



**Ministry of Local Government, Rural Development & Cooperatives
Local Government Division
Local Government Engineering Department (LGED)**

3.2 Guidelines for Interim tax assessment carried out throughout the year and collection increased

**Project Coordination Office (PCO)
City Governance Project (CGP)**

February 2018



**Assisted by
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1. Introduction

Rapid urbanization accelerated by industry led economic growth has been taking place in Bangladesh. Potential of economic growth in urban areas is worthy of notice. There are 335 Local Government Institutions which cover 8% of total geographical area of Bangladesh and 30% of total population, while accounting for 60% of total national growth. On the other hand, the negative impact of dramatic change in urban areas is observed. The negative impacts are because the functions of municipalities and city corporations prescribed in Local Government (Pourashava) Act 2009 and Local Government (City Corporation) Act 2009, which are very relevant to the demand of city dwellers and urban development, are not implemented in an appropriate manner. In order to improve the public services provided by urban local governments, several urban development projects are being or were implemented by Local Government Divisions (LGD) and local government and engineering departments (LGED) with financial assistance of different development partners and government's own funds. Based on the experiences gained through implemented projects, effective activities for improvement of urban governance have been formulated as a program that has been well accepted. The urban governance improvement programs have been implemented to ensure good governance of those urban local government institutions namely Paurashava for equal, social harmony and planned development. Initiating urban governance improvement, LGD and LGED with financial support of JICA commenced a project named City Government Project (CGP) in 5 City Corporations.

2. Justification

A property tax is a tax levied on property that the owner has to pay. This tax is levied by the governing authority of the jurisdiction i.e. a city corporation or a municipality in which the property is situated. Clause 2(5) of Part –I under the Local Government (City Corporation) act, 2009 defines that a building includes any shop, house, hut, outhouse, shed, stable or enclosure built of any material and used for any purpose, and also includes a wall, well, veranda, platform, plinth and steps.

Property tax is commonly referred to as 'holding/house tax' in Bangladesh. It is a local tax on buildings, along with appurtenant land, and has to be paid by the owners. In lieu of the normal property tax, a 'service charge' is permissible based on executive order. The normal property tax is usually coupled with a number of service taxes, for instance, rate for water pipe and water supply system, rate on waste disposal, rate on light and fire etc. All of these use the same tax base. The property tax rate is given as a percentage.

To improve revenue base of Comilla, Narayanganj, Rangpur, Gazipur & Chittagong City Corporations, City Governance Project (CGP) has emphasized regular tax assessment and increase of tax collection and made those mandatory in Governance Improvement Action Program (UGIAP) titled as 'interim tax assessment carried out throughout the year and collection increased' to update the tax demand and collection of CCs under the project on a regular basis.

3. Relevant Issues of ICGIAP

3.1 Tasks

Regular interim tax assessment enables CC to correctly register new and missing holdings in their territory and also it can enhance collection efficiency. It is essential for CC to conduct interim tax assessment and review the progress through the following steps.

Task1: Identify missing holdings and bring them to assessment registration.

Task 2: Prepare quarterly progress reports and present them at City Corporation meetings.

Task3: Review progress of linking interim assessment with Finance and Establishment Standing Committee and submit the report to CC monthly meeting.

Task 4: Prepare report and submit to PCO on a quarterly basis.

Task 5: Tax collection efficiency should be increased up to 85% within 4 years after starting the project.

Task 6: Continue the process even after the completion of the project.

3.2 Action by:

CC Mayor, CEO and head of revenue/accounting section

3.3 Time Schedule:

Continuous

3.4 Performance Review Criteria:

1st PR: Interim tax assessment carried out regularly

2nd PR: Interim tax assessment carried out regularly

4. Objective

(1) To increase the financial sustainability of the City Corporation.

(2) To enhance collection skills of the concerned City Corporation officers.

5. Relevant Organizations, Stakeholders and their roles and Responsibility

5.1 Necessary actions of stakeholders related to interim tax assessment

- To conduct the interim tax assessment annually on time, **the Assessment Section** will prepare a specific yearly plan for assessing interim tax based on this guideline.
- **The Mayor and/or Secretary** will encourage staff of the assessment section to assess interim tax and develop simple procedure to identify building and land eligible for interim tax assessment.
- **The Council** will take necessary action based on review of regular progress in its meeting, monitoring the interim tax assessment. The review will be led by City Corporation Secretary.
- **Each Tax Assessor** will prepare a monthly report on the progress of interim assessment.

5.2 Stakeholders and their Expected Roles in Holding Tax Collection

In order to enable the City Corporation to collect holding tax in a systematic and organized manner, the roles of various local stakeholders, including various forums created by the City Corporation, concerned ministries, local government institutions, civil society groups and press are crucially important. In practice, the roles played by each stakeholder are different as well as to some extent, similar to others depending on the nature and scope of each of them. However, all of them are driven by the common goal of assisting the City Corporation to expedite holding tax collection. To this end, sometimes there is a need to undertake joint efforts by individual stakeholders together with the City Corporation in view of the City Corporation's limited capacity to undertake the huge and complicated tasks of holding tax collection.

Given the above, it is important to define the role of each stakeholder in terms of undertaking concrete tasks and steps. These are briefly discussed below in Table-1.

