

TAXATION POLICY ON URBAN HOUSE PROPERTY
IN BANGLADESH : A CASE STUDY OF DACCA CITY

TOUFIQ M. SERAJ.

MASTER'S THESIS.

Submitted to the Department of Urban and Regional Planning, Bangladesh
University of Engineering and Technology, Dacca in partial fulfilment
of the requirements for the Degree of
MASTER OF URBAN AND REGIONAL PLANNING.

336.2209/54922
1982
TOU

DEPARTMENT OF URBAN AND REGIONAL PLANNING,
BANGLADESH UNIVERSITY OF ENGINEERING AND TECHNOLOGY, DACCA.

APRIL, 1982.

THESIS ACCEPTANCE FORM

DEPARTMENT OF URBAN AND REGIONAL PLANNING
BANGLADESH UNIVERSITY OF ENGINEERING & TECHNOLOGY, DACCA.

TAXATION POLICY ON URBAN HOUSE PROPERTY
IN BANGLADESH: A CASE STUDY OF DACCA CITY

BY

TOUFIQ M. SERAJ

APPROVED AS TO STYLE AND CONTENT BY :

Mahbubun Nabi.

Chairman of the Committee
(Head of the Department)

M.C. Chowdhury

Member

M.R. (M. S. CHOWDHURY)

Member

HEM HOSSAIN

Member

Khalida Rahman

Member



April, 1982



ABSTRACT

The housing situation in the urban sector of Bangladesh is not satisfactory. Moreover, the rate of urban growth in Bangladesh is one of the highest in Asia. This will further aggravate the housing situation in near future. Residential land is the scarcest resource in the capital city Dacca, the fastest growing urban centre of Bangladesh. At present Dacca is expanding in linear fashion and thereby eating up valuable agricultural land. People are investing on urban land in order to safeguard savings against inflation. Bangladeshi nationals earning abroad are also investing on urban land due to lack of investment opportunity in other sectors of economy. This has led to land speculation and price escalation. Due to high land speculation, land remains vacant, underutilized and unproductive. This again leads to artificial land scarcity. Ultimately, the supply of houses in urban sector is retarded. Furthermore, at present there is no effective co-ordinated and comprehensive taxation and land administration policy which can effectively curb speculation and under utilization of land.

This study focuses on a few selected aspects of housing, mostly regarding taxation policy on urban house property. The study reviews the housing situation in Bangladesh and examines the urban land utilization pattern in Dacca city. This research study primarily examines the existing taxation system and its effects on urban housing in Bangladesh. The taxation policy on urban house property in other countries is also reviewed and compared with that in Bangladesh. This study provides an understanding of the effectiveness of land policy and taxation system as a tool to guide urban growth and development. It also takes note that the present taxation policy acts as a disincentive for house construction leading to under-utilization of urban land. The study reveals that social

justice is not maintained between different localities within the city with regards to municipal earning and municipal expenditure. This study provides the outlines of an appropriate taxation policy for urban house property. The conclusion adds that the problems of housing can be mitigated considerably by devising an appropriate and functional taxation policy on urban house property.

Thesis Title

TAXATION POLICY ON URBAN HOUSE PROPERTY
IN BANGLADESH : A CASE STUDY OF DACCA CITY

Thesis Supervisor

Mr. A.S.H. Mahabub-un-Nobi
Associate Professor and Head,
Department of Urban and Regional Planning.

ACKNOWLEDGEMENT

The author expresses his deepest gratitude to his thesis supervisor Mr.A.S.M. Mahbub-un-Nabi, Head of the Department of Urban and Regional Planning, B.U.E.T., for his able guidance and constant supervision in preparing this thesis. The author also extends his gratitude to Mr.Golam Rahman, Dean of the Faculty of Architecture and Planning, B.U.E.T., for his encouragement and help at different stages of the thesis.

The author is grateful to Mr.David L.Willcox, U.N.D.P. Legal Expert and Advisor on Public Law and Administration for making valuable suggestions in the preparation of the thesis. Thanks are due to Mr.Syed Abu Samath, Assistant Professor, D.U.R.P., B.U.E.T., for his sincere help during the entire length of thesis work. Special thanks are extended to Dr. Hameed Hossain, Assistant Professor of the same department and System Analyst, Computer Centre, B.U.E.T. for his advice and guidance during data processing.

The author is also grateful to Mrs. Sadrunessa and Mr. Fakhru'l Islam of the Architecture and Planning Faculty Library for their constant help during library works for the thesis.

The author extends his heartfelt compliments to all his colleagues in the M.U.R.P. course for their co-operation at different stages during thesis work. Thanks are due to all the field investigators for their help in data collection. But the help provided by Mr. Syed Aham Rabib, an undergraduate student of Architecture deserves special acknowledgment.

CONTENTS

	<u>Page</u>
1. INTRODUCTION	1
1.1 Statement of the Problem	2
1.2 Justification for the Study	3
1.3 Objectives of the Study	4
1.4 Scope of the Present Study	4
1.5 Methodology	5
1.5.1 Methodological Approaches in the Present Study	6
1.5.2 Organization of Field work and Collection of Data	8
1.5.3 Questionnaire	9
1.5.4 Other Aspects of Survey	9
1.5.5 Data Processing	10
1.6 The Study Area	10
1.7 Organization of the Present Study	13
2. REVIEW OF URBAN HOUSING SITUATION	14
2.1 Urbanization in Bangladesh	17
2.2 Problems of Housing	19
2.2.1 Housing Stock	19
2.2.2 Rate of Occupancy	20
2.2.3 Size of Household and Housing Unit	20
2.2.4 Floor space	21
2.2.5 Tenure and Mode of Ownership	21
2.2.6 Housing Quality	23
2.2.7 Rent of Housing Unit	24
2.2.8 Squatters and Slums.	25

	<u>Page</u>
3. URBAN LAND UTILIZATION PATTERN IN DACCA CITY	28
3.1 Economics of Urban Land Utilization	29
3.1.1 Situs and Land Value	30
3.2 Land Values in Dacca City	32
3.3 Causes of High Land Value	34
3.4 Availability of Land in Dacca City	36
3.5 Residential Land Use Pattern of Dacca City	37
4. EXISTING TAXATION SYSTEM ON URBAN HOUSE PROPERTY IN BANGLADESH AND ITS EFFECTS	66
4.1 General Note on Taxation	47
4.2 Urban Property Taxation in Bangladesh	48
4.2.1 Municipal Taxes	49
4.2.2 Urban Immoveable Property Tax	51
4.2.3 Wealth Tax	52
4.2.4 Land Development Tax	53
4.2.5 Income Tax	53
4.2.6 Capital Gain Tax	54
4.2.7 Betterment Fees	54
4.2.8 Unutilized Land Taxes	54
4.2.9 Estate Duty	55
4.2.10 Gift Tax	55
4.3 Existing Taxes on Non-Urban Land	55
4.4 Survey Findings on Present Taxation Structure	57
4.5 Effects of Existing Taxation System	68

	<u>PAGES</u>
5. TAX ADMINISTERING ORGANIZATIONS IN BANGLADESH	72
5.1 Tax Administering Organizations	73
5.1.1 Municipality	74
5.1.2 The National Board of Revenue	76
6. REVIEW OF URBAN LAND POLICIES ADOPTED BY OTHER COUNTRIES	79
6.1 Land Policy	80
6.1.1 Urban Land Policy in Taiwan	81
6.1.2 Urban Land Ceiling in India	87
6.2 Land Banking	87
6.3 General Comment on Land Value Tax	89
6.4 General Comment on Vacant Land Tax	91
7. SUMMARY FINDINGS, RECOMMENDATIONS AND CONCLUSIONS	92
7.1 Summary Findings and Recommendations	93
7.2 Conclusion	104
APPENDICES	106
A Notes on Dacca City	107
B Review of Urban Housing Situation	114
C List of Wards of Dacca Municipality	117
D Organization Chart of Dacca Municipal Corporation	118
E Different items of Taxes levied by a Pouroshava	119

	<u>Page</u>
F Organization Chart of the National Board of Revenue	120
G Comparison of Existing Revenue Earning and Expected Revenue Earning from Proposed Taxes	121
H Questionnaire	123
REFERENCES	126

LIST OF TABLES

	<u>Page</u>	
2.1	Distribution of Present Housing Stock by Type	22
3.1	Trends of Land Values in Dacca City	32
3.2	Residential Plots allotted by D.I.F.	36
3.3	Intensity of Residential Land Use for Selected Cities of the World	41
4.1	Comparative Study of the Areas in Dhanmendi and Aga Sadeg Road	65
4.2	Gulshan Municipality	67
4.3	Comparative Return on Investment in Various Sectors	69
6.1	Land Value Tax (L.V.T.) Rates	84
6.2	Land Value Increment Tax (L.V.I.T.) Rates	84
A.1	Growth of Dacca City	112
B.1	Population Growth and Housing Development (1960-73)	114
B.2	Household Occupancy in Bangladesh 1960-73	114
B.3	Persons per House	115
B.4	Households by No. of Rooms (1973)	115
B.5	Per capita Floor Space for Urban Dwellers	116
B.6	Number of Houses by Structural Types	116
G.1	Revenue Earning from Dhanmendi Residential Area	121
G.2	Revenue Earning from Gulshan Municipality	122

LIST OF FIGURES

	<u>Page</u>
1. Dacca City Map	11
2. Municipal Ward Map (Dacca City)	12
3. Study Area at Dharmandi	13
4. Study Area at Aga Sadeg Road	14
5. Effect of Alternative Urban Growth rates	18
6. House rent and Construction Cost, Dacca City 1969-80	25
7. Dacca City Land Value, 1974	33
8. Generalized Land Use of Dacca City, 1975	39
9. Dacca City Housing System	40
10. Land Use Map (Study Area at Dharmandi)	59
11. Structure Map (Study Area at Dharmandi)	60
12. Land Use Map (Study Area at Aga Sadeg Road)	62
13. Structure Map (Study Area at Aga Sadeg Road)	63
14. Environs of Dacca, 1765	108
15. Dacca Statistical Metropolitan Area (SMA), 1981.	111

CHAPTER I
INTRODUCTION



1.1 Statement of the problem

Housing situation of Bangladesh in both rural and urban areas has been unsatisfactory and inadequate for a long time. But the situation has rather worsened instead of improving in the last decade. Urban housing situation is even worse. Both the urban dwellers at large as well as the policy makers recognise housing as the number one problem of the urban areas. But the problem of housing is again directly associated with many other problems like land and land value problem in particular.

The land-man ratio in Bangladesh is lowest in the world except a few city states. This ratio is shrinking at an alarming rate, thereby making land the scarcest resource in Bangladesh. The case of urban land for various building and construction purposes is very critical. A recent study conducted by Urban Development Directorate, Dacca predicts that within the next twenty years the urban population of Bangladesh will swell to five times its present size.¹ The larger cities of course will receive more than their fair share of this increased population. According to another recent estimate by Sharkland Cox Partnership, by the year 2000 the population of Dacca will be around 9 million which is three times the size of its present population.² This means that Dacca will swell to the size of the present Calcutta Metropolitan District, but will do so in two decades instead of two centuries. Hence urban land has to be used much more intensively to meet the increasing demand of housing with minimal loss of agricultural land due to city growth. Besides in order to safeguard

1. Willcox, David L., Land Policies and the Draft Second Five Year Plan (Seminar Paper), Dacca, July 1980, P.4
2. Sharkland Cox Partnership, DHAUDP Final Report, Volume 2, (Urban Strategy), March, 1981, P.32.

savings against inflation people are investing on land. This has led to land speculation and price of land is rising very fast. Due to high land speculation land remains unproductive and creates artificial scarcity. This has an adverse effect on housing which ultimately reduces the supply of houses. Moreover the lower income groups do not get access to land to construct houses. This situation retards development efforts due to non availability of buildable land at right time at right place and at a reasonable price. Thus the existing housing condition is continuously deteriorating. Again due to inadequate investment opportunity in other sectors of the economy, people earning abroad are spending a large portion of their foreign remittances on land, particularly in the urban fringe. All these lead to sparse and scattered urban development, which is inefficient and thereby uneconomical in terms of providing infrastructure and social facilities to the urban dwellers.

Besides, at present there is no effective, co-ordinated and comprehensive taxation and land administration policy which can effectively curb speculation and under utilisation of land. It is therefore evident that the solution to urban housing problem lies at different levels which are again interrelated on certain aspects.

The present study focuses on few aspects of housing, mostly regarding taxation policy on urban house property.

1.2 Justification for the study

This research study was actually conducted with the aspiration that this would provide an understanding of the effectiveness of the present land policy and taxation system as a tool to guide development efforts in planned direction and thereby help reduce the existing housing problems in urban areas. It was

also hoped that the study would help devise appropriate taxation policy for urban house property so that the urban land management problems could be mitigated. Moreover, it was expected that it would reveal some facts about the existing taxation measures which might have sufficient practical and theoretical utilities. Besides the above expectations, it was also hoped that this study would show definite directions of further research in this field.

1.3 Objectives of the Study

The primary objective of this research study was to examine the existing urban land policy and taxation system and its effectiveness in solving the land utilisation problem for housing. To fulfill this objective the taxation system in two unlike areas were compared and investigation was carried to see whether social justice is maintained. The revenue earning of the government per unit area was also compared for different areas. The next important objective was to suggest some measures to improve the existing condition of land management and thereby to formulate some taxation policy outlines in order to use urban land more efficiently and intensively.

The secondary objectives of the current research was to review the existing housing condition and the availability of land for housing. The last objective was to investigate into the causes of high land value and land speculation. It included the study of urban land utilization pattern in Dacca city. It was also investigated whether the present taxation system has any relation with land value and land speculation.

1.4 Scope of the Present Study

As stated earlier, solution to the problem of housing covers a wide spectrum of issues, because the perception of the role of housing has been broadening.

In the past housing was looked upon primarily as a physical phenomenon. Therefore, policies for the provision of housing centred on construction material and cost. But in recent years the social and economic values of housing have gained such importance. In the words of Grimes :-

"Housing not only provides shelter for a family but also serves as a centre of its total residential environment. As a focus of economic activity, as a symbol of achievement and social acceptance, and as an element of urban growth and income distribution, housing fulfills a social need and satisfies criteria for remunerative urban investment".³

Housing policy options cover a variety of issues and measures. Housing policy also differs from country to country according to income, city size, rate of urban growth etc. A wide range of instruments are also available for carrying out housing strategies and policies. These instruments include zoning, controls on building standards, land management, rent controls and subsidies, improvement of financial institutions etc.

The present research is confined within one of the above instruments - 'land management'. Land management itself is a broad term which includes land tenure, land resumption and purchase, land development, taxes on land etc. In this study special emphasis has been given on the taxation policy on urban house property - both land and buildings. The study tried to identify the drawbacks of the taxation system as well as its effects on overall housing situation.

1.5 Methodology

Methodology refers to procedures followed during investigation and research for the collection and analysis of information and data in conformation with the objectives of the study. The methods of study are not necessarily measures but they are techniques adopted to materialise investigative interests.

3. Grimes, Orville F., Jr., Housing for Low-Income Urban Families - Economics and Policy in the Developing World; The John Hopkins University Press, 1979. P.3

Methodological issues consist of operational definition of concepts, procedures adopted to the collection of data and information. As such methodology outlines the research approach and also the techniques for collection of data.

In the present research, investigations mainly centred around taxation pattern on urban house property. To investigate into this topic it is very much necessary to know about the different types of taxes being paid by house owners or tenants in different urban locations. Information about the various tax collecting agencies as well as about the rates of taxes are also required. To gather these information different research approach can be adopted conforming to the requirements of the degree of accuracy of the data.

1.5.1 Methodological Approaches in the Present Study

Different methodological approaches were adopted to fulfil the stated objectives of the study.

One of the objectives was to review the urban housing situation in Bangladesh. This objectives was satisfied with the data gathered from secondary sources. Intensive literature survey was conducted and relevant data and information were gathered.

Another objective was to study the land utilization pattern in Dacca city. To achieve this objective both secondary and primary sources were used. Available information regarding land utilization pattern in Dacca city was collected and compiled. To reinforce the secondary data an observation survey was conducted in different residential areas of Dacca city.

The areas included Dhanmandi, Gulshan, Banani, Mohammadpur, Mirpur, Uttara, Khilgaon, Sonabo etc. During this survey observations were made regarding intensity of land utilisation, availability of vacant land, price of land etc. An approximate Floor Area Ratio (F.A.R.) or Plot Ratio for the individual residential areas was determined. These F.A.R. figures can be treated as only a first hand guide which can encourage further intensive research in this particular field.

One of the primary objectives of the study was to compare the revenue earnings of the government per unit area in planned and unplanned locations. Tax structure is uniform throughout the city. So it was not necessary to adopt a sampling technique to know the tax structure within the city. Two areas were chosen to compare the nature of facilities provided by the municipality in planned and unplanned areas. The two areas chosen were part of Dhanmandi Residential Area and part of Aga Sadq Road. Both the study locations are primarily residential areas, which are well defined and delimited by established road networks.

The survey area in Dhanmandi is enclosed by Mirpur Road, Dhanmandi Road No.6 and Dhanmandi Road No.7. This area falls within Ward No.7 of Dacca Municipality.

The survey area in Old Dacca is bounded by Aga Sadq Road, B.K. Ganyali Lane and Abdul Kafi Lane. This area falls within Ward No.20 of Dacca Municipality.

After selecting the two survey areas, the households in all the plots within the areas were considered as the study sample for the research study.

1.3.2 Organization of Field Work and Collection of Data.

The survey was conducted in the selected survey areas by the author along with the field investigators. The field investigators were all undergraduate students of Engineering and Architecture. They were trained at two stages for the research viz. one for collection of information by using questionnaire; and the other for preparing land use and structure maps of the surveyed areas.

