

the concept of equity and its connotation for the system of taxation of property. A review of methodological issues is also presented in this Section. The next Section informs the reader about the variables, data sources and sample of properties considered for the analysis. The results of estimation exercises are presented in the succeeding Section. Finally, the concluding observations are made.

II System of Taxation of Property in Greater Mumbai

In Greater Mumbai, the ARV-based system of taxation of property is in vogue and the ARV adjusted for some maintenance allowance is the base of the tax. This base is known as the Ratable Value (RV) or 'rate'. Section 154(1) of the Bombay Municipal Corporation Act, 1888, provides for the official definition of the RV:

“In order to fix the RV of any building or land assessable to a property tax, there shall be deducted from the amount of the annual rent for which such land or building might reasonably be expected to let from year to year, a sum equal to ten per centum of the said annual rent and the said deduction shall be in lieu of all allowances for repairs or any other account whatever” (Angadi 1990:14-15).

'Property tax' may not be same as 'Taxes on property' in the sense that property taxes are taxes on property but not *vice versa*. Property taxes are the taxes imposed or levied on properties for the purpose of Municipal Acts. Section 140(1) of the Bombay Municipal Corporation Act, 1888 prescribes the taxes which shall be levied on buildings and lands in Greater Mumbai and shall be called 'property taxes'. There could be taxes imposed on properties under some other enactment, but collected by the Municipal Corporation of Greater Mumbai (MCGM) for other levels of government. For example, the State Education Cess is collected under the Maharashtra Education (Cess) Act, 1962 for the State Government. The general tax is the basic component of property tax which is not dedicated to any particular purpose (except for a small fraction for fire protection) and is used for general purposes. Piggybacking of a number of taxes on the general tax has led to an exorbitant increase in the tax rate. Water and Sewerage Taxes are imposed on properties without water meter. In 1958, Education Cess was introduced. Since 1962, State Education Cess is being levied. Water and Sewerage Benefit Taxes are included from 1974. Since 1975, Employment Guarantee Cess is levied (only on non-residential properties). In 1988, Tree Cess has been added and 1993 onwards Street tax is levied. Apart from these regular taxes, Urban Immovable Tax was imposed during the period 1939 to 1963 and Additional State Education Tax during 1971-1974. Hence, the tax rate levied on properties now stands at 187.5 per cent and 320.5 per cent of RV for residential and non-residential properties (without water meter) respectively (Table 1). This has grown at the rate of 32 per cent and 40 per cent