

A Study Analyzing the Acceptance and Impact of Property Tax on the Property Owners in Bengaluru City¹

SELVI S*

Abstract

Property tax is an integral part of the urban local tax in India due to its reference made in the 7th schedule of the Constitution. The onus of giving a structure and design to the house tax in India lies with the local self-governments in every state. It is one of the largest source of revenue in Municipal Corporation contributing to the revenue of the state government. The system existing in each state in collecting tax from the public faces huge challenge as there is chaos in the minds of the people. But the Karnataka state government brought in the new self-assessment scheme after they felt this system would be transparent and clear to the common man. To understand this, the present study is undertaken. The present paper aims at analyzing awareness, acceptance and impact of New SAS on the tax payers. Structural Equation Modeling (SEM) is used to analyze the data. All the criteria for model fit indices are satisfied by the model proposed. Model can be extended to the successful implementation of schemes in a district and its contribution in national development.

I. Introduction

1.1 Property Tax

Community forms the basis of development around the world. People living in a particular set-up, having a unique social system are termed as a community. Globally every system relies on the society for its development and sustainability, without which the system will eventually fail. Property tax represents the largest source of income in local governments. House or Property tax is a tax that a property owner is liable to pay on the property value. Property Tax in India is taxed on residents by local Municipal Corporation to maintain and upkeep the basic civic services in the city. Universally, property taxes are commonly used as the integral source of locally generated revenue. In Bengaluru city, property taxes are levied and collected under new self-assessment scheme by the BBMP.

1 Presented at FI International Research Conference (August 8th, 2020)

* Associate Professor, Jain (Deemed to be University), The CMS Business School, No. 17, Sheshadri Road, Gandhi Nagar, Bengaluru, Karnataka 560069, INDIA

References

- Beck, P., J. Davis and W. Jung, (1991), "Experimental Evidence on Tax Compliance reporting under uncertainty", *Accounting Review*, Vol. 66, No. 3, pp. 535-588
- Bret, J.F., W.L. Cron and Jr. J.W. Slocum, (1995), "Economic dependency on work: A moderator of the relationship between organizational commitment and performance", *Academy of Management Journal*, Vol. 38, No. 1, pp. 261-271
- Fischer, C.M., M. Wartick and M. Mark, (1992), "Detection Probability and Taxpayer Compliance: A Review of the Literature", *Journal of Accounting Literature*, Vol. 11, pp. 1-46
- Fishbein, M., and I. Ajzen, (1975), "Belief, Attitude, Intention and Behavior: An Introduction to Theory and Research", Addison-Wesley
- Hsu, M., and C. Chiu, (2004), "Predicting electronic service continuance with A Decomposed Theory of Planned Behaviour", *Behaviour & Information Technology*, Vol. 23, No. 5, pp.359-370
- Jackson, B., and V. Milliron, (1986), "Tax Compliance Research Findings, Problems and Prospects", *Journal of Accounting Literature*, Vol. 5, pp. 125-165
- Joseph, Murangira, (2015), "The propriety of property rates tax in Kampala Capital City Authority", *International Journal of Development Research*, Vol. 5, No. 1, pp. 3050-3054
- Kelly, (2013), "Making the property tax work", International center for public policy, pp. 36-51
- Lewis, A., S. Carrera, J. Cullis and P. Jones, "Individual Cognitive, and cultural differences in tax compliance: UK and Italy compared", *Journal of Economic Psychology*, Vol. 30, pp. 431-445
- Mangioni, (2013), "A review of the practices of Valuers in the assessment of land value for taxation in Australia", *Journal of property tax assessment & Administration*, Vol. 12, No. 2, pp. 5-13
- Mohanty, P.K., (2003), "Reforming Property Tax: The Approach of Municipal Corporation of Hyderabad", Center for Good Governance, Hyderabad, 2003
- Mohanty, P.K., B.M. Misra, R. Goyal and P.D. Jeromi, (2007), "Municipal Finance in India: An Assessment", Reserve Bank of India, Mumbai, December 2007
- Natrad, Saad, (2014), "Tax Knowledge, Tax complexity and Tax Compliance: Tax payers view", *Procedia Social and Behavioural Sciences*, Vol. 109, pp. 1069-1075
- Pavlou, P.A., (2002), "What drives Electronic Commerce? A Theory of Planned Behaviour Perspective", Proceedings of the Academy of Management Conference, Denver, pp. 9-14
- Rao, Govinda, (2013), "Property Tax System in India: Problems and Prospects of Reform", NIPFP working paper No 2013-114, National Institute of Public finance and Policy, Delhi pp. 2-19
- Ravi, M.V., (2016), "A study on Awareness and Perception of tax payers on Direct Tax code", *International Journal of Multifaceted and Multilingual Studies*, Vol. III, No. VIII, August, pp. 1-11
- Razak, Abubakari, Abdul and Ad gala J. Christopher, (2013), "Evaluating tax payers' attitude and its influence on tax compliance decisions in Tamale, Ghana", *Journal of Accounting and Taxation*, Vol. 5, No. 3, pp. 48-57