The author gave necessary instructions to the field investigators in such spheres like,

- (a) Objective of the survey
- (b) Interview techniques
- (c) Art of approaching the interviewees
- (d) Techniques of extracting and getting information from the respondents
- (e) Cross checking of information where necessary.

There were field tests and the Field investigators had to fill up a number of questionnaires as a part of their training. These tests were conducted to examine:

- (a) Respondents understanding ability of the questions
- (b) Reaction of the respondent
- (c) Difficulties and time of response.
- (d) Tendency to conceal the truth and hesitancy to reveal the truth
- (e) Overall effectiveness of the questionnaire.

On the basis of these observations, necessary improvements were made in the interview technique.

1.5.3 Questionnaire

The survey was conducted with the help of a questionnaire in English language. The questionnaire is attached as Appendix G. Questions for the survey were set in a manner so as to extract information relevant to the purpose of the study. Two steps were taken before the field enumeration, viz.,

- (a) The questionnaire was designed and pre tested
- (b) The questionnaire was modified to make it easy to understand and respond.

The survey questionnaire covered the following aspects :

- (a) Social position of urban house property owners.
- (b) Size of plots for residential housing
- (c) Land valuation
- (d) Land utilization pattern and intensity of use
- (e) Structure types for housing
- (f) Different types of taxes paid by house owners.
- (g) Different types of rates paid by house owners and tenants
- (h) Service facilities available in different residential localities
- (i) Views of property owners and tenants.

1.5.4 Other Aspects of Survey

Besides questionnaire survey, other steps were also taken to enrich the investigations. Some of these steps are as follows :

- (a) Reconnaissance survey of the area
- (b) Use of cadastral survey maps as well as other available maps to identify plots and roads.
- (c) Preparation of land use map and structure map of the survey area
- (d) Discussion with ward commissioners and municipality officers for relevant information.

between experiments since only 15% of the area is a mixed district between part of Dacca. The main part has mostly been planned and developed by D.I.T. and two district zones - one is the older part of Dacca, the other is the new area with other urban centers of Bangladesh. Moreover, as stated earlier, Dacca has rapid, so the problems of housing etc. were also very acute in comparison with availability, sanitation, housing etc. since the growth of Dacca city was very with a series of reactions and problems like employment, civic facilities, land - area and population in the last two decades. Urban expansion is always associated Dacca city has experienced the most rapid urban expansion both in terms of

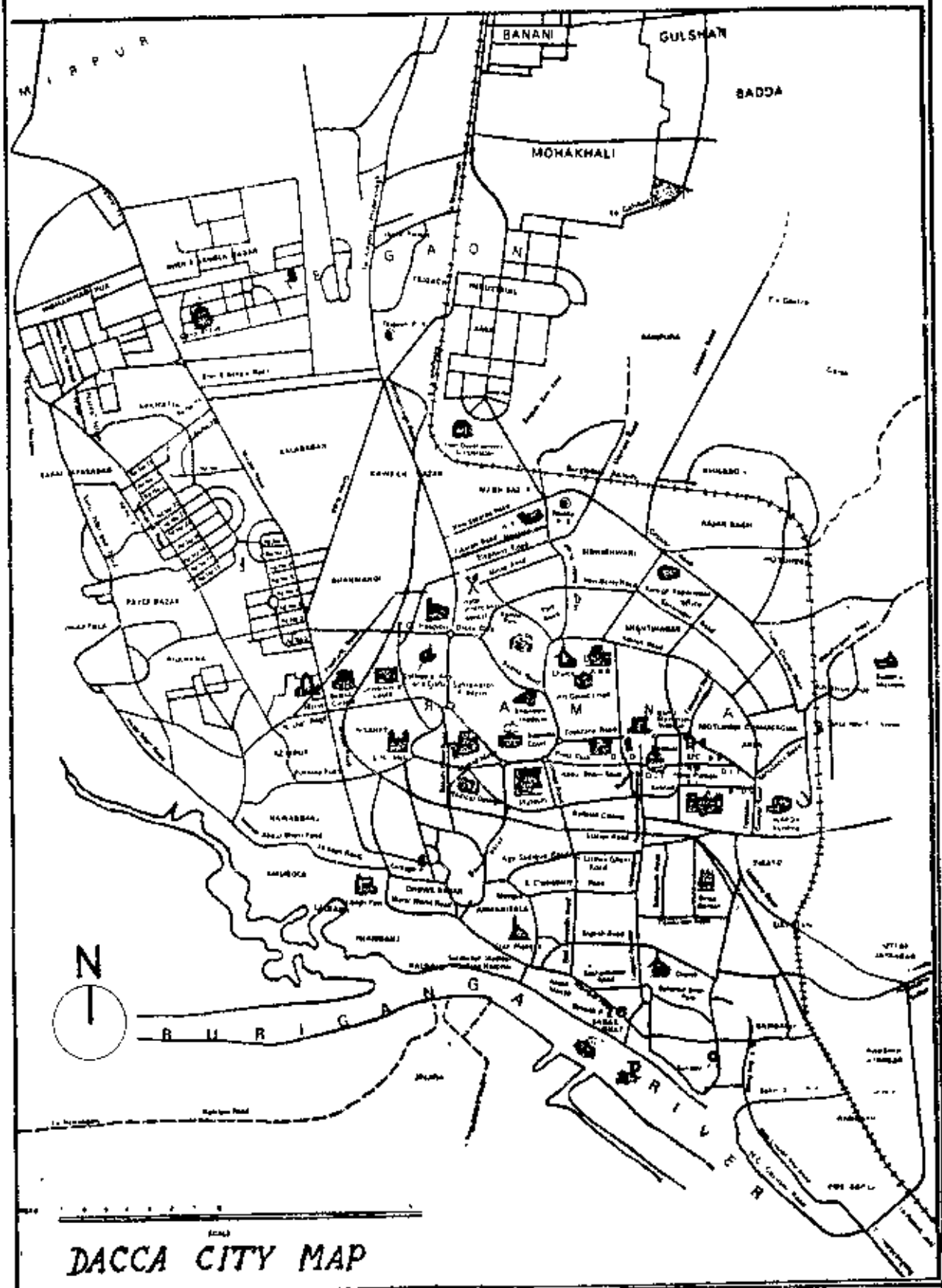
survey was also conducted at different parts of Dacca city. The locations of the survey areas are shown in Figures 2 through 4. Observation magnitude has been selected from the relatively less planned areas of old Dacca. function system on house property in planned urban areas. Another area of studies has been selected for conducting questionnaire survey to investigate into the have been selected for conducting surveys. A part of Dharmadhar Residential Area investigated for any research purpose. This is why certain parts of the city Dacca is a big city and it is obvious that the entire city cannot be studied or for the present study, Dacca city has been selected as the study area. But

1.6 THE STUDY AREA

available in their computer centers was used for statistical computations. Statistical Package for the Social Sciences (S.P.S.S.) package program which is processed at the Computer Centre of B.U.S.T. with IBM 370-115 IBM Computer The data obtained through questionnaire survey in two areas of Dacca city was

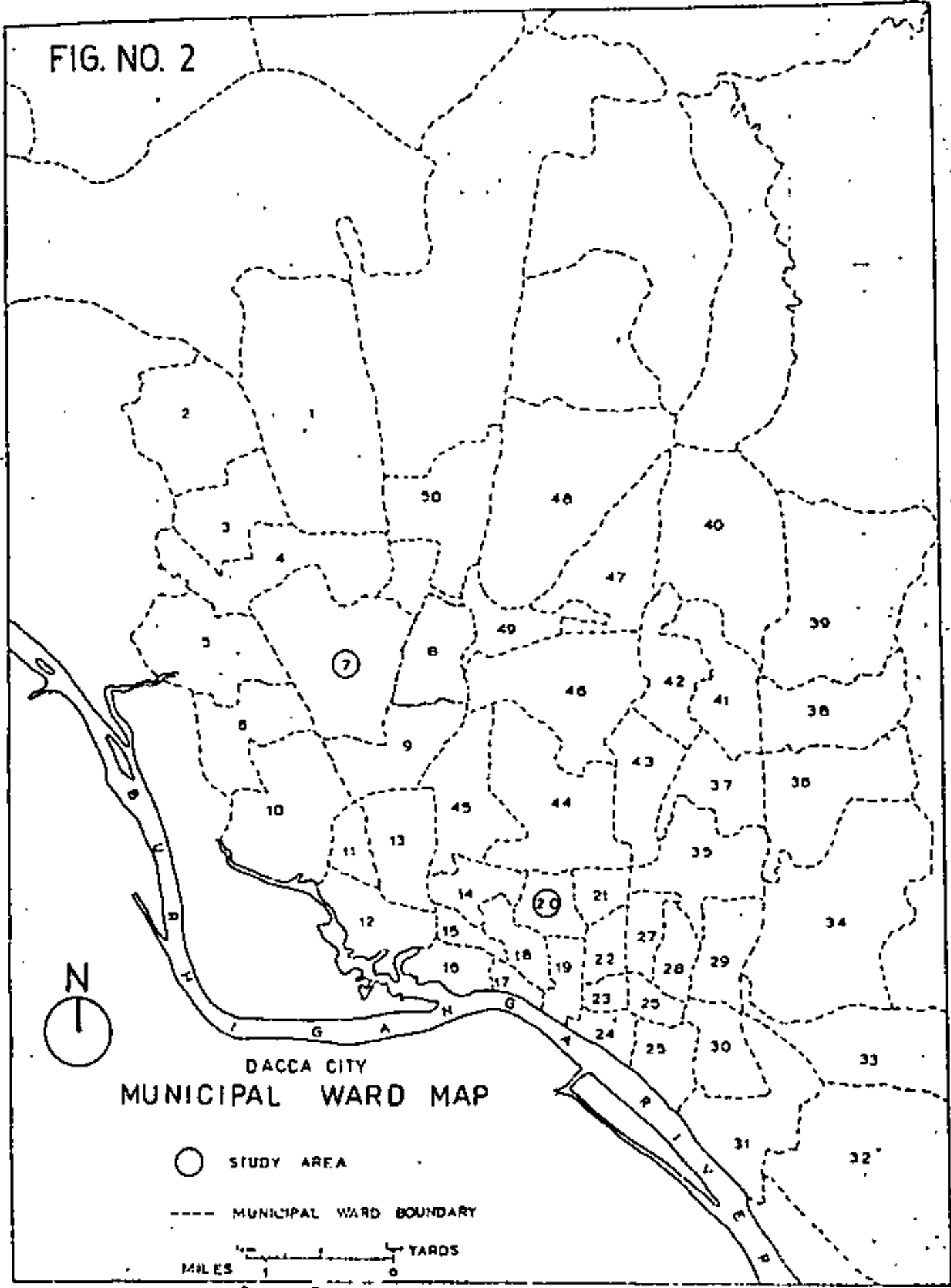
1.5.5 Data Processing

FIG.NO. 1



SOURCE: BANGLADESH PARJATAN CORPORATION

FIG. NO. 2



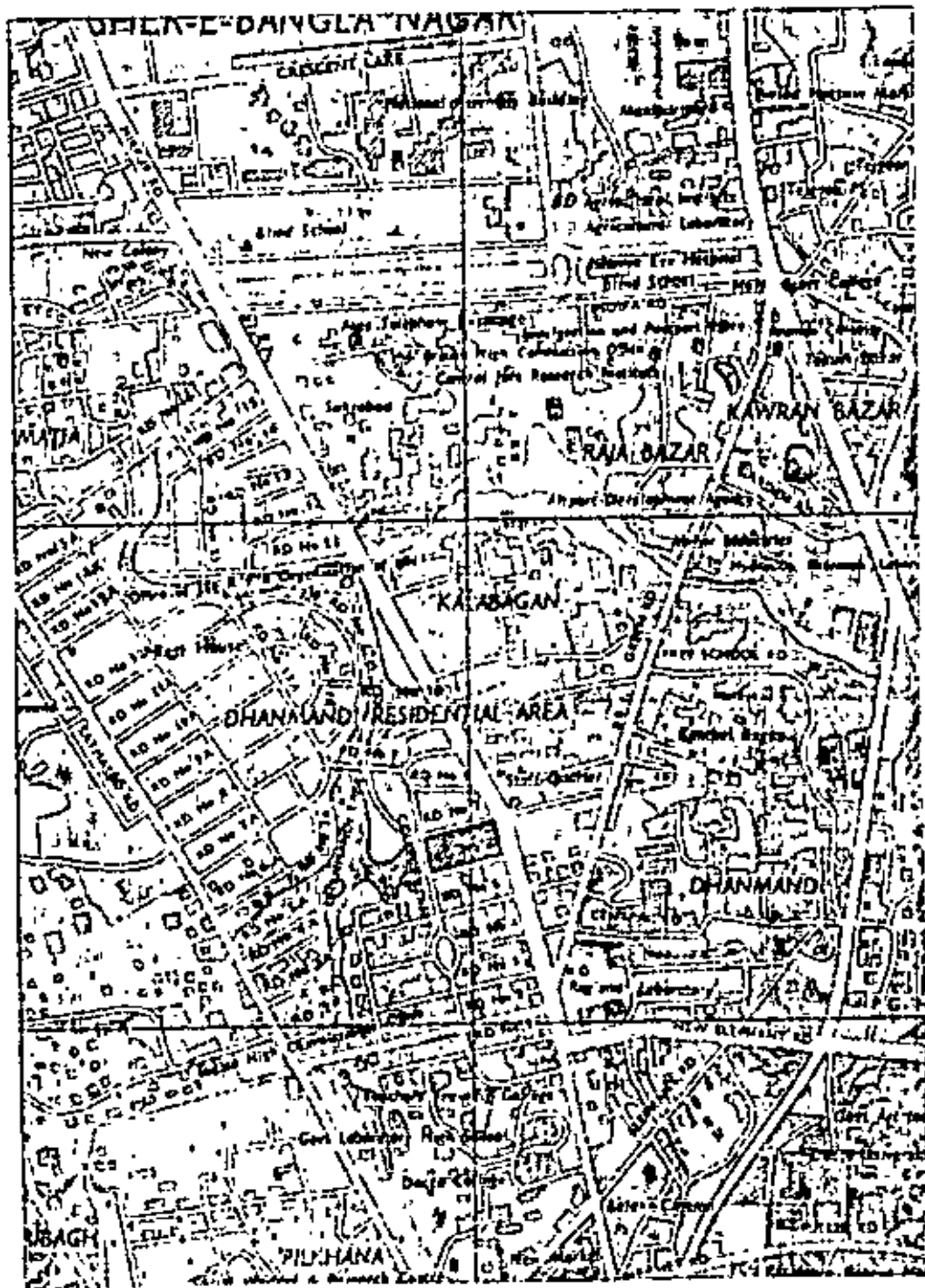
DACCA CITY
 MUNICIPAL WARD MAP


- STUDY AREA
 - MUNICIPAL WARD BOUNDARY
- 1760 YARDS
 1 MILES

Source: Data map from Centre for Urban Studies (CUS)

FIG. NO. 3

STUDY AREA AT DHANMANDI

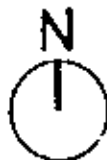


 STUDY AREA

SCALE - 3' 17" = 1 mile

FIG. NO. 4

STUDY AREA AT AGA SADEQ ROAD.



STUDY AREA

SCALE- 3"17" = 1 mile

these two zones in terms of infrastructure and social facilities. Since the purpose of the present research was to study the taxation pattern on urban house property, so it was necessary to conduct the survey over a cross section of samples which conforms to more or less the typical situation. Dacca city easily fulfills this condition due to varieties of area both in terms of house rent and land value. This is why Dacca city was selected as the study area. Two locations were selected from two different wards of Dacca Municipal Corporation as survey areas. One of the location represents the planned part of Dacca while the other represents relatively less planned Old Dacca. Finally it can be added that the easy availability of associated information and secondary data about Dacca city also encouraged to choose Dacca city as the study area.

A brief introduction about Dacca city is given in Appendix A.

1.7 Organization of the Present Study

The present study has been organized in seven chapters. The first chapter introduces the problem and establishes the justification for the study. It also describes the objectives and scope of the study. This chapter also describes the methodology of the study and introduces the study area. The second chapter reviews the existing urban housing situation in Bangladesh. Land utilization pattern in Dacca city is discussed in chapter three. The fourth chapter reviews the existing taxation system on urban house property in Bangladesh and discusses its effects on the basis of study findings. The functions and role of different organizations responsible for land administration and tax collection are described in chapter five. Chapter six reviews the land policy adopted by other neighbouring countries. Chapter seven deals with the summary findings. Recommendations and conclusions are also made in this chapter.

CHAPTER 2
REVIEW OF URBAN HOUSING SITUATION

2.1 Urbanization in Bangladesh

Before going into any discussion about the urban housing situation it is necessary to study the process of urbanization in Bangladesh, because the rate of urbanization has a great influence on urban housing situation.

The present level of urbanisation is relatively low in Bangladesh. But its rate of growth is exceedingly high in recent years, even when compared to the rate of urban growth in other Asian countries. During 1961-74 the urban population of Bangladesh grew at the exponential rate of 6.7 per cent per annum as compared to rural population growth rate of 2.33 per cent.¹ At this present rate of growth, the urban population of Bangladesh will double within next 10-12 years.

According to some projections made by Urban Development Directorate, Government of Bangladesh, the urban and rural population will equalize at some date between 2005 and 2025 A.D. depending upon the rate of urban growth. The trend is shown clearly in Figure 5.