Table-1: Stakeholders and their roles in raising holding tax collection

Stakeholders	Roles
City Corporation's elected ward councilors and elected female councilors in reserved seats, and social elites	Motivating the citizens to pay holding tax based on the personal initiatives of councilors and elites, and to this end, participate personally in all activities organized by the City Corporation
Gender Committee (GC)	Encouraging women to pay tax through organizing courtyard meetings under the leadership of the female councilors
Ward Level Coordination Committee (WLCC)	Undertaking mass communication, awareness raising or rally based on discussions in the committee regarding the problems of tax collection of all holdings in the concerned ward
Civil Society Coordination Committee (CSCC)	Taking decisions at CSCC meeting about launching the special programs to resolve problems of holding tax collection
Mass Communication Cell (MCC)	Preparing campaign materials (posters, leaflets, sticker etc.) to expedite holding tax collection and organizing rallies along with undertaking mass campaign and motivational programs
Tax Assessment and Collection Standing Committee	Activating the Tax Assessment and Collection Standing Committee, and expediting implementation of its activities as per the scope of work

Stakeholders	Roles
Government (Local Government Division)	<p>As per the Local Government (City Corporation) Act, 2009, LGD will take the following actions:</p> <p>Section 83. Notification and Enforcement of Taxes- (1) All taxes, rates, cesses, tolls and fees levied by the Corporation shall be notified in the official Gazette and, unless otherwise directed by the Government, shall be subject to previous publication.</p> <p>(2) Where a date of proposal for the levy of a tax, rate, cess, toll or fee or for a modification of tax, rate, cess, toll or fee is specified by the sanctioning authority the levy or modification shall come into force on such date.</p> <p>Section 84. Model Tax Schedules- The Government may frame model tax schedules, and where such schedules have been framed, the Corporation shall be guided by them in levying a tax, rate, cess, toll or fee.</p> <p>Section 85. Directions with regard to Levy of Taxes- (1) The Government may direct the Corporation-</p> <p>(a) to levy any tax, rate, cess, toll or fee which the Corporation is competent to levy;</p> <p>(b) to increase or reduce any such tax, rate, cess, toll or fee, or the assessment thereof, to such extent as may be specified under clause (a); to exempt any person or property from the levy of any such tax, rate, cess, toll or fee or suspend or abolish the levy of any such tax, rate, cess, toll or fee under clause (a).</p> <p>(2) If a direction issued under sub-section (1) is not complied with, within the specified time, if any, the Government may make an order giving effect to the direction.</p>
Heads of all government, semi-government and autonomous bodies located within the City Corporation	<p>Enable themselves to fully pay holding tax assessed by City Corporation, respective heads of semi-government and autonomous bodies within the City Corporation will send demand notes to Finance Ministry and their head offices to ensure necessary fund allocations in their budgets in particular fiscal year</p>

Stakeholders	Roles
Ministry of Finance	Provide financial grants on time based on budget allocation as per demand notes from the heads of the concerned offices for payment of holding tax of government offices/buildings located within the City Corporation
Semi-government and autonomous bodies	Allocate budget to disburse financial grant on time for the respective departments/offices/buildings within the City Corporation to pay holding tax based on the demand notes received from the concerned heads of offices.
Local administration where the City Corporation is located	Assist the City Corporation in need to implement holding tax collection campaign in line with law and through campaign for executing warrants against big defaulters of holding tax and deployment of Police and Magistrate.
Press club, civil society, business organization	Depend on press conference, newspaper campaign, concerned society/organization members' cooperation, and commitment of the concerned people in paying the City Corporation tax; undertake and implement different motivational programs designed by them
Media	Undertake mass awareness and motivational programs (discussions, advertising, drama, folk-song, cartoon, Mayor's speech addressing the City Corporation dwellers, etc.) on the City Corporation tax payment through government and private radio and television channels and with the help of local cable operators

6. Necessary Tasks and Procedures

Regular interim tax assessment enables CC to correctly register new and missing holdings in their territory and also it can enhance collection efficiency. It is essential for CC to conduct interim tax assessment and review the progress through the following steps.

6.1 Identify missing holdings and bring them to assessment registration (Task-1)

Tax assessment: There are two types of assessment system of City Corporation: 1) General Assessment; and 2) Interim Assessment

- 1) General Assessment: As per rule 2
- 2) 1 of City Corporations (Taxation) Rules, 1986 Preparation of valuation list. - A new valuation list shall, unless otherwise ordered by the Government, be prepared in the manner specified in rule 20 once in every five years. The assessment thus prepared shall be the final list of assessment and shall remain valid until a fresh list is prepared subject to any alteration or amendment under rule 26

2) Interim Assessment: Interim taxes are assessed in the event of new construction or improvements to an existing property. The interim assessment is calculated by taking the difference between the previous assessment and the new assessment. The interim assessment is then for the additional improvements only.

Interim taxes are assessed in the event of an increase in the assessment which would have taken place before the next general tax billing cycle. The interim tax is only for the period that the improvement existed.

Apart from re-assessment in every five years, interim assessment of holding tax should be done by the City Corporations every year. The interim assessment is necessary because holding tax will be either increased or decreased based on the following changes in the holding:

- If the rent of any house or part of it reduces or increases significantly
- Land improvement and new building construction take place in a holding
- Extension of old building in a holding
- More new buildings are constructed in the holding
- New building is constructed based on changed design by demolishing the old existing building in the holding

6.2 Procedure of interim tax assessment

As per rule 26 of City Corporations (Taxation) Rules, 1986. Amendment or alteration of list. -
(1) The City Corporation may, at a meeting, at any time, direct alteration or amendment of the assessment list –

(a) by entering therein the name of any person or any property which, in their opinion, ought to have been entered, or any property which has become liable to taxation after the preparation of the final list under rule 25 ; or

(b) by substituting therein for the name of the owner of any building or land the name of any other person who has succeeded by transfer or otherwise to the ownership of the building ; or

(c) by altering the valuation of or assessment on any building or land which, in their opinion, has been incorrectly valued or assessed ; or

(d) by re-valuing or re-assessing any building or land, the value of which has been increased by additions or alteration ; or

(e) by reducing, upon the application of the owner, the valuation of any building or land which has been wholly or partly demolished or destroyed or the value of which has been diminished ; or

(f) by correcting any clerical or arithmetical error.

(2) The City Corporation shall give at least one month's notice to any person for any alteration which they propose to make under clauses (a), (b), (c), (d) or (f) of sub-rule (1) and of the date on which the person shall be heard.