Richardson, G., (2006), "Determinants of tax evasion: A cross-country investigation. *Journal of International Accounting, Auditing and Taxation*, Vol. 15, pp. 150-169

Roth, J.A., J.T. Scholz and A.D. Dryden Witte, (1989), "Taxpayer Compliance an Agenda for Research", Vol. 1, Philadelphia PA: University of Pennsylvania Press

Samuel, Alemnew, P. Beley and Viwwanadham, (2016), "An Assessment of Business Income Taxpayers Tax Knowledge, Tax Complexity, and Tax Compliance: A Case of Amhara Regional State of Ethiopia", *International Journal of Science and Research (IJSR)*, Vol. 5, No. 5, pp. 628-638, May 2016

Selvi, (2015), "An analysis on the payment of property tax and rebate under the new scheme w.r.t Bangalore district", *Pezzottaite Journal* Vol. 4, No.3, pp. 11-14

Simanti, Bandyopadhyaya, (2005), "Impact of Area Based Valuations in Property taxation: A tale of 2 Indian cities", *Journal of Property Tax Assessment & Administration*, Vol. 11, No. 4, pp. 35-51

Smolka, Martin and Claudia De Cesare, (2010), "Property Tax and Informal Property: The Challenge of Third World Cities", Working Paper WP10MS2, Lincoln Institute of Land Policy, pp. 27-56

Smolka, Martin and Claudia De Cesare, (2012), "Implementing value capture in Latin America: Policies and tools for urban development", *The Property Tax in Theory and Practice*, pp. 11-32

Terkper, S., (2007), "Improving Taxpayer Accounting for SMEs and Individuals", Andrew Young School of Policy Studies Annual Conference on Public Finance Issues: Alternative Methods of Taxing Individuals, Georgia State University, Georgia, pp. 22-23

Thorndike, J.J., (2009), "The Unfair Advantage of the Few: The New Deal Origins of "Soak the Rich" Taxation", in *The New Fiscal Sociology: Taxation in Comparative and Historical Perspectives*, pp. 26-28

Young, A., C. Danny and H. Daniel, (2013), "A Study of the Impact of Culture on Tax Compliance in China", *International Tax Journal*, pp. 33-44

Annexure

Table A1
Abbreviations used in SEM

AWARE	Awareness of the new scheme
ACCEPT	Acceptance of the new scheme
RATE	Rating given for the new scheme and new bill collectors
IMPACT	Impact of the new scheme on the respondents
RESPROP	Number of Residential properties the respondent owns
INCOME	Annual income of the respondents
OCCUPN	Occupation
TOTMEMB	Number of members in the family
EARNMEMB	Number of members earning in the family
AGE	Age of the respondent
GENDER	Gender of the respondent