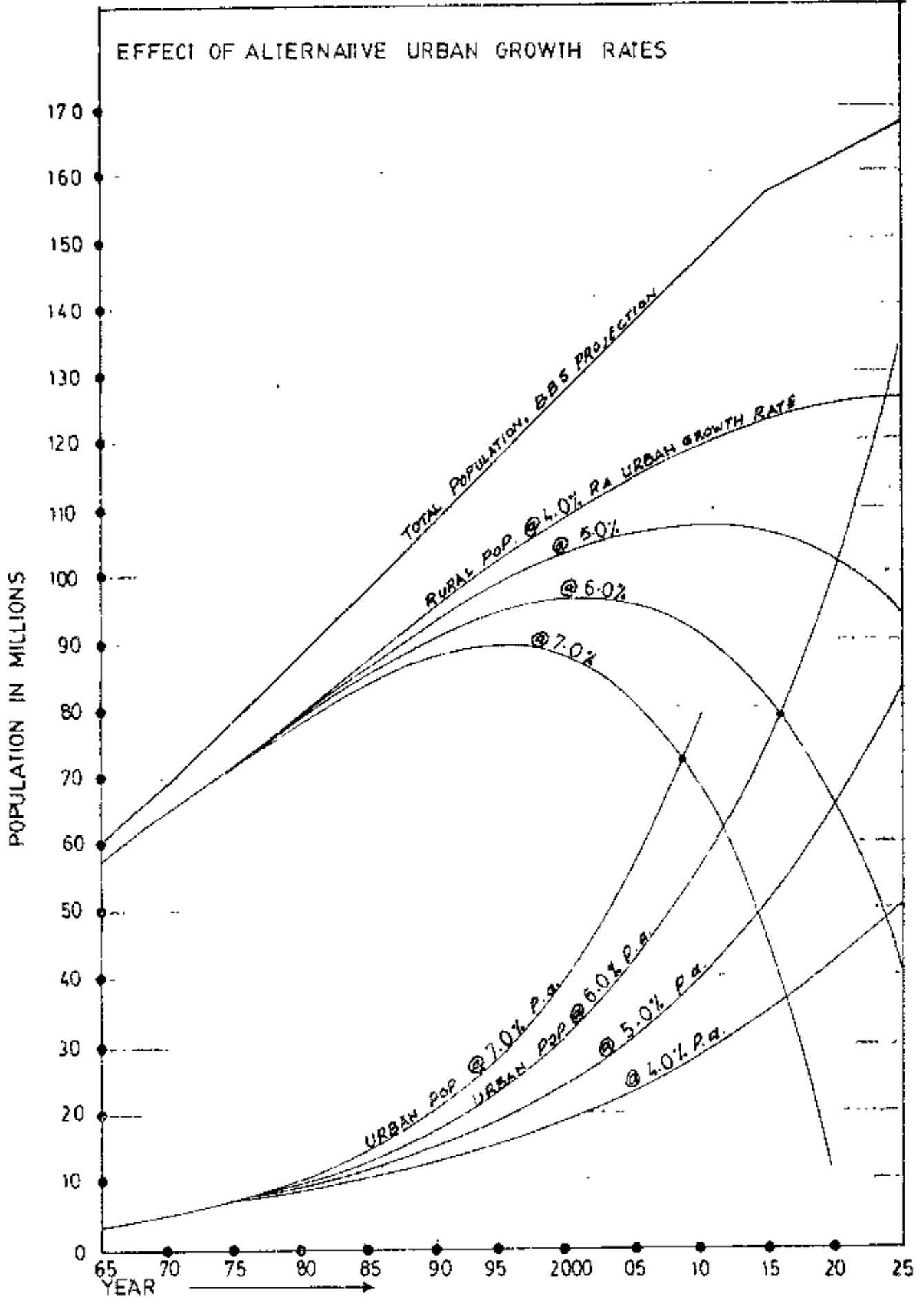
As per census, 1974 the percentage of population living in urban area is only 8.8 per cent. In 1974, the country had over 6 million people living in urban areas, which was an increase of 138 per cent over that of 1961.²

One interesting feature in the urbanization process of Bangladesh is that the number of urban concentrations is only 108. In 1974, the six cities of Bangladesh having population 100,000 and above contained 57 per cent of total urban population. Again, Dacca city alone contained 27 per cent of the total urban population. The annual growth rate of Dacca city during the period 1961-74 was about 9.4 per cent.

1. Choudhury, Rafiqul Huda, Urbanization in Bangladesh, C.U.S., Dacca, 1980, P.2

2. Ibid., P.5.

FIG. NO.5.



This very rapid urban growth has different serious implications on urban life. One of these is the problem of housing. The housing situation in the urban areas of Bangladesh has been discussed in the following paragraphs.

2.2 Problems of Housing

Unsatisfactory housing situation is prevailing in Bangladesh, both in urban and rural sector for a long time. But in the last few decades the condition aggravated seriously in the urban areas due to unprecedented urban growth and population increase in urban areas. The massive problems of housing in urban areas can be identified in the gap between the increase in population and increase in the housing stock over a period of time. This gap between demand and supply of houses, which is termed as backlog of houses is widening in urban areas of Bangladesh. The urban housing situation in Bangladesh is elaborated under the following headings.

2.2.1 Housing stock

The overall housing stock of Bangladesh is inadequate to house the total population satisfactorily. As per estimates of Housing census 1973, there were 1,25,79,444 residential housing structural units and living quarters in Bangladesh, of which 10,36,157 (8.23%) were in the urban sector. Table B.1 in Appendix B reveals that the percent share of housing units have increased from 4.71 to 8.23 in the urban sector during the period 1960-73. The increase in total national population during the period has been recorded to be 40.99%. This indicates that the rate of increase of population has exceeded the rate of increase of housing stock (31.31%). The rate of increase in the urban

population is also higher (137.57%) than the increase of housing production (129.29%) in urban area during the same period.

2.2.2 Rate of Occupancy

As a result of the increasing difference between the growth rate of population and housing stock, the occupancy rate is increasing. The average number of occupants per housing unit increased steadily during the period 1960-1973 from 5.04 to 6.53 in the urban sector as against 5.30 to 5.77 for over all Bangladesh. The occupancy rate during 1960-73 is shown in Table B.2 of Appendix B. From the table it is observed that the occupancy rate was 6.05 in the urban area in 1973. But in the estimate the temporary housing units, such as thatched house, tent, boat etc., should be excluded from the total number of residential houses. If adjustment is made the occupancy rate in urban area becomes 6.53 instead of 6.05.³

2.2.3 Size of Household and Housing Unit

The average household size has increased during the period 1960-73 from 5.59 to 5.88 in the urban sector as against 5.37 to 5.63 for overall Bangladesh.⁴ In the last section discussion has been made on average rate of occupancy for the urban centres of Bangladesh. But for the major urban centres the situation is worse. The upward trend of over crowding is observed in the major urban places as shown in Table B.3 of Appendix B. On the average 7.65 persons lived per housing unit in Dacca city in 1973. Table B.4 in Appendix B shows the

3. *Ibid.*, p.41.

4. Choudhury, A.H., Housing Situation of Bangladesh, (Country Paper), Presented by Housing & Building Research Institute at the Regional Workshop on Transfer of Rural Housing Technology, 16-20 March, 1981, Dacca, p.9.

percentage distribution of households by number of rooms in 1973. This depicts that more than half of the urban households have only one room while only 3% of the households have 3 rooms or more.

2.2.4 Floor Space

Urban Housing Demand survey in Bangladesh - 1970 conducted by the Institute of Statistical Research and Training reveals that the available floor space for each urban dweller in the country is not adequate according to western standards. As revealed by the study the urban inhabitants also feel that the available floor space per person is not sufficient. Availability of floor space has linear relationship with the level of income and social position. Table B.5 in Appendix B shows the amount of available floor space per person for urban area. The average existing floor area per person in the urban residential dwellings of Bangladesh is about 49 sq. ft. per person. The per capita floor space in low income group is inadequate (37.55 sq. ft.) in comparison with the expected floor space (69.30 sq. ft.) per person.

2.2.5 Tenure and Mode of Ownership

More than 90% amount of urban housing is being provided in the private sector (90% in Dacca, 93% in all urban areas). It comprises owner occupied accommodation as well as rental and squatter accommodation. Government rental housing and government built owner occupied housing constitute only about 7% of the total urban housing. Table 2.1 shows the distribution of present housing stock by type.

TABLE 2.1

Distribution of Present Housing Stock by Type

Type of Housing (By Tenure Status)	Dacca	All urban Area
Squatter Housing	2	2
Private Rental Housing	41	33
Private Owner Occupied Housing	43	53
Government Rental Housing	7	3
Govt. built owner occupied Housing	3	2
Others (Boats etc.)	4	5
Total	100	100

(Source : World Bank, Bangladesh : Urban Sector Memorandum, 1961, P.33)

Regarding the mode of ownership, 52% of the total house owners owned their houses by inheritance and 20% owned by construction. About 16% of the house owners procured the house through purchase. In the process of owning a house in the income of the household is an important factor. In the higher income group it was found that about 32% of them have inherited their houses while the corresponding figure for upper middle class is 42%. From the Urban Housing Demand Survey in Bangladesh-1970, it was found that most middle, upper middle and upper income class owned their houses either by building or purchasing system.

2.2.6 Housing quality

To know about the quality of living and life, it is necessary to know about the quality of housing. Quality of houses can be categorised on the basis of different parameters. The National Housing Census of 1973 classified all housing units into three broad categories on the basis of the nature of the principle materials used for construction of the walls and roofs. Those housing units which used durable building materials like cement, brick, asbestos, W.S. bar etc. were classified as 'permanent'. The term 'semi-permanent' was used to denote less durable materials (for example tin and timber) while 'temporary' meant those units where non durable materials like mud, grass, leaves, straw and bamboo were the principal building materials.

By structural type the composition of houses in Bangladesh was 2.71% permanent, 15.63% semi permanent and 81.66% temporary. Even for urban areas the share of permanent houses is quite low and is only 29.45%. Urban Housing Demand Survey in Bangladesh-1970 identified a correlation between structural type and income. It was found that only 0% of the low income group of the sample households lived in pucca houses whereas about 64% of the upper income urban households were found to live in pucca structures.

A greater portion of the low income people used the same room for three or four purposes e.g., sleeping, sitting, cooking and eating. Moreover, the condition of the room is also very depressing among this section of households. People living in urban centres of Bangladesh do not like to share kitchen. About 41% of the total households in the low income class, 73% in the lower middle and 91% in the upper middle class have regular kitchen. In this regard

sociocultural factor is more dominant than economic factor. The condition of the bathing facility is also poor. According to the said survey only 28% of urban dwellers have their own bath rooms. The urban dwellers, particularly those from the lower middle to low income group mostly use tube wells as source of water. A greater percentage of the households in the higher income class use municipal water tap. According to Urban Housing Demand Survey in Bangladesh-1970, 84% of the urban area do not have piped water supply inside the houses. It implies that the municipal or public water supply is serving only 16% of the urban population of the country. But according to the Second Five Year Plan report about 35% of urban dwellers have access to piped water supply which is available only in 40 municipalities out of existing 80 municipalities from within 109 urban centres.⁵

2.2.7 Rent of Housing Unit

The rent for rental houses in urban centres have steeply increased in the last decade. But the situation is worst in the major cities like Dacca and Chittagong. As a result the tenants have to face serious financial problems. In last ten years the cost of construction of housing have increased very rapidly. The cost of construction of ground floor have increased from Taka 27.50 in 1969-70 to Taka 205.50 in 1979-80.⁶ The rent of houses has also increased in similar fashion. Figure 6 clearly shows the relative increase in the cost of

5. Planning Commission, Govt. of Bangladesh, The Second Five Year Plan (1980-1985), Dacca, May 1980, pp. XIX/2-15.

6. Nahi, Mohammad Nur, Study on Urban Residential House Rent & Government Rent Policy: A Test Case of Dacca City, An Unpublished M.U.R.P. Thesis, B.U.E.T., Dacca, 1981, p. 87.

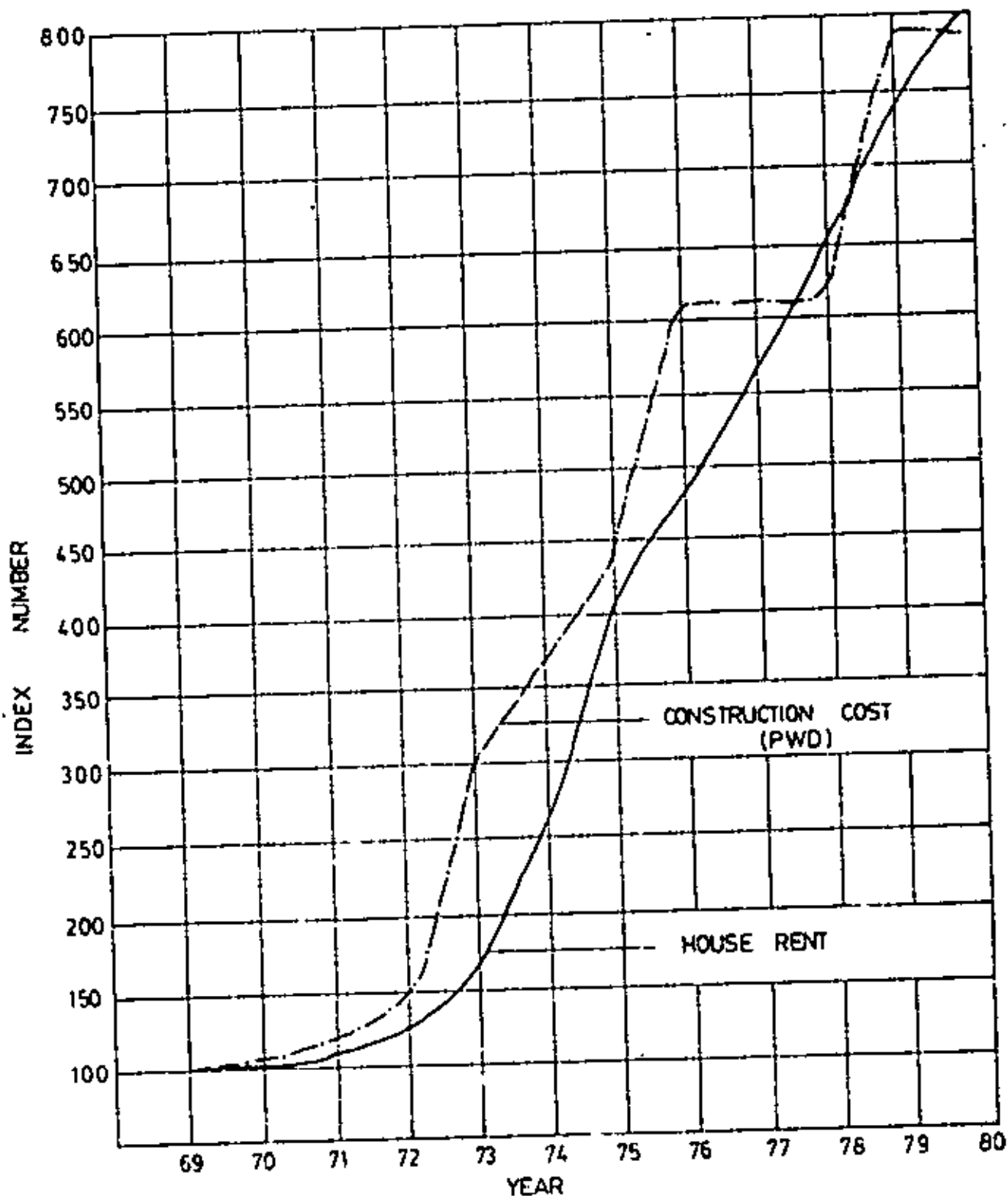
Construction during the period 1969-80. The figure also shows the index number of house rent during the same period. The rent for houses in Dacca city has risen so high that many people who could afford to rent a house to live along with their family a few years back, can no longer afford a rented house. So they send their families to village houses and start living in boarding messes. As a result they become detached from family life which causes various social, economic and psychological problems.

2.2.2 Squatters and Slums

It has been stated in the Second Five Year Plan that there are over 200,000 urban squatters in Bangladesh and the number is increasing. But in reality the figure is much higher and the situation is alarming. In the major urban centres of Bangladesh a considerable percentage of people live in slums and squatter settlements in sub-human condition. These settlements lack basic amenities and the houses are usually temporary structures. In Dacca alone, about 4,86,000 people live in 197 poor clusters scattered all over the city. This population is nearly 37% of the total city population (1974). The total number of households living in poor clusters of Dacca city is nearly 82,000.⁷ Condition in most of these slums is below the minimum standard which is habitable for human beings. They are usually submerged in filth and dirt without any sanitary and sewage disposal facility. The toilets are of primitive origin. The number of persons using one latrine sometimes exceed 50 or more.

7. Centre for Urban Studies, The Urban Poor in Bangladesh, (Final Report), Dacca, February 1979, P. 10.

HOUSE RENT AND CONSTRUCTION COST DACCA CITY, 1969-80.



Due to this the womenfolk suffers the most. The children are at liberty to use any space at nature's call which further aggravate the foul condition. The structural condition of most of the 'bastees' houses is very critical. In some cases it does not provide the mere protection from rain, sun or flood.

Besides these slum and squatter dwellers, a sizeable number of population from the lowest income group use public places like railway stations, terminals, mosques, markets and foot paths as their shelter for sleeping at night. These foot path dwellers are usually the new comers from village having little or no ability to rent a house, even of the lowest standard.

