

Vacant Land Tax

Case Study: Hyderabad, Telangana





Vacant land tax is a tax imposed on properties within the city limits that are not being utilized or developed, aiming to **incentivize property owners to make productive use of their land** and discourage vacant land holding. This is done because if the land is kept vacant without any construction, the ULB will not get any return on infrastructure investments made in that area.

Vacant Land Tax - The case of Hyderabad, Telangana

Overview

Greater Hyderabad Municipal Corporation (GHMC) levies vacant land tax based on the capital value of land. The vacant lands are identified and assessed for fixation of a vacant land tax, which is levied on the owner by the revenue section of the ULB. The main functions/processes of the revenue section, with reference to vacant land tax, pertain to issuance of notices, assessment of tax, issue of demand notice, collection of tax, maintenance of records and issuing of receipts of application for assessment, inspection, and processing of the application.

At present, the extent of vacant land is being collated by the **Town Planning Authority** by the conducting field surveys. Due to manual surveys, it is not practical to get the total extent of vacant land in the urban area. Also, establishing ownership of the land is another problem when serving notices. To overcome these problems, the extent of vacant lands in the urban area may be collected through modern techniques of remote sensing, and the ownership of such lands shall be accessed online from the **Registration and Stamp Department**.

Legal Basis

Reference Section of the Act:

Sub-section (2) of section 212 of **Hyderabad Municipal Corporation Act-1987** (Amended).

Who levies the charges?

The vacant land tax (VLT) is levied by **Greater Hyderabad Municipal Corporation (GHMC)** as per the ULB rules set under Vacant Land Tax.

Applicable Rates

A tax at the **rate of 0.5% of the estimated capital value of the land** shall be levied on any vacant land not exceeding three times the plinth area of the building, including its site or vacant land to the extent of 1,000 sq.m, whichever is less, and a **penalty of 0.25% of the capital value of land** where garbage is dumped and unhygienic conditions prevail in the vacant lands. The capital value of lands is fixed by the stamp and registration department for the purpose of registration of the vacant land. In the areas where the municipality has not provided infrastructure facilities like water, drains, roads and street lights, the levy of VLT may be exempted, since the Municipality had not made any investments in the area.

GHMC has considered decreasing the tax from the current 0.50% to 0.25% which requires amendment in the GHMC Act.

Collection from VLT

The collection of tax is also **very low**. Due to increase in market value, the owners of large parcels of land are avoiding payment of tax. In fiscal 2017, total VLT collected was **INR 72.29 Lakhs** which was **0.01% of the total property tax** collected in the Hyderabad region.