

SELF-ASSESSMENT SCHEME IN BENGALURU DISTRICT: AN ANALYSIS WITH THE OLD SCHEME

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ABSTRACT

This research paper aims at investigating the self-assessment scheme in Bengaluru district in comparison with the old scheme for collecting tax. Property taxes are the major source of revenue of Urban Local Bodies (ULB) in India. The paper also studies about the effectiveness of Self-Assessment System (SAS) and Capital Valuation System (CVS) in the assessment of property tax through local bodies.

KEYWORDS: *Waste Management, Jurisdiction, Infrastructural Assets, Self-Assessment System (SAS), Capital Valuation System (CVS), Unit Area Value method (UAV)*

Article History

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INTRODUCTION

Property taxes are the major source of revenue of Urban Local Bodies in India. However, in most cities, not all properties are assessed, records are not updated regularly, and tax collection is far from satisfactory. ULBs can increase revenue by improving property inventories, record management, public awareness and participation, and tax collection. Several ULBs introduced Self-Assessment System (SAS) to make property tax assessments simpler and more transparent.

The BBMP, commonly referred to as —Corporation, is the sole elected urban local body for Bangalore City. The city is divided into 150 wards and a councilor is elected as a representative of each ward. The councilors, headed by a mayor, work with corporation officers under the purview of the city commissioner to ensure availability of municipal services to the citizens. In Jan 2007, the area under jurisdiction of the erstwhile BMP was expanded to include 7 City Municipal Councils and 103 villages around Bangalore. The newly constituted BBMP has an area increased from 226 sq. km to 696 sq. km. The BBMP is responsible for storm water drainage, solid waste management, roads and infrastructural assets, running health services and corporation schools, licensing of trade.

RESEARCH PROBLEM

In the year 2007 Bruhat Bangalore MahanagarPalike (BBMP) was formed in the year 2007 by merging seven city municipal councils, one town municipal council and certain villages. They introduced CVS (Capital Valuation System) for new properties and the property owners were asked to switch over to CVS from the next financial year. CVS was condemned by former mayors and BBMP proposed SAS (Self -Assessment Scheme) based on Unit Area Value (UAV) method. In the year 2008, BJP government deferred CVS and SAS was approved. BBMP started collecting property tax

based on the new scheme of SAS (UAV) from February 2009. There has been a mixed opinion about the CVS and SAS to be followed to assess the property tax. The property tax reforms brought in by the Karnataka Government over a period of time has created confusion and chaos among the property owners. There is a lack of clarity about the procedure to be followed for assessment of the properties. After the introduction of the self-assessment scheme too, the tax payers were not able to distinguish much between the old scheme and new scheme. Therefore, to understand if they are aware of both the schemes a study was conducted to know the comparison of old and new schemes.

REVIEW OF LITERATURE

Literature reviews are secondary sources, and do not report new or original experimental work. The following review of literature is worth noting:

RazakAbubakari Abdul and Adgala J Christopher (2014) in their study examined that it is the individual's awareness and taxpayers attitudes influences the individual payment of tax on time. The perceived set of benefits claimed from the provision of public goods and services, particularly physical infrastructure is high. The results states that individuals in the city of Ghana did not completely understand the tax system. There is significant positive statistical was found to exist between level of understanding and tax compliance decision.

Akilu, M. U., Kasim, R., & Martin, D (2012)(2013). In his work there is a quest for excellent services in the municipal corporation. He explains, there is a need for improvement of performance in service delivery. The government should collect tax for the construction and maintenance of essential services in the cities and to meet the capital expenditure of the government tax from property can be collected.

Mangioni (2013) in his work cited that there exists a rationale in the minds of the people about the land tax and there are behavioural differences between the tax payers. The author explains the perception of tax payers exists for rates and services at the local level. In his study on the land taxation policy states no such rationale exists for land tax at the state level.

Rao, Govinda(2013) in the article 'Property Tax System in India: Problems and Prospects of Reform' provides an overview of the evolution of systems of property tax, identifies shortcomings, and analyses the importance of property tax in different states. He reviews recent reform initiatives and recommends further areas for reform.

Rao (2013) in his article "Property tax system in India: Problems and prospects in reforms", National Institute of Public finance and policy explains revenue collection from Non-residential properties in Bangalore during the years 2008 through 2011 were much higher than those from residential properties

Objectives of the Study

- To understand the self-assessment scheme with respect to property tax in particular to Bengaluru district
- To bring out the differences between the old scheme and new scheme of property tax assessment

Hypothesis of the Study

The Following hypotheses have been empirically tested:

H0: There is no significant difference between the old scheme and new scheme of property tax assessment

H1: There is a significant difference between the old scheme and new scheme of property tax assessment

Type of the Study

This study was exploratory in nature because the focus of the study is to gain more insight and knowledge about the Self-Assessment scheme

Type of Survey

In this study, sample survey methodology was used to obtain information about a large aggregate population by selecting and measuring a sample from that population. Sample survey was done as the census method was not feasible owing to the huge population of Bangalore city.