CHAPTER 3
URBAN LAND UTILIZATION PATTERN IN DACCA CITY

3.1 Economics of Urban Land Utilization

Before going into any discussion about different concepts of land utilization, it is better to develop a clear concept about urban land. Urban land may be termed as the surface land of economic value as the location of various land uses within urban areas. But land is different from other commodities. The urban land has a number of physical and economic characteristics. The physical characteristics of urban land are - inelasticity, fixability and non-homogeneity. The economic characteristics are scarcity, situs and extent of modification. The physical characteristics may be looked upon as fully descriptive of the supply of land where there is no demand. The economic characteristics arise only out of the fact that man finds land useful and thus works to utilize it by accommodating it more perfectly to his purposes. The physical qualities are present but the establishment of economic quality awaits the selective action of demand. It is in the course of selection and utilization that the economic characteristics of land arise.¹

There are four fundamental economic forces which determine the nature of urban land utilization. These forces are in the order of their significance, (a) competition, (b) Public Authority, (c) Custom and (d) Monopoly.² For our present purpose we are interested about the first force titled 'Competition', which is a major determinant of urban land utilization. Urban land is a non-standardized commodity because no two pieces are alike and one piece of land cannot be substituted by another. Moreover each piece of land has its price,

1. Doran, H.B. & Hinman, A.G., Urban Land Economics, Mc Grath Publishing Company, College Park, Maryland, 1920, P. 163

2. *Ibid.*, P. 178

which is determined for it separately, and not by a general pricing system. The basis of economy in urban land utilization is land rightly used. Urban land can be put to different optional uses, and the determination of right use is an exceedingly complicated and difficult problem. The popular phrase 'Highest and Best Use' is frequently used with respect to land. Highest and best use may be defined as that use which brings the largest net return in money and amenities over a period of time. In other words it is that use in which the composite result of capacity and efficiency will be the greatest total return over a given period.³ To achieve this, the first phenomenon which occurs is competition among optional uses. The competition for land with an advantageous location leads to higher demand. The process of urban agglomeration leads to more intensive use. Obviously, as a result of the competition for such locations, the activities which are the most productive and profitable are the ones which can afford to pay higher rent or value for such locations. Hence, through the process of competition, land will ultimately put to its 'highest and best use'.

3.1.1 Situs and Land Value

To geographic or physical locations of land, certain unique qualities are added which differentiate these locations from one another upon a basis of economic utility. These give rise to different valuation to different pieces of urban land. These added qualities, which differentiate one location from another upon an economic basis, is termed as 'Situs'. Like all other economic utilities it is a social product. Situs can therefore be defined as the consensus of human choice in convenience, or the quality aspect of situation.⁴

3. Ibid., P. 215

4. Ibid., P. 167

The concept of situs plays a vital role in the valuation of urban land. Urban land value is a function of accessibility and location. Urban land can be classified into a number of broad categories according to land use patterns. These categories are residential, industrial, commercial, recreational etc. Each category has an unique set of requirements, with regard to accessibility to socio-economic infrastructures and services. Thus they tend to look for and compete for locations where the required facilities are available. Business, trading and other commercial are highly dependant on contact with each other. Therefore, these activities usually pay almost any price to obtain a location of highest accessibility. These locations are normally found at the centre of an urban area, which is termed as central business district or C.B.D. In the C.B.D the transport link converge and the highest order urban activities agglomerate. Consequently, the value of urban land tends to rise steeply towards the central portion of an urban area. Land value curves for central locations follow the basic principle of supply and demand theory of economics. Supply is not unlimited and demand is ever increasing. Moreover the prospect of profit making is encouraging. So the available land in the central area is utilized more intensively compared to other parts of the city or urban area. More intensive use means the increase of Floor Area Ratio (F.A.R.)⁵ which in turn increases the supply of required space. Thus the most desirable locations are in the greatest demand and command the highest value.

5. F.A.R. is defined as the total floor area in a lot divided by the lot area.

3.2 Land Values in Dacca City

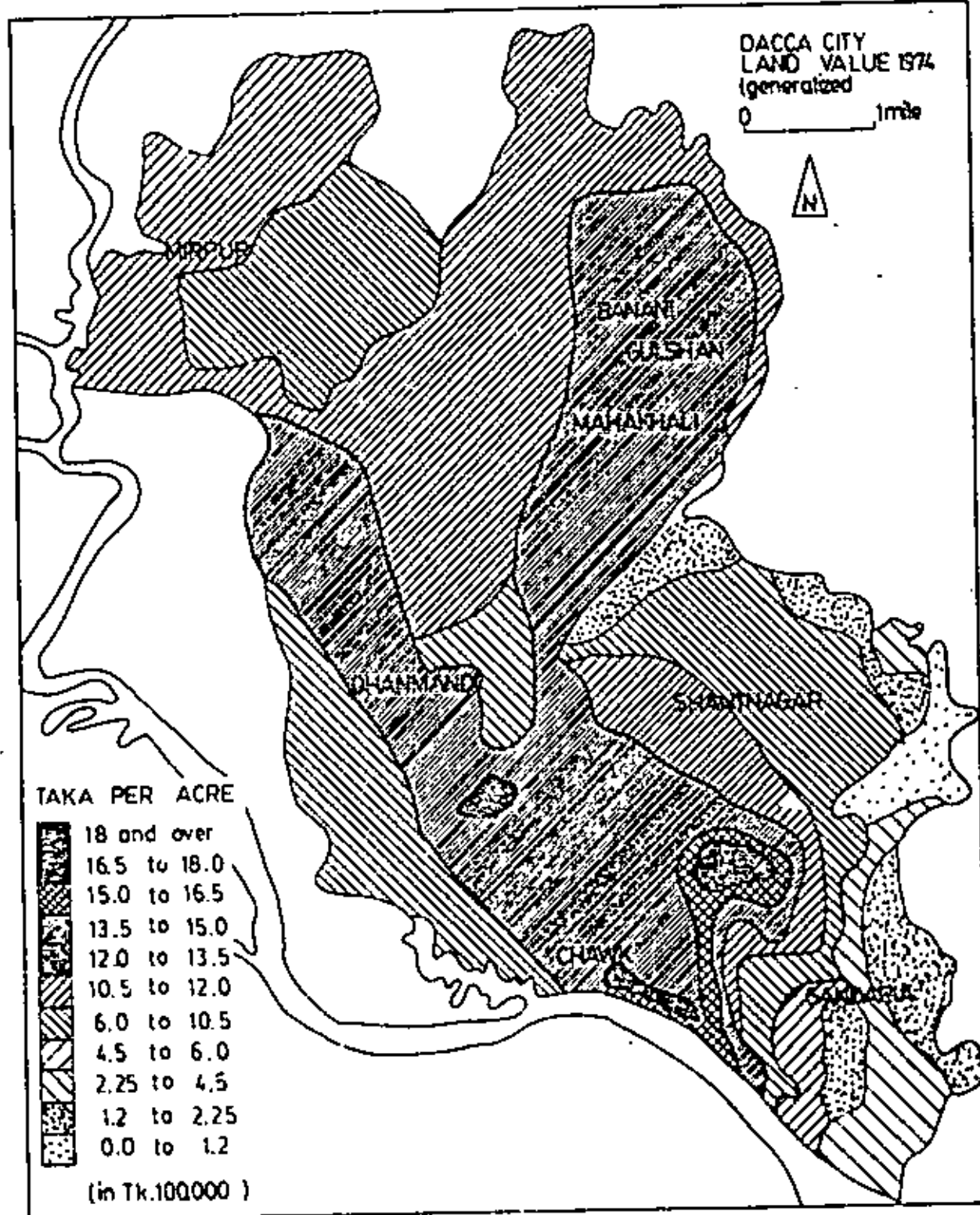
Like any other city of the world, the land value in Dacca is highest in the city centre. The land value in Matijheel and Dilkusha commercial area is the highest. Moreover this value is not a fixed one. It varies widely depending upon availability and location within the commercial area. It has been reported that small parcels of land within the Central Business District (C.B.D.) has been sold out at prices well above the established price range. Elsewhere in the city, the land value decreases with increasing distance from the centre. But there are other local high value areas such as the high class residential areas in Banani and Gulshan. Table 3.1 indicates the land value trend of Dacca. Figure 7 shows the generalized land value of Dacca city in 1974.

TABLE 3.1

Trends of Land Values in Dacca City

Sl. No.	Categories of Land Use	Land Values Taka in Lakh per Acre		Percent Increase Per Annum 1974-78
1.	Central Business District	12 - 18	60 - 90	84%
2.	High Class Residential Use	10 - 13	40 - 60	69%
3.	Industrial Use	10 - 12	35 - 50	60%
4.	Fringe Area (Including Agricultural Use)	3 - 4	5 - 7	60%

(Source : U.N.C.H.S., U.D.O., Policies for Urban Land, April, 1979, P. A-3)



Source: Centre For Urban Studies, Geography Department, Dacca University.

In the period between 1978 and 1961 the price has increased in similar fashion. Starting from 1947 the land value of Dacca city has increased at a rate much greater than the rate of increase for any other commodity. The cost of living index (1969-70 = 100) has registered a sharp rise to 439.7 in June 1979. This means that between 1969 and 1979 the cost of living has become more than four fold. But during the same period the price of high class residential land has become 25 - 35 folds approximately.

The price of land in the urban fringe area like Savar has also increased very steeply. In some of the sectors of Savar the price of high land has increased from Tk. 25 per decimal in 1960 to Tk.1500 per decimal in 1978. The increase is therefore about 60 times in 18 years.⁶ The increase of price for low land is even higher.

3.3 Causes of High Land Value

As discussed earlier, the value of urban land is actually determined and fixed through competition in a complex economic process. Besides, there are other factors which guide urban land value. These are social values, custom etc. On carefully analysing the land value trend of Dacca city and suburbs for the last twenty years, a number of causes of high land value may be identified. They are as follows :-

- a) Lack of investment opportunity in other sectors of economy.
- b) Rapid urbanization and consequent acute scarcity of urban land.
- c) Uncontrolled land market.

6. Ahmeduzzaman, M., The Rising Cost of Urban Land: A Report on the Land Market in Savar, Bangladesh, An Unpublished M.G.D.P. Thesis, B.U.E.T., University of Sheffield, U.K. Joint Programme, 1979, P. 71.

- d) Lack of comprehensive land policy
- e) In-appropriate taxation policy
- f) Political instability
- g) High rate of inflation
- h) Land speculation and roles played by brokers
- i) Land ownership being regarded as a symbol of social prestige
- j) Inflow of foreign remittances earned by Bangladeshis in Middle East.

The cumulative effect of these forces has escalated the price of urban land sky high. Among the above mentioned factors the Middle-East money played an important role in the increase of urban land price. The people earning abroad are not overly concerned about how much they pay, they are just after land. Thus these foreign wage earners have substantially pushed up the price of urban land. The Bangladeshi nationals working abroad prefer investment in urban land for two reasons. First, urban land is considered as a hedge against inflation. Second, most of the Bangladeshi emigrants are young and do not own a house in Bangladesh. They want to build houses before they come back to Bangladesh. The home remittances of these expatriates has increased by approximately thirteen times in last seven years. At present the remittance of the expatriates amounts to 1.5 per cent of the G.N.P.⁷

Through land speculation a group of people have earned windfall profits. These profits were in certain cases beyond any imaginable limit. In a recent research it has been nicely shown that in a hypothetical case a some one could earn Tk. 33,69,000 in 1978 from an investment of Tk. 2,000 in 1960. What this person had to do was just 'playing the land market' by selling and buying land 5 times at favourable periods.⁸

7. Shankland Cox Partnership, DPAIUD Working paper, Land Issues, March, 1980, p.7

3.4 Availability of Land in Dacca City

In a buyer's market land is always scarce in Dacca city. At present it is very difficult to get a parcel of residential land within city proper. But this does not mean that Dacca is entirely built up or all city land have been properly utilized. Rather, quite a sizeable amount of land in Dacca City is lying either vacant or under-utilized. At the moment Dacca is growing towards north along two major highways, one in the direction of Savar and the other in the direction of Joydebpur. As a result the demand for land in the urban fringes has been accelerated. In the last two decades Dacca Improvement Trust (D.I.T.) has undertaken a number of schemes to provide residential lands for the city dwellers. Table 3.2 shows the activities of D.I.T. towards solving the housing problem in Dacca city.

TABLE 3.2

Residential plots allotted by D.I.T.

Sl. No.	Name of Area	Year of Allotment	Plot size (Katha)	Total No. of plots	Total Area (Acres)
1	Gulshan	1962	10 - 30	1369	715
2	Banani	1963	5 - 15	1094	342
3	Uttara	1969	3½ - 10	3262	950
4	Baridhara	1981	3½ - 10	-	375

(Source : D.I.T., Bengali Language Report 1981.)

But so far the activities of D.I.T. have remained limited towards solving the housing problem of the upper middle and upper income group. The Uttara Satellite Town project is the biggest scheme taken by D.I.T. till today. It is estimated

that when completed Uttara Model Town will house a population of nearly 1 lakh. The major draw back of the earlier projects of D.I.T. is the excessively large lot size. Otherwise they could have arranged a greater number of plots.

In recent past a number of housing societies have been established. These housing societies are purchasing land in the urban fringes, particularly Savar. After partially developing the site, plots are being sold to the society members. A number of organizations have formed their own cooperative housing societies to solve the housing problem of their employees. But nowadays there is a growing tendency for mushrooming of private housing societies. Some of these are fraud and have already cheated many people. Of course some of the societies are sincerely trying to solve the housing problem. So far about 1300 - 2000 residential plots of varying size have been distributed by these housing societies in Savar.⁹

3.5 Residential Land Use Pattern of Dacca City

The residential areas of Dacca city can be classified into three district classes, viz., low class residential, middle class residential and high class residential. High class residential areas are the most well defined. They are the residential areas in Eskaton, Dhansandi, Gulshan, Banani etc. Middle class and low class residential areas are less defined and usually overlaps each other. To aid in explanation, Figure No. 8 is attached which shows the generalized land use of Dacca city. Figure No.9 is also attached which shows the housing systems of Dacca city. The different housing systems influence the residential land use pattern of the city. The different housing systems are as follows :-

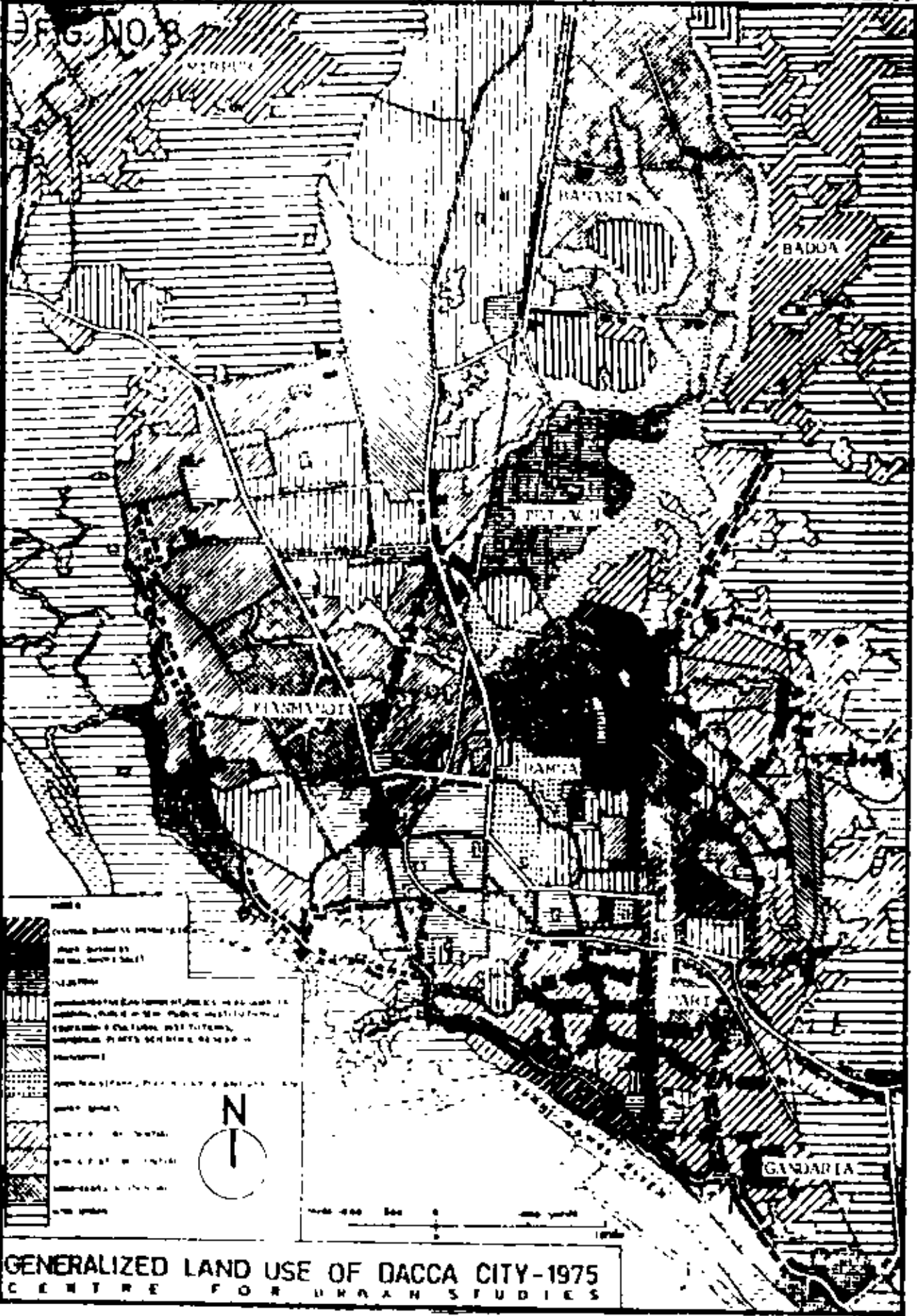
9. The New Nation (English Language Daily), May 4, 1980.