(3) The provisions of rules 7, 25 and 27 shall apply mutatis mutandis to any objection made in pursuance of a notice issued under sub-rule (2) and to any application made under clause (e) of sub-rule (1).

As per rule 27 of City Corporations (Taxation) Rules, 1986, Increase of amount of assessment of a building or land. - If a City Corporation is satisfied that the rent of a building or portion thereof or land has been increased after the publication of the final assessment list to such extent that, in the opinion of the City Corporation, it justifies the re-valuation of the building, it may, notwithstanding anything contained in these rules and after giving the owner an opportunity of being heard, direct the amendment of the assessment list by increasing the assessment on such building. Steps of interim assessment of holding tax are indicated in Table-2.

Table-2: Steps of Interim Assessment of Holding Tax

Action	Responsible Person	Timeframe
<p>1) Survey of the building for interim assessment will be done twice a year which may be examined by the Finance and Establishment Standing Committee and finally approved by the City Council.(Annex-1) Issue a notice to the holding owner as per Form-A with attachment of Form A (Annexes 2, 2-1, 2-2) for property valuation followed by submitting filled-in Form-B by the holding owner with correct information to the City Corporation Tax Collection Section under the Administrative Division.</p>	<ul style="list-style-type: none"> • Mayor, • Standing committee • Tax Assessor • Holding Owner 	<p>7 days</p>
<p>2) In case Form-B is not submitted by the holding owner, the Tax Assessor will visit the holding and estimate its values and complete Form-B in presence of the holding owner and take his/her signature on it.</p>	<ul style="list-style-type: none"> • Tax Assessor • Holding Owner 	<p>Immediately after expiry of the above 7 days</p>
<p>3) Form-B determines the construction cost of the building and Annex-3 depicts monthly rent of the building. Based on this monthly rent, yearly valuation of building and land will be determined. After assessment of yearly holding tax considering either construction or rent, yearly holding tax will be assessed followed by submission of it to the Mayor for approval and signature (Two examples in this regard are given in Annexes – 6 & 7).</p>	<ul style="list-style-type: none"> • Tax Assessor • Mayor 	<p>Immediately after assessment by the Tax Assessor</p>
<p>4) The Mayor will submit the collected information about interim tax assessment to the next Council meeting, and, subject to council's approval, will sign it.</p>	<ul style="list-style-type: none"> • Mayor • Council 	<p>Next Council meeting</p>
<p>5) After the Mayor's signature, the Tax Assessor will inform each concerned holding-owner via notice about the assessed tax (Annex-4). At the same time, if the house-owner has any reservation to assessed tax, the Tax Assessor will ask the holding-owner to apply to the Mayor to collect 'Form-P' (Annex-5) for review of tax assessment. The owner should be informed that if the application, highlighting reservations, is not submitted within 30 days, then the assessed tax would be treated as final.</p>	<ul style="list-style-type: none"> • Tax Assessor • Holding Owner 	<p>Within 30 days after receipt of the above notice</p>
<p>6) If no review application on assessed tax from the holding-owner is received within 30 days, then the Tax Assessor will send the re-tax assessment information on that particular holding to the City Corporation's Tax Collection Section for necessary action.</p>	<ul style="list-style-type: none"> • Tax Assessor • Tax Collector • Concerned Assistant Tax Collector 	<p>After expiry of the deadline of review application by the holding owner</p>

Action	Responsible Person	Timeframe
7) In case of receipt of review application within 30 days, the Mayor will send the application to Finance and Establishment Standing Committee and will inform the subject to the holding owner.	<ul style="list-style-type: none"> • Mayor • Finance and Establishment Standing Committee 	Immediately after the receipt of the review application
8) The Finance and Establishment Standing Committee will take needed decision quickly based on hearing review application, and the decision of the above committee in this regard will be considered as final.	<ul style="list-style-type: none"> • Finance and Establishment Standing Committee 	Immediately after the receipt of the review application
9) The Tax Assessor will inform the holding-owner of the above final decision.	<ul style="list-style-type: none"> • Tax Assessor 	Immediately after Committee's decision
10) The Tax Assessor will register the tax of the concerned holding in the City Corporation tax book, and this will be informed to Tax Collection Section under the Administrative Division for collection.	<ul style="list-style-type: none"> • Tax Assessor • Tax Collector • Concerned Assistant Tax Collector 	Throughout the year.

6.3 Rates of the Holding Tax

As per section 82 of 4th schedule of the Local Government (City Corporation) act, 2009 allows City Corporation to impose:

- Tax on the annual price of building & lands;
- Rate for water pipe and water supply system;
- Rate on waste disposal;
- Rate on light and fire.

Only the city corporation having the water supply facilities imposes rate for water pipe and water supply system. Other taxes and rates mentioned above are imposed by all the City Corporations of Bangladesh

According to the rule 35 of Chapter III under City Corporations (Taxation) Rules, 1986: Determination of percentage of taxes or rates before finalization of annual budget. - Subject to the maximum rate sanctioned by the Government, the City Corporation shall, at a meeting to be held before the annual budget is finalized, determine the percentage on the annual value of buildings and lands at which any of the taxes or rates mentioned in rule 19 shall be levied in the next financial year and the percentage so fixed shall remain in force until the City Corporation at a meeting shall determine any other percentage on the annual value at which the rate shall be levied at the beginning of the next financial year.

According to the City Corporation (Taxation) Rules, 1986, the City Corporations under the project follow the below mentioned taxes and rates for holding tax that should not exceed 27% in total. The maximum rate is also defined by the types of taxes and rates, namely, tax on land and building, street light rate, conservancy rate, and water supply rate. Details of such maximum rates are indicated in Table-3.