Scope of Study/Study Area

The present study concentrates only on the tax payers paying property tax under new self-assessment scheme in different zones in the city of Bengaluru who are classified based on the Bandwidth viz., Zone A, B, C, D, E& F

Period of Study

A Pilot study was conducted during March 2014 to May 2014. Based on the results of the pilot study the questionnaire was modified to meet the understanding level of the respondents and data for the main study was collected during April 2014 to Jan 2015.

Sampling Design

A multistage random sampling was adopted for conducting research in 6 different zones. This sampling method was chosen to divide the population into groups. Instead of using all the elements in the population only a small percentage was included. Instead of using a single sampling technique, multi stage sampling can be easily implemented as it creates a better representative sample of the population. Here different parts of Bengaluru, is subdivided into different zones and wards. The researcher was able to use the samples very effectively and thereby reduce cost and time.

Sample Size

The required sample size with a 5 % margin of error and 95% confidence interval will be around 384. However, a sample of 401 was collected to ensure the accuracy of the results.

SOURCE OF DATA

- **Primary Data:** A multistage random sampling was adopted for conducting research in 6 different zones. This sampling method was chosen to divide the population into groups. Instead of using all the elements in the population only a small percentage was included. Instead of using a single sampling technique, multi stage sampling can be easily implemented as it creates a better representative sample of the population. Here different parts of Bengaluru, is subdivided into different zones and wards. The researcher was able to use the samples very effectively and thereby reduce cost and time. Both qualitative and quantitative data were collected using a questionnaire and it was measured through Likert five point scale. Respondents' views and suggestions were collected through open ended questions which are qualitative in nature.
- **Secondary Data:** The secondary data were collected from various Books, Journals, and research articles and from conference proceedings.

Analytical Techniques

Descriptive and Inferential statistics were used to analyze the data collected. Tabular analysis and Non parametric test was conducted. Therefore, to compare the old and new scheme as per self-Assessment scheme, Wilcoxon Signed rank test was conducted to know the comparison of two variables. To get the appropriate result SPSS was used to analyze the data.

Limitations of the Study

- Inferences drawn on the basis of data collected from the sample of 401 cannot be generalized
- Accuracy of information given by the tax payers cannot be authenticated
- The statistical tools employed are valid under some assumptions and not fulfilling even one assumption can lead to varying results.
- Very limited articles on tax is found, enough literature on tax and related documents are not present for conducting research

Analysis and Findings

Analysis and Interpretation play a vital role in good research. The aim of the analysis is to arrange, organize and precise the collected data in order to understand and give answers to the research questions. Analysis of research cannot be fulfilled without presenting the results in a proper way i.e., interpretation. Therefore, analysis and interpretation in a research are interdependent.

The questionnaire consisted of the following four questions to compare the old and new scheme of property tax assessment. The respondents were asked to rate each of the following items on a five point scale, **1 being very good and 5 being poor**, for new and old schemes. The frequency distributions for each of these items are given below.

Table 1: Frequency Distribution of Ratings for Tax Calculation and Clarity

Rating	Frequency		Percentage	
	New Scheme	Old Scheme	New Scheme	Old Scheme
1	93	54	23.2	13.5
2	180	175	44.9	43.6
3	101	119	25.2	29.7
4	17	48	4.2	12.0
5	10	5	2.5	1.2
Total	401	401	100	100

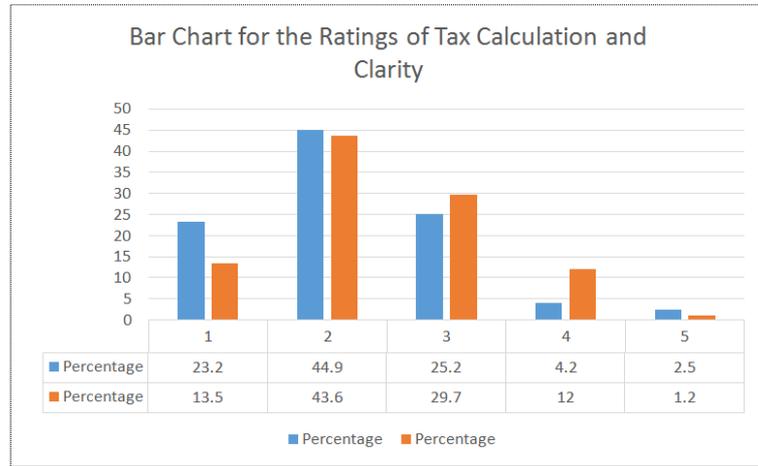


Figure 1

From the Table and Figure it can be interpreted that greater percentage of respondents have given ratings very good (23.2%) and good (44.9%) for tax calculation and clarity in new scheme compare to the values 13.5% and 43.6% in old scheme.

