuation list. The objections to the lists are invited and ultimately a final registrar of valuation is prepared. It is this fist which is a kingpin and has a sanctity for five years. It can be subjected to changes to bring it at par with the existing circumstances. The tax is charged at the rate of 20% or 25% as stated earlier on the annual value of the properties.

TAX BASE

So far only the annual value has been mentioned. In the existing taxation the relevant was only the annual value. Yet another practical tax base for taxation on properties has not been introduced. This important tax base is the capital value of the properties. In different countries generally two systems are adopted for the assessment of taxation on properties. In the two, systems there are two bases different essentially from each other, on which taxation on properties is carried out. One system is the annual value base and the other one is the capital value as a tax base. The capital value can very well be defined as under:-

> *" Capital Value of any property means the sum which the owner's estate or interest therein if unencumbered by any mortgage or other charge might be expected to realise at the time of valuation if ordered for sale on such reasonable terms and conditions as a bonafide seller might be expected to get."*

In other words capital value means the lands and buildings, its superstructure i.e. building thereon, if any. On the other hand the annual value can be defined as under: -

> "Annual value in relation to any taxable property means the rent at which the property would be let out from year to year."

If generally observed in other countries the capital value base is in vogue in countries like U.S.A. Canada, South Africa, Germany, Denmark and New Zealand etc. The annual value is the tax base mostly adopted in U.K. and other commonwealth countries or in other countries following *the* English system. These two concepts of tax base have to be examined in detail to reach at a particular decision for the development of property taxation which will be endeavoured in the coming paragraphs.

The tax base adopted in Pakistan i.e. annual value is actually a kind of tax on the income from the properties. It has generally been criticized to be inelastic system of taxation as the rents do not go up as quickly as the prices of properties. This evinces from the fact that basically the rents are controlled. Secondly, the prices of lands and buildings tend to go quicker in all free markets than the rents which are subjected to increases only on account of agreements between owners and occupiers. Yet another factor for the laggard nature of the annual value is the notional rental values of the owner-occupied properties. This also connotes that the paying capacity of the owners is not taken into consideration. Yet another factor which attracts adverse criticism is that the Property Tax is calculated on the basis of annual value which envisages and on the ground, there actually are, disparities between assessments of similar properties. Yet another factor which is highly objectionable is that the tax base depends on the agreements between two parties which may result in the avoidance and pilferage of Property Tax. It has also been said that the annual value is the tax base which always creates a disparity between the rented and self-occupied properties. This chasm has become so wide that, with the passage of time and inflationary trends, the ratio between the Property Tax of self-occupied and rented properties has jumped from 800 to 1500% in some of the localities. While evaluating the system of annual value as tax base yet another factor which crops up is that on housing it may not be a proper system for reaching the tax actually to be charged for the variations in the types of properties even within one locality. Going further, it may be noted that the annual value as tax base may not be suited for the properties which are not rented out. These types of properties are where comparables are not available for rentability in the same locality i.e. factories, cinemas, hotels etc. For this the system of capital value as tax base is adopted again.

From the above it would be clear that one way or the other the concept of capital value or the market value surely has to be relied upon for property taxation.

ANNUAL VALUE AS TAX BASE

Presently the system in vogue in the Province of Punjab and all other provinces is that the residential and commercial properties are assessed either to a notional rent in case of owner-occupied properties and on the basis of actual rents in case of rented properties. Internationally speaking whenever this base is adopted for property taxation the general presumption is that a clear bias exists in favour of the owner-occupied properties in comparison to rented properties. For assessment of the rented properties, the best evidence of the rentability is the actual rent for which it is let out otherwise the annual value is calculated on the basis of the valuation reached through different methods that are adopted by the valuers. These include the contractors test, replacement method or the profits method. All these methods are essentially the capital value or market value methods. The valuers first calculate the market value of a property and reach at the rentability of the property for a year taking into consideration all other factors like inflation rate etc. The general criticism to this system as far as the properties in Pakistan are concerned: -

i) A gap between the self-occupied and the rented properties has now become so wide that notional and the actual rents prevailing of the properties of similar nature is now 1:8 to 1:15.

ii) In the case of actual rents the rent deed produced in support of the rent may be a concocted or fabricated document. There is always a collusion between the landlord and the tenant simply for the sake of tax avoidance. It is a strange phenomenon although the landlord does not spare the tenant while charging the rent. The tenants always favour the landlord and never the tax collectors. In some of the cases there are also Ben a mi rent agreements by making the occupier a sub-lessee of someone else.

iii} The rents in case of commercial properties are always notional where a partnership is fabricated between the land-lord and the tenant.

iv) The rents generally remain static and they do not go up as quickly as the market value otherwise of the properties. This may not be true in a depressed market but generally the fact remains that the market value always go up faster than the rents in any locality.

v) There may be a case where premium, goodwill or Pugree is charged by the owners for the property keeping the rent very low. Its premium sometimes is difficult to be ascertained. Consequently, the annual value is ascribed to a property is usually not a representative one.

vi) The Rent Restriction Ordinance may also be manipulated by the tenants and the landlords for tax avoidance.

vii) Yet another criticism on the annual value as tax base that it /'s an Income Tax on property in its nature and it does not envisage the actual value of the property. It is said that had it been otherwise there would not have been so much disparity between the properties of similar nature.