Table-3: Tax and Rates of Holding Tax

Source of Taxes and Rates	%
Tax on yearly valuation of building and land	Not exceeding 7%
Light rate on yearly valuation of building and land covered by street light services	Not exceeding 3%
Conservancy rate on yearly valuation of building and land covered by conservancy services	Not exceeding 7%
Water rate on yearly valuation of building and land for water installation or water supply expenditures	Not exceeding 10%

Source: Produced by the SAPI Team based on City Corporation (Taxation) Rules, 1986

6.4 Procedure of Calculation of Tax

As per Article 20 of the City Corporations (Taxation) Rules, 1986, Preparation of a valuation list. - (1) For the purpose of levy of any of the taxes or rates mentioned in rule 19, the City Corporation shall cause to prepare a valuation list of all buildings within the City Corporation and such list shall be prepared by an assessor appointed for the purpose by the City Corporation.

(2) The assessor shall, after making such inquiries as may be necessary, determine the annual value of all buildings and lands within the City Corporation in the manner provided in these rules and shall enter such value in a valuation list.

(3) The manner of determining the annual value of building and lands shall be as follows:-

(a) For wholly let-out buildings. - (i) The annual value shall be taken to be the gross annual rental minus two month's rent as maintenance allowance; and if the property is mortgaged to the Government, Bangladesh House Building Finance Corporation, scheduled bank or any other financial institution under registered instrument for securing funds for construction or purchase of the same, then the annual interest payable on account of such mortgage-debt shall also be deducted.

(ii) If the monthly rental of any building appears to be abnormally high or unusually low, the assessor, while determining annual value, may have regard to the rent at which buildings and lands of similar description and with similar advantages in the locality may be let-out.

(b) For wholly occupied buildings. - The annual value shall be deemed to be the probable annual rent at which the buildings and lands of similar description and with similar advantages in the locality may be let out or at 7 percent of the value of the building on the date of

assessment plus ground-rent for the land comprised in the building, whichever is less, minus the following:-

(a) two months rent, or one-sixth of the annual value, as the case may be, as maintenance allowance;

(ii) 40 percent of the annual value after deduction of the amount mentioned in item (i);

(iii) if the property is mortgaged to the Government, Bangladesh House Building Finance Corporation, scheduled bank or any other financial institution for securing funds for its construction or purchase of the same, then the annual interest payable on such mortgage-debt.

(c) For partly rented and partly occupied buildings. - The annual value of the rented portion shall be calculated in the manner as specified in clause (a) and that of the occupied portion as in clause (b).

6.5 Prepare quarterly progress report and present it City Corporation meeting (Task 2)

Each Tax Assessor will prepare monthly report on the progress of interim assessment (**Annex-8**) and submit it to the Council meeting, thereafter, the Mayor will prepare quarterly report following the Tax Assessors' report.

6.6 Review progress of linking interim assessment with Finance and Establishment Standing Committee and place the report to CC monthly meeting (Task3)

The Terms of reference (TOR) relating to review progress of interim assessment need to be set for Finance and Establishment Standing Committee. The purposes of review are manifold as indicated below:

- to analyze and assess the performance of the existing status of interim assessment and determine to what extent CC can emphasize in identifying new and missing holding at the time of interim assessment
- to determine if there is a need to formulate any contingency plan
- specific focus will be placed on the issues of performance and whether CC is indeed optimally performing in identifying new/missing holdings and unpacking what the challenges are in this regard

After identifying variations from the plan, the Finance and Establishment Standing Committee should formulate possible corrective actions. If pre-established contingencies will not suffice, alternate corrective options should be formulated. As solutions to variance are pursued, the process for implementing changes in scope should also be activated. Once a list of possible solutions is identified, the Establishment Standing Committee should select the best option and then submit it for approval.

6.7 Prepare report and submit to PCO on a quarterly basis (Task 4)

Each Tax Assessor will prepare monthly report on the progress of interim assessment following Annex-8 and submit it to the Council's meeting, thereafter, the Mayor will prepare quarterly report following Annex-8 to discuss it in the CSCC meeting and send it to PCO.

6.8 Tax collection efficiency should be increased up to 85% within 4 years after starting the project (Task 5)

With the rapid urban growth all over the world, the demand for various services and facilities are increasing radically. Financial support is necessary to provide these facilities. To meet the growing needs of the City Corporations' citizens and ensure sufficient quality and quantity of all public services together with necessary infrastructure development, the City Corporation needs a strong and permanent financial base. There are two types of revenue earnings of the City Corporations - tax revenue and non-tax revenue. Two-thirds of tax revenue comes from the holding tax. In tax revenue, the holding tax plays an important role to make the city corporation revenue base strong.

The holding tax is the part of property tax and everyone has to pay it. But the amount is not increasing according to the population size because of the ineffectiveness in revenue collection. The City Corporation has its act and under the act there are some specific rules. Any City Corporation may collect/gather fiscal amount by enforcing these rules/laws. So, efficient law enforcement will certainly raise the amount of holding tax. It is important for City Corporations to introduce a standard and consistent policy for collecting accounts receivable, and for dealing with delinquent and defaulting payers.

It is mandatory for the holding owner/concerned authorities of the concerned institutions to pay the 'holding tax' regularly, as assessed by tax re-assessment or interim tax assessment. It should be particularly mentioned here that street light, solid waste disposal, and water supply are considered to be one of the most important services of a City Corporation, for which citizens pay money to the City Corporation as the 'holding tax'. So, it is mandatory for the City Corporation to provide these services with quality based on collection and utilization of the 'holding tax'.

In this context, the City Governance Project (CGP) incorporates one of the activities in the Inclusive City Governance Improvement Action Program (ICGIAP) which is related to the holding tax collection. The activity is presented in Table-4.

Table- 4 : Activity related to holding tax collection increase under ICGIAP

Activities	Performance criteria	
	Performance Review Criteria	Task (Implementation Modality)
3 Tax Reform		
3.2 Interim tax assessment carried out throughout the year and collection increased	Interim tax assessment carried out regularly	Tax collection efficiency should be increased up to 85% within 4 years after starting the project.