- a) Private Housing System
- b) Public, Semi-Public, and Autonomous Housing System
- c) Public Assistance Housing System for middle and high income groups (Low density)
- d) Public Assistance Housing system for low income groups (high density)
- e) Public Assistance Core Housing System for low income groups
- f) Co-operative and Community Housing System

The urban land use pattern varies from country to country depending on population density, environment, standard of living, rate of urbanization etc. Availability of land is a major criteria governing the population density for urban areas. At present the per capita availability of land in Bangladesh is lowest in the world. The figure is 0.33 acre per capita¹⁰ compared to corresponding figures of 1.90 and 5.87 for India and Pakistan respectively. So it is obvious that the land in urban areas of Bangladesh should be used as intensively as possible. But unfortunately our cities and towns are expanding horizontally by taking valuable agricultural land within urban limits. As a result the total area under agricultural use is gradually decreasing.

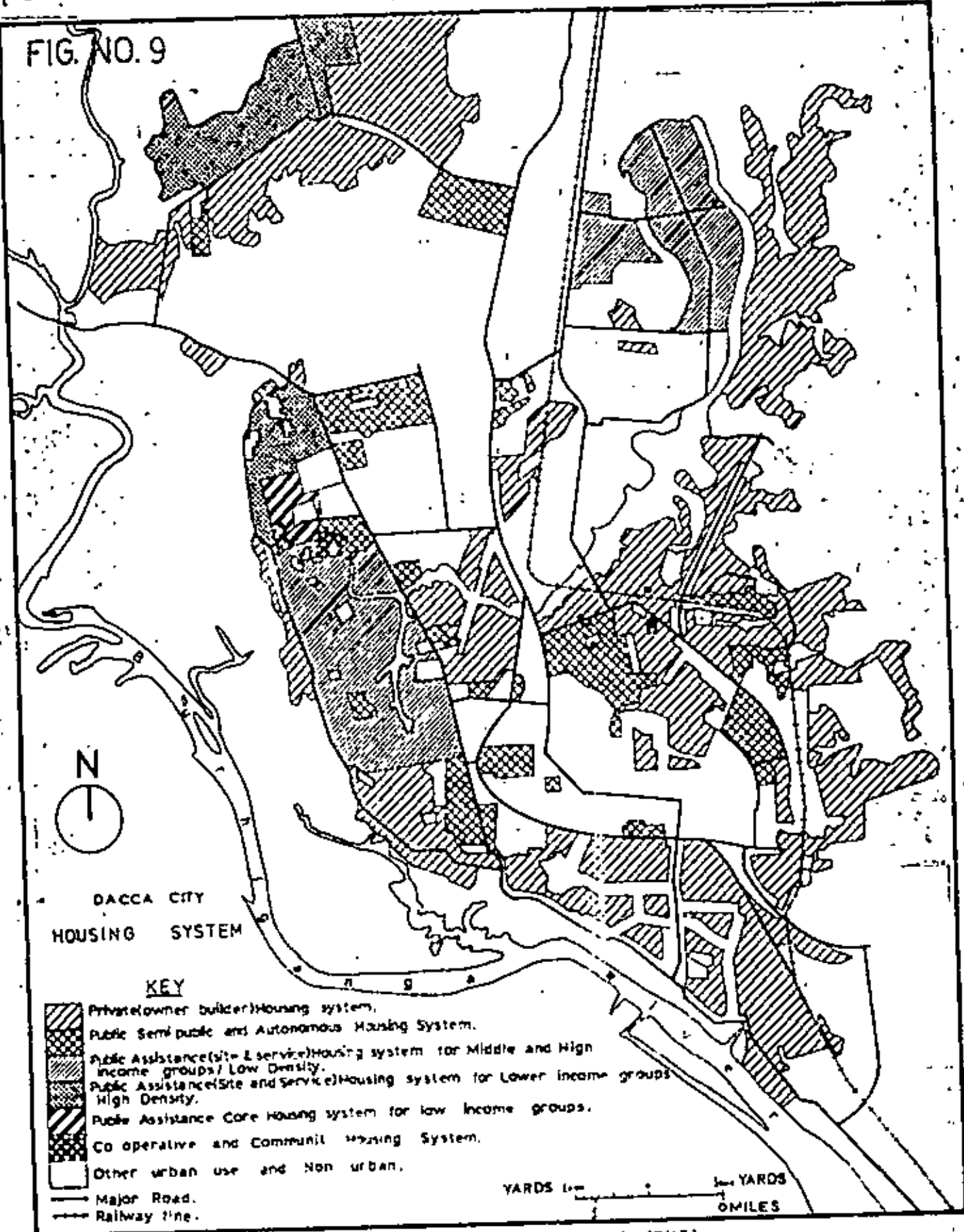
10. Bangladesh Bureau of Statistics, A Preliminary Report on Population Census 1981, Dacca, June 1981.

FIG. NO. 8












GENERALIZED LAND USE OF DACCA CITY-1975
CENTRE FOR URBAN STUDIES

FIG. NO. 9



DACCA CITY HOUSING SYSTEM

KEY

-  Private/owner builder/Housing system.
-  Public Semi-public and Autonomous Housing System.
-  Public Assistance(Site & Service)Housing system for Middle and High income groups/ Low Density.
-  Public Assistance(Site and Service)Housing system for Lower income groups High Density.
-  Public Assistance Core Housing system for low income groups.
-  Co operative and Communit Housing System.
-  Other urban use and Non urban.
-  Major Road.
-  Railway line.

YARDS 0 1000 1000 YARDS
0 1 MILES

Source: Raw Map form Centre for Urban Studies (CUS)

The density standard for residential land use of Dacca city is extremely low compared to other countries. The densities of selected cities of the world is shown in Table 3.3.

TABLE 3.3

Intensity of Residential Land-Use for Selected Cities of the World.

Sl. No.	Name of city	Period	Density	
			Persons/Acre	Persons/Sq. mile
1	Paris	1962	114	72,960
2	London	1961	147	94,030
3	Calcutta	1962	159	1,01,760
4	Delhi	1962	65	41,600
5	Bangalore	1961	77	49,290
6	Ahmedabad	1961	87	55,080
7	Dacca	1975	72	46,080

(Source : Mamath, The Weekly Bichitra, 9th July, 1976).

It seems that in a country like Bangladesh the residential density of 72 persons per acre for Dacca is too low. This figure could have been easily made double. But instead in the last two decades D.I.T. have created low density residential suburbs for high income group. For example, the density for Gulshan Model Town is only 6 persons per acre which can only be compared to any American high class residential suburb. The total number of plots could easily be made four to five times of the present number of plots to achieve a reasonable density. The present density for Masumi Model Town is 26 persons per acre which might increase to 45 persons per acre when fully developed.¹¹ D.I.T. has taken up a scheme to house nearly 1,00,000 population in Uttara satellite Town with a gross density of 40 persons per acre.

During questionnaire survey in part of Dhanmendi and Aga Sadeg Road, observations were made on the intensity of land utilization. On the basis of the findings the F.A.R. of these two areas were calculated. To compare these F.A.R. values with those for the other residential areas of the city, preliminary survey was conducted in selected residential areas. On the basis of the survey approximate F.A.R. values were calculated. These findings are revealed below.

Dhanmendi Residential Area : In the study area the Floor Area Ratio (F.A.R) varies from 0.08 to 0.74 . Mean F.A.R. equals to 0.31 while the Mode equals to 0.34 for the area. No plot was found vacant. But unusually high proportion of open area were found within individual plots. Roads and other facilities were satisfactory and adequate. The situation is almost similar all over Dhanmendi Residential Area.

11. Saraj, Salek M., Report on My Locality : Bengali, Unpublished Competition Report, Faculty of Engineering, S.U.E.T., Dacca, 1980, P. 17

Aga Sadag Road : In the survey area of Aga Sadag Road the F.A.R. for individual plots ranges from 0.21 to 1.71 . Mean F.A.R. equals to 0.73 while the mode equals to 0.56 for the area. No plot was found vacant. The area is totally built up, with no unutilized space within individual plots. Roads and service facilities are of lower order in comparison with that in Dhanwanti Residential Area.

Banani Model Town : There are 1094 plots in Banani. Out of that construction has been done on 710 plots upto 31.12.81.¹² About 35% plots are either vacant or under construction. It can be mentioned here that the plots of Banani Model Town were allotted in 1963. The F.A.R. value for the plots already constructed ranges from 0.25 to 1.25 . The modal value of F.A.R. would be around 0.75 for Banani. Roads and service facilities are adequate and satisfactory.

Gulshan Model Town : The total number of plots in Gulshan Model Town is 1369 out of which construction has been done on 1010 plots (upto 31.12.81).¹³ Therefore, about 26% plots are still lying vacant although the plots were initially allotted in 1962 by D.I.T. It was not possible to ascertain the F.A.R. of Gulshan but it would be even lesser than Dhanwanti. The roads and service facilities provided in the area are satisfactory and adequate.

Uttara : Construction has been started in Uttara in recent years. The plots were allotted in 1980 and the roads were constructed subsequently. But the area did not develop. In this respect the investment on roads and other services were rather too early and not in conformity with actual development.

12. From the interview with the Chief Assessor of Gulshan Poursheva.

13. Same as 12.

Mohammadpur : Number of vacant plots in Mohammadpur area is insignificant. The entire area is built up and the intensity of utilization is satisfactory. The average F.A.R. would be between 1 and 1.50 while the modal F.A.R. would be 1 or more. The condition of roads in major portions of Mohammadpur is very poor and needs immediate repair. Other facilities available are also less than satisfactory.

Mirpur : As regards total area of Mirpur almost 50% land of Mirpur is still lying vacant. Some of these land is kept vacant by government or semi government bodies. In Pallabi, Mirpur construction has been done on almost all plots. The intensity of utilization is also satisfactory. The average F.A.R. would be around 0.75 for Pallabi. The proportion of vacant land in Mirpur Section 10 is quite high. But at present construction is on progress on a significant number of plots. Condition of the internal roads of Mirpur is very poor.

Khilgaon : Numbers of vacant plot in Khilgaon is almost nil. On the plots beside the major roads within Khilgaon, both residential and commercial uses are present. A significant number of houses are constructed with materials of relatively lower standard. It was observed that each parcel of land was more or less fully utilized. The condition of roads is very poor. The entire area gives an impression of unplanned development and construction.

Bashe : This area is totally built-up, but in comparison with Khilgaon the houses are of better and superior quality. Moreover, the area is better planned and better maintained.

From the analysis of urban land utilization pattern in Dacca City, an interesting observation is made that the intensity of land utilization in planned areas is much lower than that of unplanned areas. From the analysis it can be concluded that the residential land within the city limit should be used more intensively. Therefore, horizontal expansion should be discouraged. Moreover, policy outlines should be formulated so that land does not remain vacant or under-utilized.

CHAPTER 4
EXISTING TAXATION SYSTEM ON URBAN HOUSE
PROPERTY IN BANGLADESH AND ITS EFFECTS

4.1 General Note on Taxation

According to Professor Robson,

"Taxes were originally devised in order to provide the revenue necessary to pay for functions performed by the state. This is still a major objective, but it is nowadays only one among several aims. Other purposes are demand management, redistribution of income or wealth, economic growth etc..... There are four basic questions which may properly be asked respecting taxation, apart from the question whether it produces sufficient revenue to pay for the services provided by the government with the consent of the parliament. These questions concern the effect of taxation on incentives, on the distribution of income or wealth, on economic growth and on the administrative efficiency of the system".¹

For the purpose of the present study, we are only interested in the property tax which plays a significant role in economic development. But the nature and importance of that role has not yet been clearly defined. Concern has been rising as to whether the property tax acts as a possible deterrent to continued progress in economic development in general and to urban development in particular. Theoretical criticisms of the general property tax has generally taken three forms. The first one is the double taxation arising out of taxing both intangibles as well as other objects of property. The second criticism is that the general property tax does not conform to ability to pay. The third criticism is that, it has a depressing effect on incentive and productivity.² Taxation constitutes an important restriction on private property in land as a limitation on the benefits of ownership. Taxation may be used as an instrument of public policy in influencing the use of land. For example, tax exemption on new structures may stimulate building; a burdensome tax on vacant land may hasten its improvement.

1. Robson, W.A., Taxation Policy - The Political Economy of Taxation, Pelican Original, Penguin books, 1972, pp 9-10.

2. Becker, A.P., Land and Building Taxes, The University of Wisconsin Press, 1969, p. 12.

4.2 Urban Property Taxation in Bangladesh

The formulation of taxation policy in general is a very complex and complicated task. Numerous factors have to be considered and analysed before outlining a taxation policy. These factors are again either positively or negatively correlated amongst themselves. An optimum balance between these competing factors is one of the main objectives of a successful taxation policy.

As regards urban property taxation in Bangladesh it is felt that it should promote the supply of houses in urban area. Again, it is necessary that the revenue earning of the government should be increased. According to the report of the 'Taxation Enquiry Commission' the tax-to-GDP ratio in Bangladesh is lowest among the developing countries. An improvement in this ratio turns out to be a crucial condition for achieving an accelerated economic development. The low per capita income and the existing structure of G.D.P. in Bangladesh impose serious limitation to raising tax revenue. In order to attain a per capita income level of \$ 200 by the end of this century, i.e., over the intended long term perspective plan period, the tax-to-GDP ratio has to be doubled during the same period.³ To reach \$ 200 per capita income in the next 20 years, we will require a GDP growth at the rate of 6.3% per annum (assuming population growth at the average rate of 2.7% per annum). Tax revenue should rise at the rate of 10% approximately per annum; that is the tax level has to rise seven fold in twenty years time.

3. Ministry of Finance, Government of the Peoples Republic of Bangladesh, Final Report of the Taxation Enquiry Commission, April, 1979, p.8 .

Now leaving aside the economics of taxation, let us carefully review the existing tax structure on urban house property in Bangladesh. The names and titles of different taxes which are at present in effect on urban house property in Bangladesh are listed below. They are :-

- a) Municipal Tax
- b) Urban Immovable Property Tax
- c) Wealth Tax
- d) Land Development Tax
- e) Income Tax

In addition to the above taxes there are other taxes associated with urban house property. They are :-

- f) Capital Gains Tax on Urban Immovable Property
- g) Betterment Fees
- h) Utilized Land Taxes
- i) Estate Duty
- j) Gift Tax

4.2.1 Municipal Taxes

According to Section 54 of the Pouroshava Ordinance, 1977 (Ordinance NO. XXVI of 1977), the following municipal taxes are levied by a pourashava.

- (i) Holding Rate (Taxes on the annual rental value of lands and buildings)
- (ii) Lighting Rate
- (iii) Conservancy Rate.

Holding Rate. This is a tax on houses in municipal areas and is levied at a rate not exceeding 17 percent of the annual rental value of the buildings and lands. In practice however, the tax is levied at a lower rate in view of the fact that houses above a certain value attract urban immovable property tax at different rates, and the rule is that the combined rate should not exceed 17 percent of the annual rental value. According to Municipal Rule, the annual value of an urban house is to be determined on the basis of 10 month's rent less mortgage interest if any, on account of loan taken for construction of house. In Dacca Pourashava a house owner has to pay 7% of the annual valuation as Holding Rate.

Lighting Rate. According to Taxation Rules, lighting rate may be levied upto 3 percent of annual valuation. At present Dacca Pourashava levies 3 percent of annual valuation as Lighting Rate.

Conservancy Rate. According to Taxation Rules, conservancy rate may be levied upto 7 percent of annual value. In Dacca, conservancy rate is shared between Dacca Pourashava and Dacca MASA in the following manner :-

For Dacca City (New Area)

Pourashava 2%

MASA 5%

Lighting rate and conservancy rate are not intended to contribute any profit to the municipalities as these are essentially service charges recoverable from the beneficiaries. For Dacca city the total municipal tax can be summed up as twelve percent (7+3+2=12) of annual valuation.

4.2.2 Urban Imovable Property Tax

This tax is levied by government under the Urban Imovable Property Tax Act, 1957 (E.P. Act, XI of 1957). The purpose behind the levy was to make an addition to the revenues from the urban house owners who were the beneficiaries of the urban improvement done by the government at a considerable development cost. The tax is initiated if the annual value of holding exceeds Taka 6000. According to Finance Act, 1980,⁴ the Annual value of a holding means, in municipal areas, gross annual rental at which the holding may reasonably be expected to let. In determining the gross annual rental at which a holding may be expected to let, regard may be had to the rents of holdings in the vicinity of like size and amenities.

According to Finance Act, 1981,⁵ Urban Imovable property tax is realized at the following rates with effect from 1st July, 1981 :-

1. In all cases of holdings with annual value not exceeding Taka six thousand	Nil
2. In other cases	
(a) Not being self occupied holdings	4% of the annual value.
(b) Self occupied holdings	2% of the annual value.

Provided that in case the holding (not being a self occupied holding) remains vacant for at least sixty days, the assessee shall be entitled to a remission to the extent of three-fourths of the amount due on account of such period.

4. Bangladesh Parliament, Finance Act, 1980, Published in the Bangladesh Gazette, Extraordinary, dated the 30th June, 1980, P. 16

5. Bangladesh Parliament, Finance Act, 1981, Published in the Bangladesh Gazette, Extraordinary, dated the 30th June, 1981, P.8 .

4.2.3 Wealth tax

Under the Wealth Tax Act of 1963, wealth tax is leviable on a person if his net wealth exceeds taka 10 lakhs. But there are certain exemptions. As per section 5, sub-section (1) clause (xiii) of the Wealth Tax Act 1963,⁶ wealth tax shall not be payable by an assessee in respect of a house owned and occupied by an assessee for the purpose of his own residence, subject to the following limits, namely :-

- a) where the value of such house does not exceed Taka ten lakh - the whole of such value.
- b) where the value of such house exceeds Taka ten lakh - Taka fifteen lakh.