Table 2: Frequency Distribution of Timely Reminders

Rating	Frequency		Percentage	
	New Scheme	Old Scheme	New Scheme	Old Scheme
1	45	20	11.2	5.0
2	164	133	40.9	33.2
3	123	171	30.7	42.6
4	59	71	14.7	17.7
5	10	6	2.5	1.5
Total	401	401	100.0	100.0

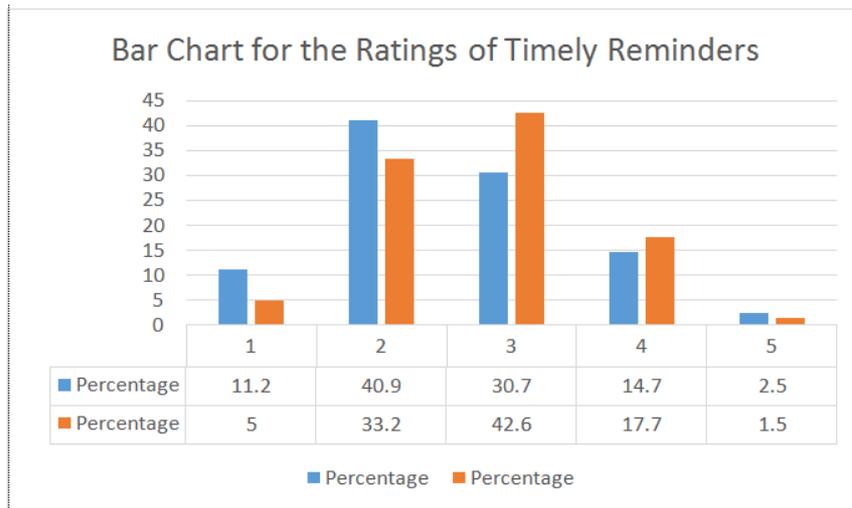
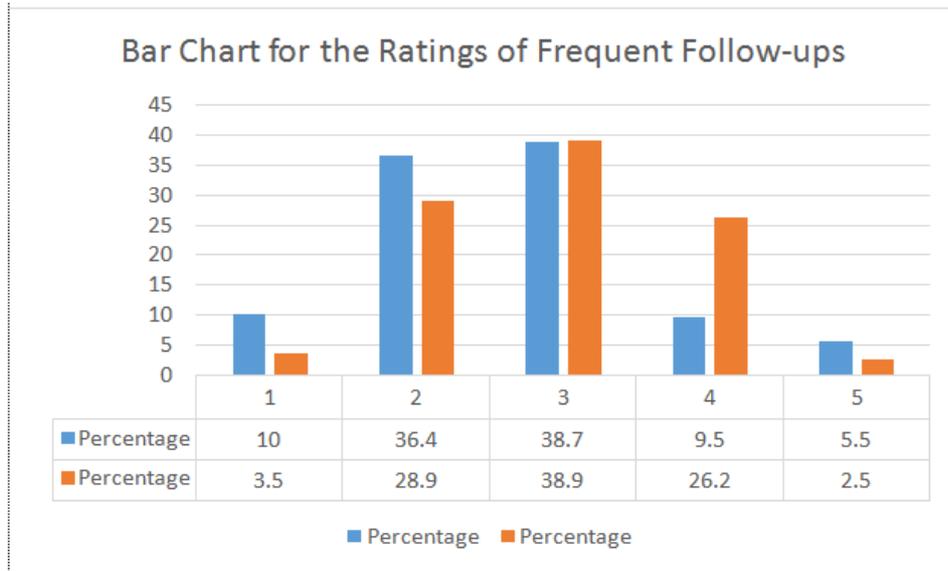


Figure 2

From the diagram given above it can be noticed that 52.1% of the respondents feel that the timely reminders in the new scheme is either good or very good whereas only 38.2% felt it that way for the old scheme. This shows that the new scheme is effective.

Table 3: Frequency Distribution of Frequent follow-ups

Rating	Frequency		Percentage	
	New Scheme	Old Scheme	New Scheme	Old Scheme
1	40	14	10.0	3.5
2	146	116	36.4	28.9
3	155	156	38.7	38.9
4	38	105	9.5	26.2
5	22	10	5.5	2.5
Total	401	401	100.0	100.0

**Figure 3**

The ratings of the frequent follow ups are given as very good by 10% of the respondents and good as 36.4% of the respondents for the new scheme whereas only 3.5% of the respondents feel that the frequent follow ups as very good and 28.9% feel that as good for the old scheme. This again shows that the new scheme is appreciated by most of the respondents.