All target City Corporations under the CGP are required to implement the above activity

Classification of holdings under ‘holding tax’

Based on the types of ownership, the holdings can be classified in the following manner:

- Privately owned building and land (holding).
- Government, semi-government and autonomous bodies’ offices and residential holdings.
- Offices and residential holdings of non-government commercial organizations.
- Holding of building and land for industrial and residential purposes.
- Holding of office and land for non-government organizations.

Efficiency of holding tax collection

Holding tax collection efficiency is expressed in terms of the collection rate of holding tax in comparison to the total demand in percentage. On the other hand, the total demand of holding tax of a particular year consists of total arrears accumulated for all types of holding taxes in the preceding years and holding tax of the current fiscal year. In this regard, an example is given below for calculating the collection efficiency:

- Accumulated arrears of holding tax of all holdings for the preceding years as of 1 July 2012-13 fiscal year = A
- Total current demand of all holdings during July-June 2012-13 fiscal year = B
- Total tax demand of all holdings for 2012-13 fiscal year = A+B
- Total collected arrears of all holdings for July-June period of 2012-13 fiscal year= C
- Total collection against total current demand of all holdings for 2012-13 fiscal year= D
- Total collection of all holdings for July-June period of 2012-13 fiscal year = C+D
- Thus, collection efficiency for 2012-13 fiscal year is $E = \{(C+D) / (A+B)\} \times 100 = \dots\%$

To ensure steady tax collection, timely sending of the tax bills from the City Corporation and regular communications with taxpayers is important. However, as for tax collection for the organizations, it is important to make necessary allocations for holding tax payments in the budgets of the respective tax-paying organizations to demonstrate their willingness to pay taxes on time. Similarly, it is equally important for the City Corporation to collect the taxes. Combined efforts and activities of both sides would help increase the City Corporation’s holding tax collection. A City Corporation should play the leading role in creating such an environment.

Holes in the net /Reasons for lower Tax collection

Proper assessment of properties and efficient collection of tax are vital for the City Corporations as property tax is the primary source of income for these authorities.

Issues faced by the civic Corporations

- Low rate of tax filing, high arrears;
- Improper assessment of property tax;
- Large number of un-assessed properties;
- Wrongly assessed properties;
- Delay in preparing the list of defaulters;
- No uniform procedure of taxation;
- Paper based property records;
- Tampering of records;
- Inaccurate and inconsistent data.

Illegal constructions, un-assessed properties, administrative inadequacies, among others, have eroded the property tax base of most Bangladeshi cities. A significant number of properties are not included in the tax base, while those that are included are often inaccurately assessed, leading to inefficient tax collection. Also, legal disputes over property ownership result in poor tax assessment.

Moreover, property tax details are still maintained in paper format, which makes it difficult for the CC authorities to track the tax defaulters and trace the un-authorized and under-taxed properties. This results in poor coverage of properties, low revenue and inefficient tax management system.

Tasks to achieve the goal of increasing holding tax collection

1) Developing bill preparation and distribution systems to increase holding tax collection

- Introduce computerized tax record and tax billing system.
- Continue annual bill-book system combining four quarters' bills prior to introducing computerized billing system.
- Ensure distribution of filled-in bill book to all holding owners within first month of the first quarter of the fiscal year.
- Distribute computerized bills to all holding owners in the first month of each quarter.
- Employ dependable courier service to ensure timely distribution of bills.
- GIS may be an innovative practice in CCs in property tax assessment and administration

2) Simplification of holding tax payment system

- Stop cash collection system with receipts by visiting every house. Introduce the system of opening a counter in the City Corporation, e-payment system, Mobile payment together with holding tax payment through required number of bank branches.
- Introduce online banking system to pay the holding tax.
- Based on the feasibility of introducing holding tax payment through mobile companies, introduce this system, if possible.

3) Publicity, communication and opinion sharing to increase holding tax collection

- Undertake motivational campaign to make aware and sensitize the City Corporation dwellers to regularly pay the holding tax. To do this, undertake rally, announcement, courtyard meeting, leaflet/poster distribution, advertisement in local dailies, presence of the Mayor in local cable TV to publicize his/her appeal.
- Highlight the importance of holding tax payment, share opinions locally with elites, heads of government, semi-government, autonomous, non-government organizations, and Press Club, representatives of civil society and business organizations as well as representatives

of cross-section of people and all religious leaders, including *Imams* of mosques, and take their cooperation.

- Undertake regular publicity programs to make all the stakeholders aware of the reason why holding tax payment is mandatory as well as the adverse impacts on the City Corporation services in case of non-payment of the holding tax, powers provided to the City Corporation authority to enforce collection of holding tax in line with the relevant regulations, and the untoward consequences of taking actions according to the legal provisions, etc.
- As per rules, the tax rebate should be mentioned in the footnote of the bill (tax rebate of 5% will be given if the tax is paid on time, and the rebate of 10% or 7.5% (depending on the number of quarters will be given if it is paid in advance), and publicize the rebate system through public announcement, rally, leaflet, poster, local dailies, etc.
- After discussing at the CSCC, WLCC, CBOs or informal committees about holding tax collection, take decisions to seek cooperation of all stakeholders for expediting tax collection increase.
- In collection of holding tax, particularly, tax on privately owned holdings, sensitize and involve the female heads.
- Prepare computerized database of each holding owner with their e-mail addresses and cell-phone numbers, and pursue the payment of the tax through SMS/e-mail communications.
- Take help of the media for publicity, communication and opinion sharing.