From 1st July, 1981, the following rates of wealth tax are in effect in the country according to Finance Act, 1981 :-

	<u>Rate</u>
1. On the first Taka ten Lakh of net wealth	Nil
2. On the next Taka ten lakh of net wealth	1%
3. On the next Taka fifteen lakh of net wealth	1%
4. On the next Taka fifteen lakh of net wealth	1½%
5. On the balance of net wealth	2%

Provided that where for any year wealth tax is payable along with income tax by an assessee whose taxable income exceeds Taka 1,50,000 and the aggregate of income tax and wealth tax exceeds 60 percent of the total income, the amount of wealth tax payable shall be reduced by the amount by which the said aggregate exceeds 60 percent of the total income.

6. Ibid., p. 10

4.2.4 Land Development Tax

This tax is leviable under the Land Development Tax Ordinance, 1976 (ordinance No. XLII of 1976).

Rates of Land Development Tax, effective from 1st July, 1980, as per Finance Act, 1980 is given below :-

<u>Description of Land</u>	<u>Rate of Tax</u>
(a) Agricultural Land	(i) Taka 3/00 Per Acre if the land is held by a family holding a total area of agricultural land not exceeding 25 standard hectares. (ii) Taka 15/00 per Acre in any other case.
(b) Non-agricultural land	
(i) For the cities of Dacca, Nazranjanj, Chittagong, Khulna.	* Taka 2250/00 per acre if used for commercial or Industrial purposes * Taka 600/00 per acre if used for Residential purposes.
(ii) For areas within the municipalities at the district head quarter	* Taka 750/00 per acre if used for commercial or industrial purposes. † Taka 300/00 per Acre if used for residential purposes.
(iii) In any other area	* Taka 300/00 per Acre if used for commercial or industrial purposes. * Taka 225/00 per acre if used for residential purposes.

4.2.5 Income Tax

The income from property is subject to Income tax. Income tax depends upon the taxable income of each assessee. At present, if the covered space does not exceed 1000 square foot, exemption of income tax on income from house is allowed for five years.

4.2.6 Capital Gains Tax

The law of capital gains tax contained in Section 12 B of the Income Tax Act was enacted by Act 22 of 1947 and remained in force for a period of three years only upto the assessment year 1949-50. Thereafter the operation of the section was suspended for a long period upto June 1953. Since then it has continued to be in force. The tax is payable by an assessee on the profits or gains arising from the sale, exchange or transfer of a capital asset within the boundaries of municipalities, as the income of the 'previous year' in which such transaction takes place.⁷

4.2.7 Betterment Fees

The East Bengal Betterment Fees Act, 1953 (E.B. Act XII of 1953) can be applied to areas where improvement work has or is likely to increase the value of any land. By notification, government declares its intention to impose a betterment fee (sec. 3). The basis of this fee is the increase in the value of land resulting from execution of an improvement work. Land is valued as if clear of structures prior to execution of improvement works and upon completion. Difference represents the increase in market value. The statute provides that the betterment fee is to be one half the increase in value (Sec.6(2)).

4.2.8 Unutilized Land Taxes

This tax is leviable by the Chittagong Development Authority under the Chittagong Development Authority Ordinance, 1959 and by the Khulna Development Authority under the Khulna Development Authority Ordinance 1961. This tax may be applied to 'lands contained within an area included in a Master Plan which the relevant

7. Final Report of the Taxation Enquiry Commission, 1979, p.153 .

authority has declared to be a new area provided that two years must elapse after such declaration and the area, or part thereof, must remain, in the opinion of the authority 'unreasonably unutilized'.⁸ The statute did not provide a basis for measurement of value although the rate at which the tax is to be levied annually is 3% of the value.⁹

There is at present no provision for such taxes in Dacca.

4.2.9 Estate Duty

The purpose of estate duty is to check the growth of social parasitism - some one living on else's income or property. Therefore, the Act deserves to have a place in the statute book even though its revenue effect is of little significance. Estate duty is not payable for one residential house of valuation not exceeding taka twenty lakh.¹⁰

4.2.10 Gift Tax

As per the Gift Tax Act (1963), gift tax is charged on a person in respect of the gifts, if any, made by the person during the previous year. But there are certain gifts which are exempted from gift taxes.

4.3 Existing taxes on non-urban land

A brief discussion is made in this chapter about the existing taxes on non urban land for comparison with the taxes on urban land.

The East Bengal State Acquisition Act of 1950, which brought into existence the present land revenue system of Bangladesh provides for assessment of rent

8. UNCTAD, U.D.D., Taxation on Urban Land in Bangladesh, June 1979, P.26

9. Abuderraman, Op.Cit., P.58.

10. Finance Act, 1981.

of any class of agricultural land at a rate not exceeding one tenth of the average price of the produce. But the revenue was realized at a much lower rate. From time to time some other taxes namely development tax, relief tax, local rate etc. were levied. Thus the total revenue demand from agricultural land became Taka 6.47 per acre. Out of this Taka 3.75 was land revenue and Taka 2.72 was other taxes. In 1972, by Bangladesh Land Holding Presidents Order No. P.O. 96, land holders of 25 bighas or less were exempted from the payment of land revenue. But the holders of such land were to pay development tax, relief tax and other local taxes. In 1976 land revenue and other taxes were merged and converted into one tax called land development tax. According to the Land Development Tax Ordinance, 1976 (Ord. No. XLII of 1976), agricultural-land families holding upto 25 bighas of land are liable to pay land development tax @ Taka 3/- per acre, while the families holding lands exceeding 25 bighas are to pay Taka 15/- per acre. The tax for non-agricultural land in rural areas is Taka 225/- per acre for residential use and Taka 300/- per acre for commercial purpose.

The above rates of land taxes are currently in force. Besides, an agricultural income tax with Taka 15,000/- per annum as exemption limit is currently in effect.

4.4 Survey Findings on Present Taxation Structure

Questionnaire survey was conducted in two residential areas with a view to determining the government revenue earning per acre of residential land. Survey findings in these two areas are revealed below along with brief descriptions of these two areas.

Dhansondi Residential Area : Dhansondi Residential Area is a well planned residential locality within the heart of the city. All necessary facilities - e.g. - ^{shopping} marketing, educational, social etc. are within close proximity from this area. The transportation facilities to and from this locality are excellent because it stands on the arterial city highway named Mirpur Road. There are two playgrounds and a number of small parks within Dhansondi. A beautiful lake traverses a major portion of the area, adding beauty to the locality. There are a large number of nursery schools within Dhansondi. Some of them are very close to the actual survey area. The roads in front of the plots are very wide (50'-0") and in good shape. All modern facilities like sewerage, water supply, electricity, gas and telephone are available in this locality. The garbage disposal facility of the municipality is also satisfactory. Street lighting and night security arrangements are adequate. Only a few years back, it was totally a residential area. But in recent past, a number of commercial enterprises have been established in the area which is affecting the residential character. The overall environmental condition is excellent. In the context of Bangladesh, from any point of consideration, Dhansondi Residential Area can be termed as a planned locality for the affluent people. Land use map and structure map of the study area at Dhansondi is shown in Figure No. 10 and Figure No.11 respectively.

The revenue earning of the government from different taxes in Dhanwadi was calculated as Taka 19,750/- per acre. Fifty percent of the sample houses were occupied by owners only. Seventy percent of the plots were used only for residential use. In twenty five percent plots either commercial or mixed commercial plus residential use was observed. All the structures in the area were pucca structures. All the plots of the area had an area of one bigha each. Land value in the area was reported as Taka thirty five lakh per bigha. The house rent was calculated as Taka 2.00 per sft. Mean floor space per plot in this area was determined as 4536 sft. Mean F.A.R. was calculated as 0.31 for this area. According to the observation about 50% land within each plot was open area used for gardening or other recreational purposes. It was noted that all house owners paid their municipal tax, urban inmovable property tax and land development tax. But the assessed rental value of the houses for tax purposes was much lower than the actual rental value. Not a single case of paying wealth tax was reported, although almost all the persons interviewed was from the upper income group of the society.

FIG. NO. 10

STUDY AREA AT DHANMANDI
LAND USE MAP

RESIDENTIAL



COMMERCIAL



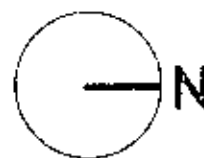
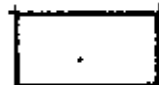
SCHOOL



OFFICE



OPEN AREA



SCALE - 1" = 165'-0"

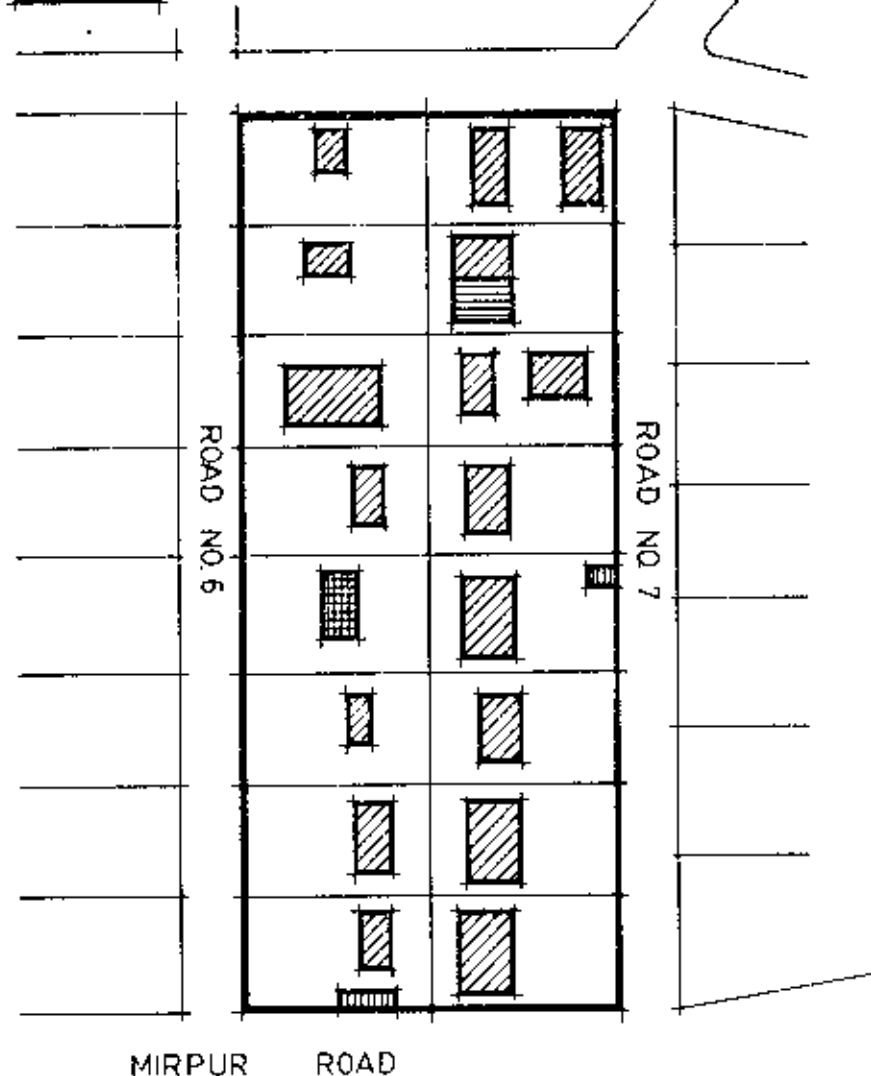
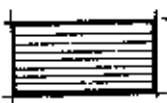


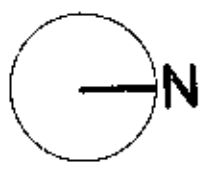


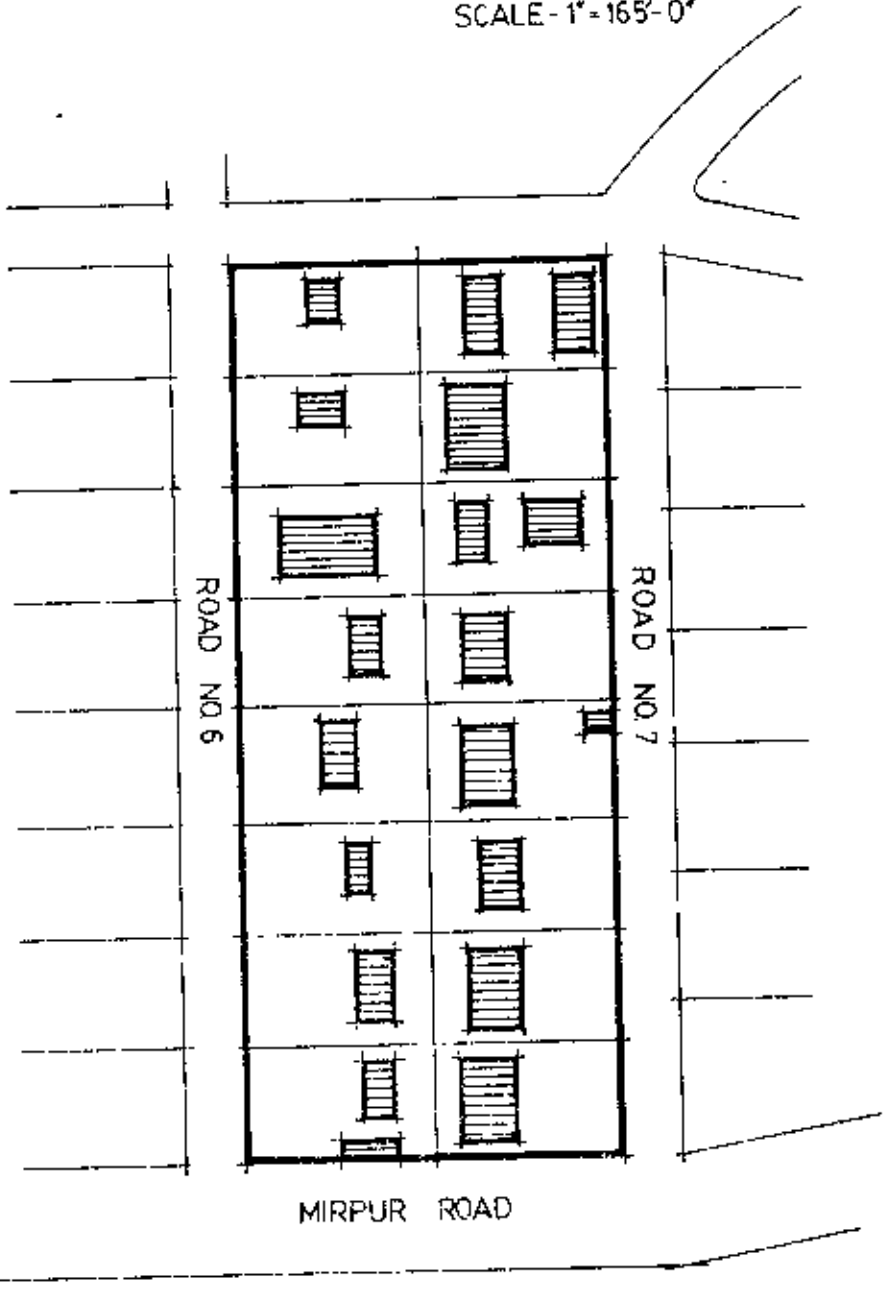
FIG. NO. 11

STUDY AREA AT DHANMANDI
STRUCTURE MAP

- PUCCA 
- SEMI-PUCCA 
- KUTCHA 



SCALE - 1" = 165'-0"

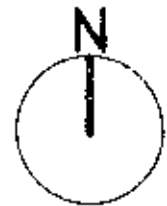


2

Age Sadeg Road : The study area in Age Sadeg Road is situated in a very important part of Old Dacca. The location is about half mile on the east from Dacca Central Jail. Shopping and educational facilities are available within easy reach. The area has developed in an unplanned way. As a result the overall look of the area is unorganized. Parks and other recreational facilities are not available within the locality. The roads in and around the area are narrow (6'-0" - 20'-0") and in poor condition. The road layout is irregular. Some of the plots in the survey area are not even accessible by a rickshaw. Water supply, electricity and gas are available in the area. The garbage disposal facility of the municipality is poor. Street lighting facility is also inadequate. Different Commercial activities are found both within and near the area. The overall environmental quality is less than satisfactory. The inhabitants are mostly from middle class families. The area can be termed as a unplanned typical middle class residential area. Land use map and structure map of the study area at Age Sadeg Road is shown in Figure No.12 and Figure No. 13 respectively.

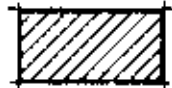
The revenue earning of the government from different taxes in this study location of Age Sadeg Road was calculated as Taka 25,400/- per acre. Seventythree percent of the sample houses were occupied by owners only. Eighty percent of the plots were used only for residential purpose. About ten percent of the structures in this area were found to be semi-pucca, the rest being pucca. The plots of this area had variable sizes ranging from 2 katha to 1 bigha or more. Land value of this area was reported as taka twenty five lakh per bigha. The average rent of house was calculated as Taka 1.69 per sqft. Mean F.A.R was calculated as 0.75 for this area. Open area within the plots was about 15-20% on the average. It was observed that the assessed rental value of the houses for tax purpose was much lower than the actual rental value.