Riddled with inherent defects the annual value as tax base is adopted here in Pakistan through administrative guidelines which have been issued all along since the enactment of Property Tax Act, 1958. Different rates (yard-sticks) are prescribed for different localities in the rating areas in case of owner-occupied properties. The actual rent is tried to be ascertained from both the tenants and the landlords. The capital value is also adopted for the purposes of special type of properties like Hotels, Cinemas, Hospitals etc. again through administrative guidelines.

CAPITAL VALUE AS TAX BASE.

From the foregoing paragraphs it has been seen that one way or the other market value or capital value remains a relevant criterion as in the case of special properties, the annual value is determined through it. One reaches an inescapable conclusion that the market value/capital value as tax base has to be studied before any special base can be recommended for property taxation. Before we embark upon any venture of Capital Value to be a tax base, a word of caution is given at this stage. It has to be clearly comprehended that the capital value is again a system of comparables and the record of values and costs of properties have to be maintained. Further, it cannot be left in the hands of novices. The market value/capital value can only be ascertained properly through valuations either through expert values or by formulas provided through administrative guidelines to the subordinate staff. Internationally speaking the valuation work is always carried out by the master valuers who are experts essentially in the art of valuation. The art of valuation is not an easy one. At least it is not as easy as some rhymester said: -

To find a value good and true
Here are three things for you to do
Consider your replacement cost
Determine that is lost
Analyse your sales to see
What market value should be?
Now if these suggestions are not clear
Copy the figures you used last year.

(This rhyme can attract a heading "Valuation Made Easy, " The principles are well-enunciated}. The adage about valuation is that the valuation is an art and not a science. No mathematical formula is available for it. Consequently the valuation of properties always differs from person to person, from property to property and from situation to situation. The valuation for sale may be different from the value for purchase. It can be at variance when it is for loan purposes or for taxation purposes. The valuation can be for the purposes of Stamp Duty, Estate Duty, Sale, Purchase, Replacement, Rent or innumerable other purposes but in case of valuation for the purposes of taxation essentially it can be adopted for all taxes. Federal, Provincial or Local. The market value, however, is required for commercial ends. The distinction between the market value and the capital value may be kept in view at this juncture, as the market value may be much more than the capital value and in some cases it may be vice versa. It depends on the principle of supply and demand. A building or land may be much more in its market value as compared to its capital value as it may be required from some needy purchaser or the capital value may be more and market value less when the seller is a needy person. The values reach the capital value of any property through different methods. The main methods that are in vogue in valuation are contractors methods, profits methods or the replacement methods. There are also other methods like depth methods but these are rarely adopted. In some of the countries where the annual value system is adopted as a tax base, the capital value is worked out by capital value and then the annual value is determined by dividing the capital value over the economic life of any property. Here again the economic life and the chronological life of any property may be differentiated for the purposes of valuation. Economic life of a building is the period for which it remains a profitable entity whereas its chronological life may be much more than its economic life. The examples in this regard are the buildings in commercial localities of Lahore which have lost their profitability but still are existing chronologically. However, the values do calculate the market value of all such properties for the purposes of not only taxation but many others.

One essential corrollary from discussion is that if the capital value from time to time is adopted for the purposes of calculating the market value, a team of expert values has to be employed.

Like the annual value as tax base, the system of capital value as tax base also has its inherent defects which are: -

a) A huge record is to be maintained for the purposes of comparable sales to find out the market value of like properties over the years;

b) A team of trained values has to be employed all the time;

c) The system does not take into consideration the human factors like ability to pay;

d) The tax shall be calculated irrespective of the fact whether the building can actually derive any income from the property or otherwise.

e) The system essentially depends on the capital value of the land rather than condition of the building on it; and

f) The system of annual value as tax base is well-understood by a common man presently whereas the capital value base may be difficult for a common taxpayer to comprehend. This is in conflict with the principle of natural Justice that the tax-payers should understand as to what they are paying and why.

ANNUAL VALUE OR CAPITAL VALUE - CHOICE.