4) Duties/responsibilities of Tax Collectors/ Assistant Tax Collectors to increase tax collection

- Every Assistant Tax Collector, in case of collection through the bill-book, will ensure distribution of a bill to every holding in his/her area in the first month of a fiscal year or in the first month of every quarter.
- Every Assistant Tax Collector will prepare monthly and three-monthly reports highlighting the latest tax collection status of all holdings in his/her area, and contact with defaulters in person to persuade them to repay the above.
- Every month the Tax Collector under the leadership of the Secretary will organize a meeting with the Assistant Tax Collectors to review the previous month's tax collection report, analyze progress, and identify their tasks to increase tax collection, and after preparing the consolidated progress report on tax collection, send it to the Secretary for review in the Council meeting every month.
- The Tax Collector, under the leadership of the Secretary, shall fix the quarterly target for the Assistant Tax Collectors, prepare comparative statement on target and progress, mention reasons if no progress is made, and send request to the CSCC to discuss and make decisions on the formulation of possible strategies to overcome the problems.
- The Tax Collector, at the beginning of the fiscal year, will prepare the holding tax collection statement of the previous year, prepare the list of tax defaulters, and place a file to the Mayor through the Secretary or the CEO to undertake legal and other actions to collect arrears on the holding tax.

5) Introducing a motivational and incentive system for holding tax collection/payment

- Encourage staff members of the City Corporation Tax Collection Section to increase holding tax collection, and develop appropriate means to increase collection.
- Fix three-monthly and yearly targets of holding tax collection for every assistant tax collector, and measure his/her efficiency in this regard;
- Allowing rebate to the honorable holding tax payers encourage them to pay tax in time as indicated in Table 5.

Table -5: Tax Rebates

Period of bill payment within the timeframe specified by the City corporation	Rebate (%)
Current quarter bill	5%
All four quarters bills	10%
First quarter plus less of the remaining three quarters' bills	7.5%

- Reduction or remission. - (1) Whenever from the circumstances of any case it appears that the levy of any tax, rate, toll or fee would produce excessive hardship to any person liable to pay the same, the City Corporation may, at a meeting, reduce the same to the extent of 15 percent of the assessed amount, and once such deduction has been allowed, no further reduction shall be allowed by the City Corporation on the reduced amount.
- Reward the tax collector(s) amongst all others, who have been able to achieve the annual collection target with promotion/special enhanced salary/bonus/special financial benefit/gratuity along with testimonials.
- Caution or withhold enhancement of salary of the tax collector(s) who failed to achieve the fixed target.
- Award prizes to regular taxpayers based on their regularity of payment.

6) Legal action against holding tax defaulters

The Government empowered the City Corporation to recover all arrears through distress warrant, sale of movable property or even by attachment and sale of immovable property belonging to the person concerned. The City Corporation should not only serve the distress warrant but also take legal action against defaulters to collect dues in arrears. Without punitive measures, collection efficiency cannot be increased. The City Corporation should bring pressure to bear on the defaulter to clear their arrears and should use the power which is provided by the government against the tax defaulters through attaching movable properties etc. The City Corporation must understand that without a collection-led strategy, no amount of reform in the system will generate increased tax revenues.

Finalizing the list of defaulters based on a review of the previous year's tax collection report submitted by the tax collector at the beginning of new fiscal year. **(Annex-9 & 10)**

Tax officials need to be given special mobilization and assessment training to boost the holding tax collection.

7) Application of the authority to collect arrears through attachment and sale

Under section 11 of the City Corporations (Taxation) Rules, 1986 Recovery of arrear taxes, etc.
 - (1) Subject to the provisions of rule 10, if any person fails to pay any tax, rate, cess, toll or fee, or any installment thereof or any other dues within the specified time, the City Corporation shall cause a list of such arrears to be prepared and shall display it on the notice board of the City Corporation and simultaneously a notice shall be served on the defaulter individually.

(2) On the expiry of thirty days from the date on which the arrear list is so displayed and notice served, the City Corporation may proceed to recover the arrears as a public demand, and where the City Corporation has been empowered to recover arrears of taxes, rates, cesses, tolls, fees and other moneys claimable by the Corporation by distress and sale of movable property belonging to the person concerned, it may proceed to recover the amount due by distress and sale of movable property belonging to the person concerned.

As per rule 12 of City Corporations (Taxation) Rules, 1986, Power to recover dues by distress and sale by whom to be exercised. - (1) The power to recover arrears of taxes, rates, tolls, fees and other moneys by distress and sale of movable property shall be exercised by the Mayor of the City Corporation.

(2) The Mayor of the City Corporation shall issue the warrant of distress and sale of movable property.

(3) Any employee of the City Corporation duly authorized by the Mayor in this behalf shall execute the warrant.

(4) In case there is any apprehension of breach of peace in the execution of distress warrant, the Mayor, when required, may seek police assistance and any extra cost involved in securing the assistance of police shall also be recoverable from the defaulter.

In some cases the big players earning crores of taka in rent are not at all interested in cooperating with the tax officials. Some of the prominent defaulters of holding tax would be served distress warrant notice. The City Corporation may seek police assistance to deal with situations that might arise once the notice is served. CC can earn more holding tax from the major defaulters as they evade it.

9) Computerization/GIS may simplify property tax assessment and collection in City Corporation

Proper assessment of properties and efficient collection of tax are vital for the City Corporation to increase their property tax. In a bid to improve their functioning, GIS may be an innovative practice in CCs in property tax assessment and administration. The need for implementation of on-line system for property tax through a proper mapping of properties using a GIS system is the dire need of time.

Use of GIS may open a whole new horizon for the City Corporation; the CC can utilize this technology for database preparation and assessment of property. The urban areas that will use the GIS might observe major increase in revenues.

6.9 Continue the process even after the completion of the project. (Task 6)

For financial stability of CC, sustainability of the practices/criteria established at the time of implementation of the project, even after its completion is vital. In many cases, it is experienced that while the project runs, all the criteria set by the project are followed by the concerned organization, however, after completion of the project, even some good practices, are sometimes abandoned by that organization. It is obvious that continuous tax assessment and collection increase set as a criteria by the development partner would have some positive

impacts on the City Corporation’s revenue collection. Therefore, there is no good reason to give up such practices after completion of the project.