LAND USE MAP



SCALE- 1"=80'-0"

RESIDENTIAL



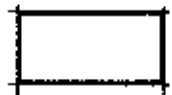
COMMERCIAL



INDUSTRIAL



OPEN AREA

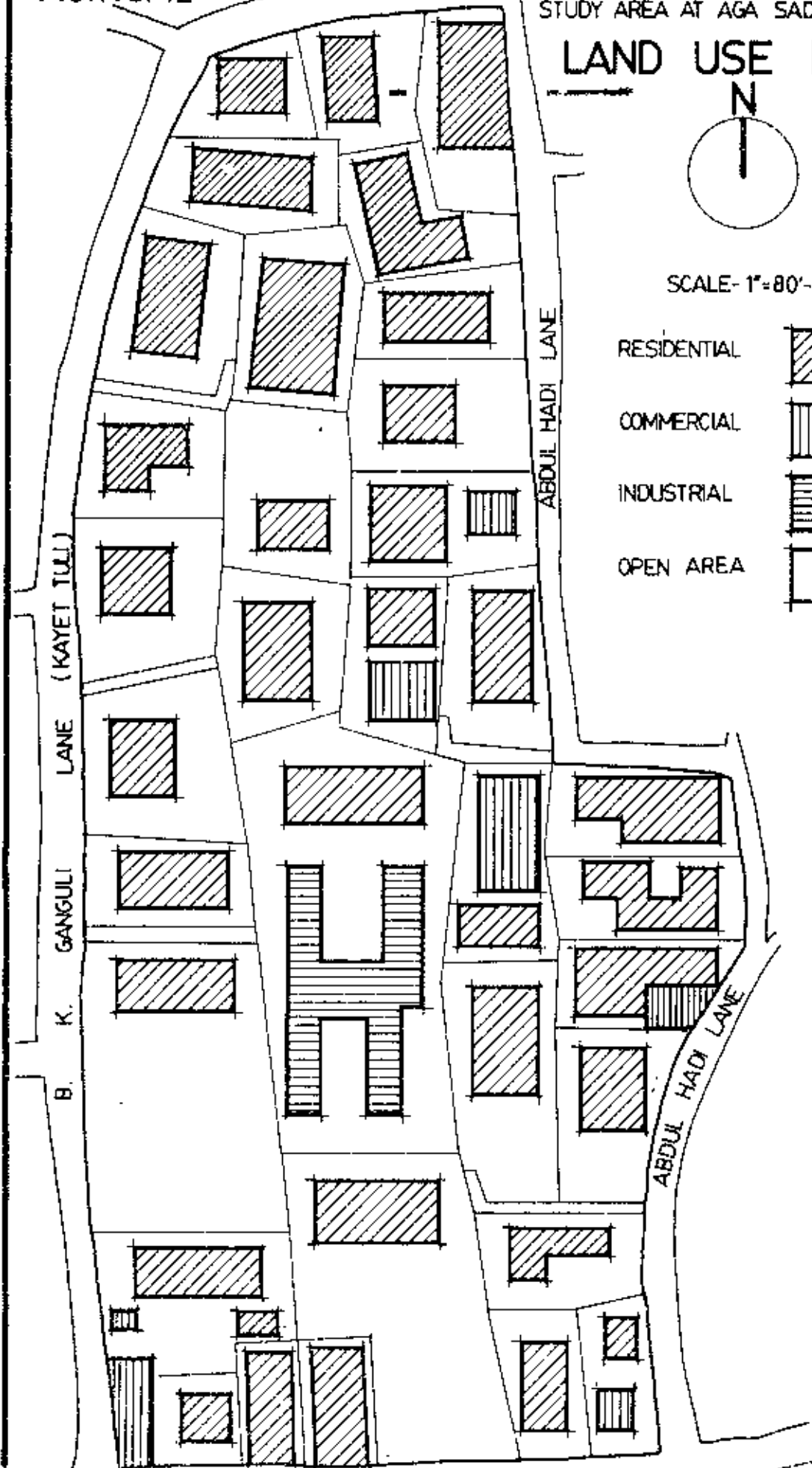


B. K. GANGULI LANE (KAYET TULLI)

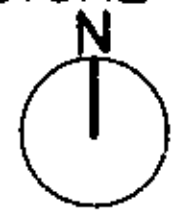
ABDUL HADI LANE

ABDUL HADI LANE

AGA SADEQ ROAD



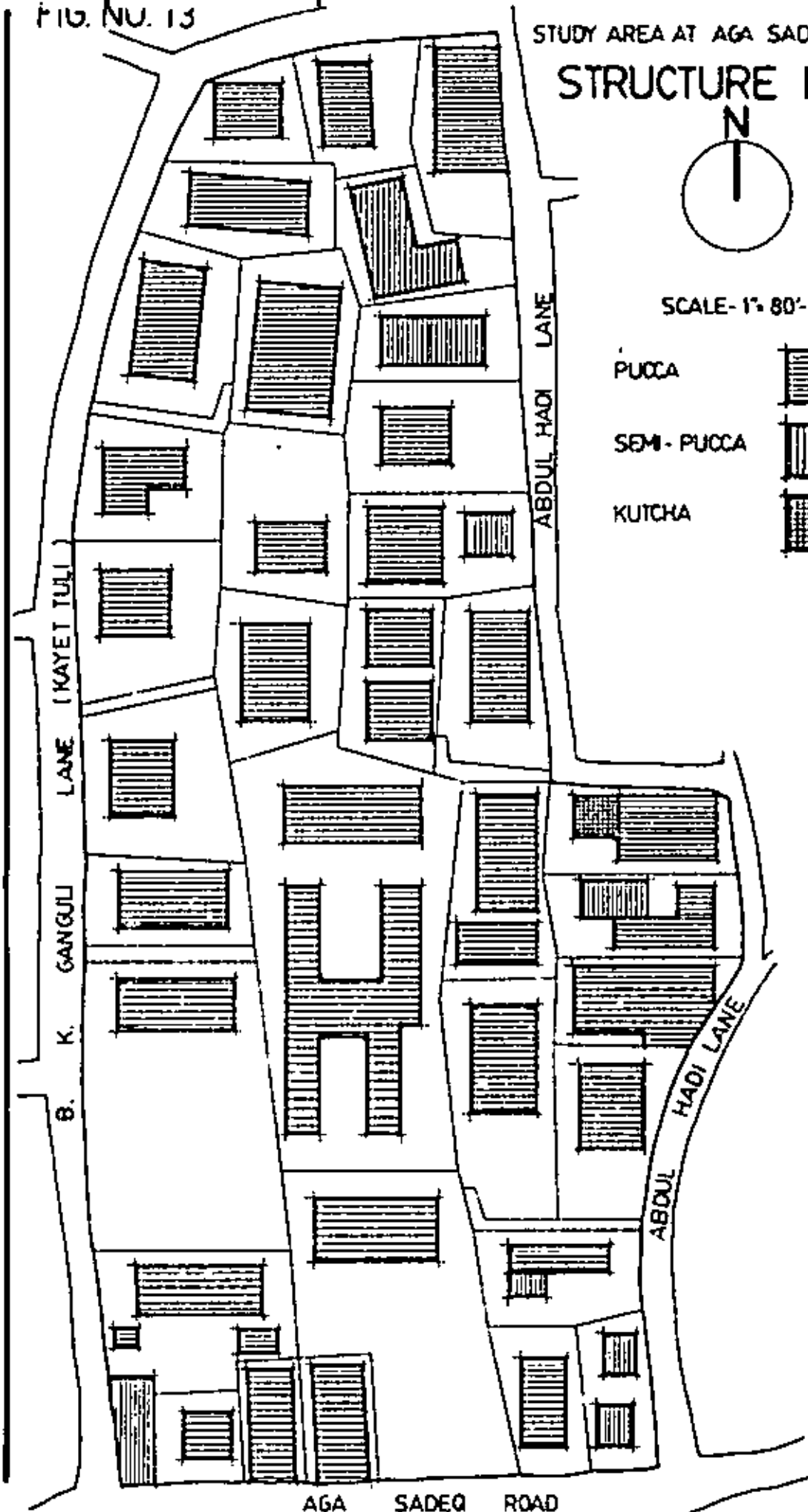
STRUCTURE MAP



SCALE- 1" = 80'- 0"

PUCCA	
SEMI-PUCCA	
KUTCHA	

53788



Comparing the revenue earning in the two areas it is observed that revenue earning is comparatively greater when the intensity of utilization is higher. But it seems that the revenue earning per acre of urban land in Bangladesh is quite low compared to other countries. From the survey in Dharmadi it is revealed that the average municipal tax paid by house owner is only 4% of rental value. The average total tax paid by house owner is 10% of rental value. The corresponding figures for the house owners of Aga Sadeq Road is 1.37% and 5.70%. Now let the average total tax paid per plot be calculated as percentage of land value. The total tax becomes 0.21% of land value in Dharmadi and 0.39% of land value in Aga Sadeq Road. The occurrence of tax evasion through under assessment of rental value is more frequent in Aga Sadeq Road than in Dharmadi Residential Area. Even then the revenue earning per acre of land is higher in Aga Sadeq Road. This is due to more intensive utilization of land. One interesting feature has been observed in Dharmadi. The revenue earning from Dharmadi is lower but the level of services provided in the area is of the highest order. As a result, the expenditure per acre of land for municipal service facilities in Dharmadi is much higher than that in Aga Sadeq Road. This observation leads to the conclusion that social justice is not maintained with regard to the expenditure on service facilities provided in different areas of the city. It is evident from Table 4.1 that planned areas are getting preferential treatment over less planned areas.

TABLE 4.1

Comparative Study of the Areas in Dhanwandi and Aga Sadeq Road.

Sl. No.	Parameter	Dhanwandi	Aga Sadeq Road
1.	Floor Area Ratio	0.31	0.75
2.	Open Area	50%	15-20%
3.	Av. Road width	50'-0"	15'-0"
4.	Road Condition	Good	Poor
5.	Street Lighting	Good	Poor
6.	Water Supply	Good	Fair
7.	Gas	Good	Good
8.	Electricity	Good	Power failure frequent.
9.	Sewerage	Good	Fair
10.	Garbage Disposal Facility	Good	Bad
11.	Park etc.	Available	Not Available
12.	Play ground	Available	Not Available
13.	Schools etc.	Very Near	Very Near
14.	Markets etc.	Near	Near
15.	Environmental condition	Very Good	Not satisfactory
16.	Land Value per bigha	Tk.35 Lakh	Tk.25 Lakh
17.	Av. Rent/sft	Tk.2.00 Tk.1.92	Tk.1.69(a) Tk.1.36(b)
18.	Revenue Earning Per Acre	Tk.19750/-	Tk.25400/-

(a) From the Present Thesis Study

(b) From the Thesis study conducted by Mohammad War Habi in 1980.

Besides administering questionnaire survey in two areas of Dacca Municipality, relevant information was gathered regarding taxation pattern and land utilisation in Gulshan Municipality. The observations are enumerated below :-

Gulshan Municipality : Gulshan Municipality has a total area of 7.5 square miles. The areas within the municipality are Gulshan, Banani, Mohakhali, Badda, Jorshahara, Khilkhet, Furul, Kaleschandpur and Shahjadpur. But municipal facilities like water, gas etc. are available only in Gulshan, Banani and Mohakhali. The other places are not yet developed. Out of 7.5 square miles, only 3.5 square miles can be termed as developed urban area, the rest being predominantly rural.¹¹

In the year 1980-81, total revenue collection of the municipality was Taka 1,33,63,332/04 only.¹² Government grant in the same year was Taka 59,496/00 only. Revenue collection from municipal taxes on house property alone accounted for Taka 71,79,107/99 which was 54% of the total collection. Again, about 95% of this house tax was collected from Gulshan, Banani and Mohakhali. Municipal tax collected from the houses of Gulshan, Banani and Mohakhali was Taka 68,00,900/00 only. Total area within these three places is 2,240 ac acres. So, the gross municipal tax collection is about Taka 3,000/00 per acre or Taka 30/00 per decimal. But, about 30% area can be excluded as circulation and recreational space. Another 15% can be excluded as low lying area. So, the net residential land either built-up or easily buildable comes around 1232 acres. So, the present average tax collection is Taka 5,500/00 per acre. But at present about

11. From the interview with the Executive Engineer of Gulshan Municipality.

12. From the interview with the Secretary of Gulshan Municipality.

30% plots in the said areas are vacant. According to the present provisions, municipal tax is not leviable on vacant plots. Therefore, the taxes are actually collected from the plots upon which construction has already been done. The total area of such plots comes around 865 acres. Thus the revenue collection becomes Taka 7850/00 per acre or about Taka 80/00 per decimal. The price of land in the said areas can be assumed as Taka seventy five lakhs x per acre. Table 4.2 summarizes the relevant information about Gulshan Municipality in tabular form.

TABLE 4.2

Gulshan Municipality

Sl.No.	Item	
1.	Total municipal area	4,800 Acres
2.	Area provided with municipal facilities	2,240 Acres
3.	Gross buildable area (including vacant land)	1,232 Acres
4.	Net taxed area (excluding vacant land)	865 acres
5.	Present municipal tax collection per decimal (Net)	Taka 80/00

4.5 Effects of Existing Taxation System

As already discussed, there are numerous taxes which are officially in force in the country at present. But most of them have practically little or no effect in the taxation structure. Capital Gains Tax, Betterment Fees, Unutilized Land Taxes and Estate Duty have been little used. The contribution of these taxes towards revenue earning of the government is also insignificant. This situation leads to land speculation, land hoarding and underutilization of land.

At present urban houses are liable to municipal tax as also urban immovable property tax. The base of the two taxes are similar and the basis is annual rental value of the house. The Taxation Enquiry Commission has pointed out that under valuation in the municipal value of urban houses is a common practice. Furthermore it has been found that many houses were not entered in the municipal register on the plea of their incompleteness though, in fact, the houses were completed and rented out. As a result, considerable loss is caused to municipal revenue as also to urban tax. One of the main reasons of the precarious financial condition of the municipalities is that they do not explore effectively the resources placed at their disposal. An example of the inadequacy in administration is the under valuation of urban houses, which is practised in all municipalities on rather wide scale. Municipal tax and urban immovable property tax are payable to two entirely different organisations. This is not rational and cannot be explained easily. It is also very inconvenient on the part of the tax payers to pay so many taxes to so many organisations. Moreover, the collection of urban immovable property tax is very poor. In the year 1977-78 the ratio of collection to demand was as low as 14.5 percent.¹³

13. Final Report of the Taxation Enquiry Commission, 1979, p. 335.

Let the discussion now be focussed on the effects of taxation policy on the supply of housing. It is very interesting to note, as already mentioned, that lot of plots are lying vacant in Mirpur, Banani, Gulshan, Uttara and other places. These plots have been allotted long ago and during this period Dacca city has experienced tremendous growth. So it seems, that there must be sufficient reasons on the part of these house owners for keeping these plots vacant instead of constructing houses. It was revealed by Mr.Quinn in his thesis study in 1978 that the financial return on investment in housing was only 5.4 percent.¹⁴ In his calculations he used the yard stick of 9% of total cost of house as the gross rent of the house. This return of 5.4 percent on the investment in housing can be considered as quite low when compared with the rate of returns in alternative sectors of investment. The comparison is shown in Table 4.3.

TABLE 4.3

Comparative Return on Investment in Various Sectors

Sl.No.	Sector	Return (Per Cent)
1.	Savings Account	7%
2.	Fixed Deposit	15%
3.	Defense Savings Certificate	15% (Income Tax Free)
4.	Maya Khatir Development Bond	22%
5.	Small Scale Industries	22% - 30%
6.	Housing	5.4%

14. Quinn, A.S.M.A., Financing of Urban Housing in Bangladesh, An unpublished Masters Thesis, Department of Urban and Regional Planning, B.U.E.T., 1978 PP. 46-50.

From the table it is very clear that, an investor would not prefer to invest in housing if he has alternative sectors to invest. In the last five years investors have taken much interest to invest in small scale industries, having possibilities of high return. Different banks are providing loans of upto 70% of the project cost at low interest rates for small scale industries. But the interest rates of loans for housing have increased in last few years which also act as a disincentive for housing investment.

The average inflationary rate in the economy was around 20% during the 1981 calendar year. The inflation rate in the preceding years was also similar. To fight with this high inflation rate wealthy people have invested in urban land because the rate of appreciation is highest in this sector. Moreover tax burden for vacant land is almost nil. Buildings depreciate and involve maintenance cost. But land value only appreciates and land property needs no maintenance cost. Due to the cumulative effect of inappropriate taxation policy and very low return on investment the gap between the demand and the supply of housing is ever increasing.

The present taxation policy is not effective as a tool for development control. The present taxation system does not provide sufficient incentive to carry on further housing construction. Rather it encourages property owners to keep land vacant. In a situation of monetary inflation, investment on land is highly profitable. Since, land value appreciates, it acts as a hedge against inflation. This is the safest investment for surplus household savings. There is no risk in it. The land speculators take advantage of this situation by artificially increasing the land value. The Bangladeshi wage earners working abroad are also responsible for the artificial price hike because they can pay higher price for

land. As a concluding remark it can be added that the inappropriate taxation policy on urban land and building is one of the main causes for high land value and consequently the housing shortage in urban area.

CHAPTER 5
TAX ADMINISTERING ORGANIZATIONS IN BANGLADESH

3.1 Tax Administering Organizations

As discussed in the previous chapter, there are a number of taxes leviable on urban house property. These different taxes are administered and collected by different authorities. The discussion here will be focused on these tax-administering organizations.

Municipal tax is payable to the municipal office in four equal installments per year. In case of payment of the total yearly tax at a time in advance, certain rebate is given by Dacca Municipal Corporation. The tax can be paid in cash or by cheque. The ministry involved with the municipalities is the Ministry of Local Government and Rural Development (L.G.R.D.)

Urban Immovable Property Tax is to be paid annually in favour of Deputy Commissioner of taxes of different urban areas of Bangladesh. This tax is administered by the National Board of Revenue (N.B.R.) which is a part of Ministry of Finance.

Wealth tax is also payable in favour of Deputy Commissioner of Taxes. Consequently the administering authority and the concerned ministry are the N.B.R. and the Ministry of Finance respectively.

Land Development Tax which is popularly known as "Zamir Khanna" is to be paid in cash or by cheque in the "Tahsil Office". The collecting authority is Circle Officer (Revenue). The concerned ministry is the Ministry of Land Administration and Land Reforms.