Table 4: Frequency Distribution of Transparency in the Process, Payment & Closure

Rating	Frequency		Percentage	
	New Scheme	Old Scheme	New Scheme	Old Scheme
1	42	23	10.5	5.7
2	173	139	43.1	34.7
3	119	131	29.7	32.7
4	59	82	14.7	20.4
5	8	26	2.0	6.5
Total	401	401	100.0	100.0

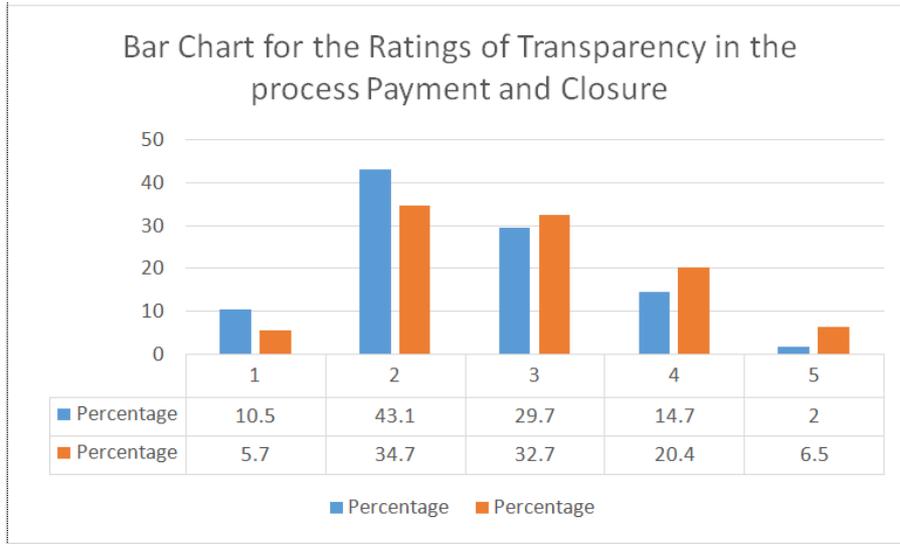


Figure 4

The above diagram also reveals that the ratings of the new scheme is better for ‘Transparency in the process, Payment and Closure’ compare to the old scheme.10.5% of the respondents had given the rating Very good for the new scheme whereas only 5.7% had given the rating Very good for the old scheme. Similarly 43.1 % feel that as good for the new scheme whereas only 34.7% felt it in that same way for the old scheme.

The above discussions show that the new scheme is better in every aspect compare to the old scheme.

Wilcox on Signed Rank Test

To test whether there is any significant difference between the old scheme and new scheme of property tax assessment, considering the four aspects under study, Wilcox on signed rank test was used.

Null Hypothesis: There is no significant difference in the ratings of each of the four items, between new and old schemes of property tax assessment:

Alternative Hypothesis: There is significant difference in the ratings of each of the four items, between new and old schemes of property tax assessment.

The results of the Wilcox on signed rank test are tabulated below.

Table 5: Wilcox on Signed Rank Test Showing the Comparison of Old and New Scheme

Item	Ranks	N	Mean Rank	Sum of Ranks	Z Value	P value
Tax calculation and clarity(Old Scheme) – Tax calculation and clarity (New Scheme)	Negative Ranks	56	103.02	5769.00		
	Positive Ranks	147	101.61	14937.00	-5.976	0.000*
	Ties	198				
	Total	401				
Timely reminders(Old Scheme) – Timely reminders(New Scheme)	Negative Ranks	78	108.55	8467.00	-4.161	0.000*
	Positive Ranks	142	111.57	15843.00		
	Ties	181				
	Total	401				
Frequent follow-ups(Old Scheme) – Frequent follow-ups(New Scheme)	Negative Ranks	52	100.41	5221.50		
	Positive Ranks	149	101.20	15079.50	-6.378	0.000*
	Ties	200				
	Total	401				

Table 5: Contd.,						
Transparency in the process. Payment & Closure(Old Scheme) –	Negative Ranks	44	87.94	3869.50		
Transparency in the process. Payment & Closure(New Scheme)	Positive Ranks	134	90.01	12061.50	-6.206	0.000*
	Ties	223				
	Total	401				

The P value for all the four items is less than the level of significance 0.05 which lead to the conclusion that there is significant difference in the ratings of the items between old and new schemes. Since the ratings start from 1 to 5, 1 being very good and 5 being poor, the more number of positive ranks favour the new scheme than the old scheme.

Hence the research results concludes that the new scheme has better clarity and ease in calculation, better in transparency, good in payment and closure and frequent follow ups are made by the officials and therefore the researcher concludes that the new scheme is better than the old scheme.

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