6. Implementation Schedule

Activity	Task/TOR	1st Year				2nd Year				3rd Year				4th Year			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Interim tax assessment carried out throughout the year and collection increased	Task1: Identify missing holdings and bring them to assessment registration.																
	Task 2: Prepare quarterly progress report and present it at City Corporation meeting																
	Task3: Review progress of interim assessment linking with Finance and Establishment Standing Committee and submit the report to CC monthly meeting.																
	Task 4: Prepare report and submit to PCO on a quarterly basis.																
	Task 5: Tax collection efficiency should be increased up to 85% within 4 years after starting the project.																
	Task 6: Continue the process even after the completion of the project.																

7. Cost of Implementation (if necessary)

The Mayor, CEO and the head of revenue/accounting section will make an assessment of the cost of implementation of this activity and submit a proposal each year for approval of the CC Council.

Annex I The procedure of determination of New Holding Number

Department/Section	DEPARTMENT OF REVENUE
Procedure of delivering services	The owner of the landlord needs to apply enclosed with the documents of the ownership of the land. Subsequently, the holding number is given if physical examination on the ownership of the land found correct.
Required time to deliver the services	15 days are required subject to the availability of information/documents in relation to vacant places and for infrastructure under construction. 90 days are required if infrastructure exists.
Necessary Fee/tax/Relevant Expenses	Annual Tax BDT 27 & Quarter Tax 6.75 for vacant places and for infrastructure under construction.
Relevant Acts/Rules	Section 26(1) of the City Corporation Taxation Rules 1986
Other Rules	Approval of tax officer is needed for vacant places and for infrastructure under construction.

Annex II Sample form-A

FORM-A

..... **City Corporation**

[Under rule 22 of City Corporations (Taxation) Rules, 1986]

Date:.....

Memo No.

To:

Father/Husband Name:

Address:

For the purpose of preparing the (revised) valuation list of building and land, take notice that under rule 22 of the City Corporation (Taxation)Rules, 1986, you are hereby required to furnish the undersigned within fifteen days from the receipt of this notice a true and correct return of the rent or annual value of your buildings and lands and correct description of the same in Form B attached hereto.

In case of default, you shall be liable to fine which may extend two thousand taka, and a further fine of not exceeding one hundred taka for each day during which you shall fail to furnish the return.

.....City Corporation Office

Tax
Assessor

.....City Corporation

Date:, 20..... Year

Annex-2-1

Annex III Sample Form-B, Rules-22

FORM-B, Rule-22

..... City Corporation

[Notice under the City Corporations (Taxation) Rules, 1986]

For City Corporations tax assessment or revised tax assessment or interim tax assessment, actual and correct rent or yearly valuation return with clear and correct description of the land and building on it.

(The following points to be filled-up by the owner or occupant)

- 1) Name of revenue circle/ward:
- 2) Name of Moholla/road:
- 3) Present number of building and land (holding) in tax assessment list:
- 4) (a) Name of owner/owners of the holding:
Father's/husband's name:
- (b) Name of occupant(s):
Father's/husband's name:
- 5) Area of the building and land:
 - (a) Building area
 - (1) Pucca building:
 - (2) Semi-pucca:
 - (3) Kuttcha:
 - (4) Total:
 - (b) Land area
 - (1) Pond/derelict pond:
 - (2) Canal:
 - (3) Garden:

(4) Kutcha latrine:

(5) Other usage:

6) Description of the building

(Submit as per the description in the next page)

(Signature of the returnee)

(To be completed by Tax Assessor)

7) Building and land's new holding number (if provided):

8) Yearly valuation as determined by Tax Assessor:

Residents	Residential Building	Shop/warehouse/factory/workshop	Empty Land (if valuated separately)	Total
a. Owner (self)				
b. Occupant (tenant etc.)				

Total:.....

9) Tax Assessor's comments explaining briefly the reasons if there are differences in determining the holding taxes between the holdings in the same area or same road in relation to determining the basis of yearly valuation.

Tax Assessor

..... City Corporation

Annex IV Sample format for Building Descriptions

Description of Buildings (According to sl. no. 6 of FORM-B)

Type of building	Type of construction: Pucca building, semi-pucca building, kutch house, temporary wooden house, plain or slate-tiles roof, or leaves, straw/leaves roof or corrugated tin-shade or flat etc.	Age of the building and current status	Number of storey	Number, shape & description					Present value or owner/occupants possessed building & attached land's yearly rent	Remarks
				Room	Balcony (open or closed)	Bath-rooms	Staircase	Total floor area		
1	2	3	4	5	6	7	8	9	10	11
a) Occupied by owner (1) Residential building (2) Shop/warehouse/factory/workshop										
(b) Occupied by occupants (1) Residential building (2) Shop/warehouse/factory/workshop										

Annex V Sample Form-C, Rules-23

FORM-C, Rule -23

.....City Corporation

..... year tax-assessment list

Sl. No	Road name of the building	Holding No of the building		Description of the building	Yearly valuation of the building	Name of owner	Type of tax or rate	Amount of yearly tax or rate						Amount of quarterly installment	Other description	Remarks
		Old	New					Holding	Conser-vancy	Water	Street light	Fire	Total			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17

Annex VI Sample Notificaiton

..... City Corporation
[Notification on City Corporation Tax Assessment as per Article 20(3) of the City Corporations (Taxation) Rules, 1986]

Date:

Memo No.

Name of holding-owner:

Father's/Husband's Name:

Address:

It is hereby being informed you that as per rule 7(1) of the City Corporations (Taxation) Rules, 1986 No. ward/tax circle moholla/road/present holding no. (old holding no.....) upon yearly valuation as per the above law's Article 20(3) new/changed basis yearly tax and rate have been fixed as per rates below. In the valuation list of tax assessment if you have any objections regarding proposed tax, ownership, houses/shops/building types etc., you can apply to the City Corporation in Form 'P' for tax re-assessment following payment of previous dues. After expiry of the deadline, no application will be accepted and assessed tax on you will be treated as final. The above tax will be effective onyear for collection.