There are three different criteria for the efficiency of any tax system in any society.

i) Minimisation of the cost of assessing, collecting and paying the taxes.

ii) Its valuation in terms of social justice and its fairness.

iii) Its economic efficiency. It is the last criterion i.e. the economic efficiency which defines the leading approach to taxation in the present economic and resource mobilisation. Any tax system which reduces the tax avoidance to the minimum is considered to be an efficient system.

From the first principle mentioned above the annual value system cuts across well but in the latter two it is doubtful if it has any efficacy. The annual value system leaves a room for tax avoidance much more than desired. This tax base does not envisage any optimal taxation efficiency although it may be more suitable politically and administratively. It may, however^ be re-emphasised that for generation of more of revenue the system of annual value as tax base moves at a snail's pace rather it may be termed QS a dead weight as compared to the capital value system for the reasons enumerated earlier a number of times. The other reasons in favour of capital value as tax base are given out below:-

i) It is a well defined system internationally and it is well-adopted every where.

ii) It suits all types of properties. In all free economies the properties do have some capital value in relation to other properties within that economy essentially meaning that comparables are easily available resulting in equitable valuation of properties.

iii) It cuts across all sizes of properties essentially. It also keeps the difference between the types of properties i.e. the office premises and the commercial properties are essentially valued and compared with the properties of similar commercial nature.

vi) It is applicable to all properties whether old or new as the valuation when carried out essentially works out the economic life of a property and not the income from it. The losses due to aging and depreciation of property can be winnowed.

v) One of the famous principle of valuation is that three most important factors about valuation are location, location and location. This can very well be taken care of, if we adopt capital value as a base for the purposes of property taxation.

vi) A very well-defined tax base can be worked out rather than depending on the landlord and tenant for taxation of rented properties.

vii) It provides a suitable base for taxation relief to a self-occupied property rather than giving a vague system of assessment of owner-occupied properties.

viii) It encompasses the concept of "Highest and Best Use " for the property being taxed. Property taxation based on anything other than "Market Value" would be confined to looking only at existing uses of property. Capital values are derived mostly from potential uses for the property. Unless the values flowing from potential uses are included in the Property Tax base there will be great disparities in tax burdens among the tax-payers owning properties of equal sizes **but** with different potential uses.

ix} It lends itself well to computer-assisted administration. In the past, one of the arguments against employing capital value as the basis for property taxation was the difficulty in getting the values upto date. Now there are tested methods for using computers to estimate capital value and to update previously estimated values from day to day.

x) It provides a uniform basis for appealing and adjudicating property tax assessments. Without the benefit of a well-defined standard such as capital value, individual tax-payers would have little basis for determining the equity of their assessments compared with those of their neighbours. Also assessing and appellate authorities will have little basis for granting relief from perceived inequities in assessments.

xi) Apart from the above advantages of the capital value based system, the capital values can be well-used for the calculation of the federal Wealth Tax, Water and Sanitation charges or any other administrative uses apart from generating a sizeable and predictable revenues.

A CASE EXISTS FOR ADOPTION OF CAPITAL VALUE AS TAX BASE.

So far it has been endeavoured that we examine advantages and disadvantages etc. of the two tax bases i.e. the annual value and the capital value. When compared both with the defects and the advantages of the two systems, the adoption of capital value as tax base of property taxation out-weighs the adoption of annual value as the tax base. The main administrative advantage of annual value as tax base is that it is easy to be followed by the tax administration although it generates static property tax revenue. At the same time we reach an irresistible conclusion that it does not bear any buoyancy. If the capital value is adopted as the tax base it will not only create a good and sizeable property tax revenue but it will forestall any leakages in the revenue apart from helping in the levy of other taxes. However, the difficulties may be many which may be as under: -

i) It may be difficult for adoption of this system in the present social set up where the influential do tend to evade tax as compared to the lower strata of the society.

ii) Politically we may be treading on the marshy grounds. It may be difficult to adopt as the property tax affects the general populace much more than the other taxes.

iii) Public relationing aspect of property taxation will be a nightmarish saga in the beginning a/though ultimately when the system is fully operative it may be much easier for the public to understand it as it will remove the disparities in assessment and social inequities in property taxation will evaporate.

iv) The administrative expenditure in the beginning will be huge in the initial adoption of the system as the returns will be slow. The employment of trained values, training of the staff and other ancillary matters will cost colossally. However, the dividends will be appreciable.

The moral of this entire discussion is that the capital value as the tax base is the more equitable method for the generation of revenue from the properties. It is a much more scientific base as compared to annual value system where the reliance is placed more on the whims of the tenant and avaricious landlord rather than on the property itself. Moreover, the criticism of the property tax as tax on income from the property will also be met in an effective manner. Whether we go for it or not it is a decision for policy makers which can only be taken after political considerations. If the resources are to be mobilised for growing administrative and development expenditure we may have to go for it one day.