In this context yourself or your representative in person may submit an application to the City Corporation within 30 days of this notification for a review providing reasons in Form 'CHHA' for any objections to tax assessment.

Tax Assessor

..... City Corporation

Mayor

..... City Corporation

Revised yearly tax and rate

Yearly valuation :

Tax on building & land :

Conservancy rate :

Street light rate :

Water rate :

Total

(In word:))

N.B. The above notice will be treated as final. Date of notification:

Final February 2018

Annex VII Form P

..... City Corporation

FORM- P

[Notice under rule 7(1)] of City Corporations (Taxation) Rules, 1986]

[Petition for objective against Assessment and Valuation]

[To be filled by the petitioner]

1. Date of application:

2. Name of applicant:

Father's/husband's name:

3. Holding/house no. :..... Ward/Circle No.

Name of Road/Moholla:

4. Yearly valuation

a) Current :

b) Revised :

5. Brief description of the reasons for rebate by the applicant:

Signature of the applicant

(To be filled-up by the office)

6. Attestation by the office on correctness of information provided from serial no. 1 to 5:

7. Comments of representative-member of the City Corporation or investigation officer:
8. Order of the Standing Committee regarding tax assessment and collection for every building

a) Essence of the order:

b) Final assessment of yearly valuation:

9. Signature of the members of Standing Committee on tax assessment and collection:

(1) (2) (3)

(4) (5)

10. Remarks about dues of the applicant and from which quarter this order would be effective:

.....
.....

Signature of section head

Annex VIII Construction Cost Formula

1. Construction cost	Tk. 100,000.00
2. Yearly valuation	
- 7.5% of construction cost	Tk.7,500.00
- deduction of O&M cost (1/6 of Tk.7,500)	Tk.(-)1,250.00

Yearly valuation Total: Tk.6,250.00

3. Assessment rates of yearly holding tax (based on yearly valuation in %)	
a. Tax on yearly valuation of building and land	Not exceeding 7%
b. Rate on building and land covered by street light services	Not exceeding 3%
c. Rate on building and land covered by conservancy services	Not exceeding 7%
d. Rate on building and land for maintenance and extension of water supply system	Not exceeding 10%

Total Not exceeding 27%

(Total rate of yearly holding tax valuation would be not exceeding 27% or as per the rates determined by the City Corporation following approved policies for calculating the holding tax. For convenience, 27% has been used here to calculate holding tax)

4. Amount of yearly holding tax = yearly valuation x 27%	= Tk.1,687.50
= Tk.6,250.00 x 27/100	

5. Deduction

a) For own use ¼	= Tk.421.88		
b) Repaid interest of house building loan	=	Tk.	
		
Total deduction	=	Tk.	= Tk.
		

6. Assessed yearly holding tax = Tk.

7. If the assessed holding tax is lower than the minimum amount determined for the concerned City Corporation then the minimum tax would be applied.

Final February 2018

Annex IX Monthly Rent Based Formula (assuming monthly rent Tk.1,000)

1. Actual rent of 12 months or potential rent	Tk. 12,000.00
2. Deduction of 2 months' rent (for maintenance)	Tk. 2,000.00
Total yearly valuation =	Tk. 10,000.00

3. Assessment rates of yearly holding tax (based on yearly valuation in %)

a. Tax on yearly valuation of building and land	Not exceeding 7%
b. Rate on building and land covered by street light services	Not exceeding 3%
c. Rate on building and land covered by conservancy services	Not exceeding 7%
d. Rate on building and land for maintenance and extension of water supply system	Not exceeding 10%

Total	Not exceeding 27%
--------------	--------------------------

(Total rate of yearly holding tax valuation would be not exceeding 27% or as per the rates determined by the City Corporation following approved policies for calculating the holding tax. For convenience, 27% has been used here to calculate holding tax)

4. Amount of yearly holding tax = yearly valuation x 27% = Tk.2,700.00
 = Tk.10,000.00 x 27/100

5. Deduction

a) For own use ¼	= Tk.675.00
b) Repaid interest of house building loan	= Tk.
Total deduction	= Tk. = Tk.

6. Assessed yearly holding tax = Tk.

7. If the assessed holding tax is lower than the minimum amount determined for the concerned City Corporation then the minimum tax would be applied.

Final February 2018

Annex X Progress Report Form on Interim Tax Assessment

Sl. No.	Name of Tax Assessor	Name & Address of Owner with Holding No.	Starting Date of Interim Tax Assessment Process	Progress during Report Preparation	End Date of all Processes of Interim Tax Assessment	Amount of Finally Assessed Tax	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1							
2							
3							
1							
2							
3							
1							
2							
3							

Annex XI DEMAND NOTICE

Article 11 (2) of the City Corporations (Taxation) Rules, 1986

To,

Mr/Msresident of
ward of City Corporation.

As per the bill send herewith your Taka has been held as arrear and now the said taka is demanded from you. If this taka is not paid to the authorized collector or City Corporation office within 15 (fifteen) days of this notice, the said amount of taka with all expenses shall be collected through attachment and sale (auction) of your assets and goods or as per other existing rules of law.

.....City Corporation Office

Mayor

Date, 20 year

..... City Corporation

Signature of notice server

Annex XII Duplicate Bill

..... City Corporation OFFICE

DUPLICATE BILL

Bill No. Holding No. Ward No.

Mohalla/Road Name:

Name of Taxpayer

Father's/Husband's Name

The total demand fromthree-monthly installment of year to
..... three-monthly installment of year of the above holding is as
below:

Tax on building and land:

Conservancy rate:

Street light rate:

Water rate:

Total:

No.....

Mayor

..... City Corporation

Date:, 20..... Year