Income Tax is payable to the Deputy Commissioner of taxes by cheque or treasury chalan.

Capital Gains tax is also payable in the same office of the Deputy Commissioner of taxes where the assessee pays the income tax. Capital Gains tax is payable in the form of treasury chalan.

The National Board of Revenue is responsible for the administration of both Income Tax and Capital Gains Tax.

Besides the above stated taxes, a person has to pay certain fees during the purchase of land. This fee is known as "Registration Fee" and is payable in the office of the sub-registrar.

From the discussion above, it can be summarized that most of the taxes leviable upon urban house property is administered through the National Board of Revenue. One tax, which is of course a major tax on urban house property is administered through the municipality. Another tax is administered through tehalil office. Altogether three ministries are involved. They are the Ministry of Finance, the Ministry of Local Government and Rural Development and the Ministry of Land Administration and Land Reforms.

3.1.1 Municipality

Municipality is responsible for administering the municipal taxes. Therefore, a brief discussion about the municipal authority is necessary. But the present discussion will be limited to Dacca Municipal Corporation.

Dacca Municipality is divided into fifty wards. Each ward has a Ward Commissioner. The list of the wards is given in Appendix C. Dacca Municipal Corporation is headed by a Mayor. The detailed organization chart of the corporation is shown in Appendix D. An individual ward of Dacca Municipality has actually no fixed budget. A ward has neither the power to levy any taxes nor the power to spend

on a project on its own. The annual budget of the corporation is to the tune of Taka 60 crores. Of that Taka 10-15 crore is earned through revenue collection and the rest comes as government subsidy. The tax known as 'Octroi' - which was tax on the import of goods for consumption, use or sale in the municipality has been withdrawn in the current fiscal year. This has decreased the revenue earning of the corporation by about Taka 6 crores. The expenditure heads of the corporation can be listed as follows :-

1. Street Lighting
2. Conservancy Services
 - a) Cleaning of roads
 - b) Cleaning of drain
 - c) Removal of garbage
 - d) Cleaning of service latrine
 - e) Health and sanitation such as mosquito control
 - f) Construction and maintenance of roads and footpaths
 - g) Welfare services
 - h) Administrative expenses.

The different items of taxes levied by a pourashava is given in the form of a list in Appendix E.

Any municipal expenditure on a project is to be proposed by a Ward Commissioner. Then the proposal is reviewed by a standing committee (there is a separate committee for each type of work). Finally, it is approved by a Board consisting of the Mayor, Commissioner, Official Commissioners and Experts. But unfortunately Dacca Municipal Corporation does not possess professional town planners or other specialists and experts. This leads to erroneous decisions and inefficient municipal administration.

5.1.2 The National Board of Revenue

The National Board of Revenue is an organ of the Ministry of Finance. It lies at the apex of the whole revenue organization. It is responsible for the administration of all the former central and some of the provincial direct and indirect taxes. The importance of the National Board of Revenue is evident from the fact that it was responsible for the collection of about 98% of the total tax revenue of the government during the last few years. Some of the former central direct taxes which the NBR administers at present are income tax, wealth tax, gift tax and estate duty while the central indirect taxes are the customs, excise and sales tax. The former provincial taxes include urban immovable property tax, provincial excise, hotel tax advertisement tax and electricity duty. It is therefore, very clear that most of the taxes leviable upon urban house property are administered by the NBR. The taxes are urban immovable property tax, wealth tax, Income tax, Capital Gains tax Estate Duty etc.

Constitution and Organization : The NBR was constituted by the National Board of Revenue Order, 1972 (President's Order No. 76 of 1972) which repealed and replaced the Central Board of Revenue (CBR) Act of 1924 (Act XV of 1924). At present, the Board has a Chairman and four Members. Two of the members are for direct taxes and the other two for indirect taxes. From the inception, the chairman of the board has been an Officer of the status of a Secretary to the government and the members of the status of Joint Secretary. In the New National Grade and Scale of Pay, However, the posts of the members have been shown in Grade II meant for Additional Secretary to the government. An ex-officio

Secretary and Additional Secretary/Joint Secretary to the government, the Chairman and Members of the Board respectively perform some of the statutory functions of the government relating to tax matters. The organisation chart of the NBR is shown in Appendix F.

Board's Relationship with the Ministry of Finance : The National Board of Revenue, for all practical purposes functions as a Revenue Division of the Government in matters of the major revenues. But the fact remains that the Board under the NBR order functions subject to the control of the government and exercises such powers and performs such duties as may be entrusted to it by the government or by any law. The present law allows the Ministry of Finance to exercise control and supervision over the functions of the Board.

Under the Board of Revenue, there are a number of Directorates. They are as follows :-

- (1) Directorate of Research and Statistics
- (2) Directorate of Inspection and Training for taxes
- (3) Directorate of Inspection and Training for Customs and Excise
- (4) Directorate of Intelligence and Investigation and Excise
- (5) Directorate of Complaints.

Any proposal regarding introduction of a new tax or alteration of an existing tax originates from the National Board of Revenue. Then the proposal is recommended by the Minister of Finance and passed to the Cabinet Committee for further examination. Finally with the consent of the President the proposal is placed before the Parliament. The Parliament can approve, alter or reject the proposal.

The role of the N.S.R. is therefore vital. To perform this responsible task efficiently the N.S.R. needs a panel of experts and specialists from various fields like economics, management, planning, engineering etc. But at present the N.S.R. does not have sufficient number of experts in the relevant fields. The existing strength in all the directorates falls far short of the sanctioned strength. There is a common complaint of understaffing at all levels in all the directorates and departments under the N.S.R.

CHAPTER 6
REVIEW OF URBAN LAND POLICIES ADOPTED BY OTHER COUNTRIES

6.1 Land Policy

Some of the growing problems of developing countries are the problems of supply, price and allocation of urban land. The towns and cities of developing countries are growing and developing very fast. Consequently the demand for urban land is rising. With the growth of urban centres the urban population is also increasing which in turn initiates haphazard and unplanned development in the absence of proper policy outlines and guidance.

The quality of life of this urban population - where they live, where they work, their possibilities for recreation and the environment which surrounds them - will depend in no small measure on the systems used for developing and servicing of urban land. Fiscal questions of using land value more widely as a basis for charging, whether by general land taxes, special levies on land benefitting from public projects, or via public ownership of urban land, are also highly relevant since the quantity of urban services is largely dependent on the revenues that can be raised from the beneficiaries.

In the last few decades lot of studies have been conducted on urban land policy issues in different countries - both developed and developing. Different countries have taken different measures to fight with urban land problems. The problem is unique in each country due to variations in the level of urbanisation, population, culture and resource availability. Therefore the remedy is also unique. Land policy which is very effective in a developed Western country may not be equally effective in a developing South-East Asian country. But experiences of other countries can always be examined and studied to solve the problem of one's own country. This chapter has therefore been devoted to share the experiences and experiments in other countries in the fields of urban land issue and

Urban land policy. Special attention has been given to the policy measures adopted in Taiwan and India. General review has been made about some specific policy contents.

6.1.1 Urban Land Policy in Taiwan

In this section discussion has been focussed on urban land policy adopted in Taiwan. Taiwan is an Asian country with an area of 13,892 square miles. Taiwan's population density is one of the highest in Asia and its man land ratio is one of the lowest. The population density of Taipei city is 19,883 persons per square mile. Since the land policy measures adopted in Taiwan has been proved to be a success in the recent past, so the experiences of Taiwan may be of some help to formulate policy outlines for Bangladesh.

The constitution of the Government in the Republic of China in Taiwan is one of the most specific constitution with regard to national land policy. The constitution of 1947 provides that :

"All land within the territory of the Republic of China shall belong to the whole body of the citizens. Private ownership of land, acquired by the people in accordance with the law, shall be ~~its~~ protected and restricted by law. Privately owned land shall be liable to taxation according to its value, and the government may buy such land according to its value".

The constitutional provisions on land policy were derived from the policy outlines advocated by late Dr. Sun Yat-Sun, the founder of the Republic of China. The central theme of his ideas regarding land policy was that, the blessings of civilization should be enjoyed by all citizens on an equal basis. He urged that the socio-economic structure of the nation be improved and values of all lands of the nation be assessed and regulated. The existing land value

should belong to the land owners, while the increment in land value realized as a result of social improvements should be enjoyed by all the people.

The first land law of the Republic of China was enacted in 1930. But in reality the implementation of Dr.Sun's land policy started with the revision of Land Act in 1946. In 1954, "The Equalization of Land Rights Act" was promulgated. Since then the act has been amended four times. The last amendment was made in February 1977. The act covers three main procedures relating to land : assessment of land values and taxation, land use and land purchase.

Land Value Determination : The value of all land is being assessed and reassessed once every three years. The procedure for this action is as follows: first, determination is made of the market value and income from land generally in the past 12 months, by district, section and land category; following this, the findings are transmitted on land value grades and assessed land values to the Land Evaluation Committee for finalization; the results are then announced to the public and a time limit is announced for land owners to declare the value of their lands; finally a compilation of land value statements is made, and a general register is produced of land owners in accordance with the declared land value. In case a land owner declares his land value in excess of 120% of the assessed land value, the announced value is deemed the land value. In case the land value reported by any land owner is more than 20% lower than the "Government announced land value", the land owner shall be notified to make another declaration within specified period. If the redeclared value is still

more than 20% lower, the government may, at its discretion, either purchase the land at the reported value or impose the tax with the government announced value as the basic.

The statute also provides that the land value, once determined or redetermined, may be redetermined three years after if the land value have increased or decreased by more than 50%.

Types : There are two taxes on land : Land Value Tax (L.V.T.) and Land Value Increment Tax (L.V.I.T.).

The L.V.T. is based on the declared land value and is levied according to progressive rates. The starting point is the average value of 700 square metres of land, excluding land for agricultural or industrial use. If the total value of all the land belonging to any land owner does not exceed the above starting value, the land value tax is levied at the basic rate of 1.5%. However, if the total land value exceeds this "Progressive starting value (P.S.V.)" 0.5% on the first 500% in excess, and 1.5%, 2.5%, 3.5%, 4.5%, 5.5% on each succeeding 500% in excess shall be added on top of the basic rate, until a maximum rate of 7% is reached. Thus, the bracket rates are given in Table 6.1.

TABLE 6.1

Land Value Tax (L.V.T.) Rates

Portion of Total Land Value in excess of initial value	Tax Rate (Per cent)
(1) Not greater than 5% ^v	1.5
(2) Less than 50%	2.0
(3) Between 50% and 100%	3.0
(4) Between 100% and 150%	4.0
(5) Between 150% and 200%	5.0
(6) Between 200% and 250%	6.0
(7) Over 250%	7.0

(Source: Habitat International, *Land Policy*, volume 4, Number 4/5/6, Pergamon Press, 1979, pp. 524-525)

The L.V.T. is collected on land sales at highly progressive rates. The seller is taxed at a rate based on the amount of increased value over original capital value. There is an adjustment for changes in the consumer price index. Allowance is also made for land improvement costs incurred by the land owner. The present rates of LVIT is given in Table 6.2.

TABLE 6.2

Land Value Increase Tax (L.V.I.T.) Rates

Percentage by which a part of the total increase exceeds the original capital value	Tax Rate (Per cent)
(1) Less than 10%	40
(2) Between 10% and 20%	50
(3) Increases of 20%	60

(Source : Same as Table 6.1)

In line with government's land policy goals, the L.V.I.T. has also incorporated some preferential rates. Where urban land is used by its owner as a factory site and transferred to the same use, the tax rate will be half the rates shown in the table. Residential land, when used by its owner, also received preferential treatment. For owner occupied residential land, the rate of 10% of the increment is charged for holdings less than 3200 square feet in size. The preferential rates, however, is applicable only once by a land owner.

Urban Land Ceiling and Vacant Land Tax § The Equalization of Land Rights Act, 1954 has imposed limits on the size of the area that any private individual may be permitted to own. Private land to be used for construction, as yet vacant land is limited to 1000 square metres. Every land owner must sell the excess portion or use it for construction within two years from the date of the enforcement of this act. If not, the excess portion may be compulsorily purchased by the local authorities. In any case, such vacant land will be levied a vacant land tax in addition to the land value tax, at the rate equivalent to upto five times the basic rate. Furthermore, there is provision for penalty of imprisonment upto three years and fine upto 7000 'yuan' for any real estate dealer who engages in land speculation or manipulation.

Revenue § The Chinese Government has placed greater emphasis on land taxation as an *in* instrument of policy to accomplish the following goals, than on its traditional function of raising revenue.

This is to achieve :-

- (1) Public enjoyment of benefits derived from land
- (2) Encouraging the proper utilisation of land
- (3) Curbing monopoly ownership and speculation in land.
- (4) Eliminating unfairness in the distribution and enjoyment of benefits from land value increments.

In the Republic of China, the land tax is nominally classified as provincial tax. Revenue derived from the land tax are shared by provincial government and local government, if collected in provinces, or by municipality government and the central government if collected in a municipality.

In overall government tax revenue (including tobacco and wine monopoly profit) picture of Taiwan, the land tax is one of the major revenue producers, accounting for 8% to 10% of total taxes and monopoly profit collections. Among provincial taxes, it is the largest item. If the revenue is recollected in accordance with sharing ratios, it becomes the largest revenue source of local governments.

Effects of Tax Measures : Within the first decade of the implementation of the equalisation of land rights programmes the following effects were noticed :-

- (1) The number of non resident land owners was reduced by 5%
- (2) The number of urban land owning families increased by 14% while the average per family holding increased by 12%
- (3) The area of urban land used for urban construction increased by 700%
- (4) The number of buildings in urban areas increased by nearly 230%
- (5) The floor area of buildings increased by 330%.

The Republic of China seems to be quite willing to tackle land policy problems through the use of specific tax measures. This tax structure is a success, at least in fiscal terms, since it is reported that most major cities in Taiwan are actually running budget surpluses.

6.1.2 Urban Land Ceiling in India

The Urban Land (Ceiling and Regulations). Act has been promulgated in India in the year 1976. This Act provided for the imposition of a ceiling on vacant land in urban agglomerations for the acquisition of such land in excess of ceiling limits; to regulate the construction of buildings on such land and for matters connected therewith, with a view to preventing the concentration of urban land in the hands of a few persons and speculation and profiteering therein, and with a view to bringing about an equitable distribution of land in urban agglomerations to serve the common good. This legislation establishes the maximum vacant area a person is entitled to hold. It varies from 500 square metres to 2000 square metres, according to the size of a city. Persons holding vacant land in excess of ceiling limits shall declare details of their property and the state government may acquire such land.

6.2 Land Banking

Land Banking is basically an approach whereby government acquires substantial areas of land well in advance of need and ultimately releases them for development. Land banking approach has been adopted by many governments as one of the most powerful control techniques. By purchasing land reserves, especially at the urban fringes the authority can determine the character, locations density,

and timing of land uses as a city expands. Using some form of plan as a guide, public policy can directly control development by its placement of development without the necessity of relying on the private market place as intermediary.

The system of land banking has been practiced with great success in Sweden, the Netherlands and in certain parts of Canada. In India, the New Delhi government has acquired large areas of undeveloped territory as land reserve. Land reserve has been attempted in Santiago, Chile.

But there are many authors who are quite sceptical about the effectiveness of land banking. According to Professor Shoup :-

".....before analysing how land banking might reduce the price of urban land or hold down the rate of increase, it is necessary to specify carefully the meaning of land prices and their rate of appreciation. In a market economy, the conventional concept of the price of land is the price that would be struck in a voluntary bargain between a buyer and a seller, by neither of whom was under coercion. In this sense, a land banking operation could sell land to certain users below the market price, and thus reduce the price of land to that user, but this could not be said to reduce the market price of land. Rather than reducing the market price of land by reducing its scarcity, the result is more akin to a subsidy in kind (which may, of course, be well justified but which introduces the problem of allocating the subsidy among deserving and undeserving claimants) rather than to any change in the market price of land".¹

1. Shoup, Donald C., Land Taxation and Government Participation in Urban Land Markets, World Bank Staff working Paper No. 283, Vol. 2, May, 1978, P. 64.

Land banking has been tried in many countries in a modified form with a different name titled "Land Pooling". Land pooling technique can be viewed as a compulsory partnership between the land owners and the public authority, for the servicing and subdivision of their land as a planned whole. Land pooling is in regular use in Japan, South Korea and Taiwan mainly as a response to the difficulty of subdividing separate small and irregularly shaped farm holdings into a regular pattern of streets and building sites. Land pooling has been tried in Perth Metropolitan Area in Australia. In Perth, the authority assembles the private and public lands in the area designated for pooling, and consolidates the titles. The authority uses the resumption technique to take possession of the land, but without paying the compensation.

The Perth experience has shown that land pooling provides local governments with a technique for achieving the efficient and orderly development of their municipality and for financing the development. Moreover, this technique can be widely adopted elsewhere because it is politically, financially and administratively feasible.

6.3 General Comment on Land Value Tax

Land value tax has already been discussed partially in Section 6.1.1 titled 'Urban Land Policy in Taiwan'. In this section further general discussion is made on Land Value Tax.

Land value taxation (or site value taxation), which gained much interest as a planning tool in the recent past has long been advocated by economists on theoretical grounds. The basic premise of L.V.T. is that land should be taxed and improvements should not be taxed. Economists argue that land value taxation

would produce a large change in land use, land prices, housing prices, the frequency of renewal or in other land market phenomenon.

Whether land value taxation is preferable to taxation of buildings and improvements is highly debatable. There are arguments on both sides. Some of the arguments regarding land value taxation are discussed below.

Shifting the property tax base from improvement value to land value will improve resources allocation efficiency. Taxation of buildings or of any capital improvements to land, is a disincentive to improvements which reduces the amounts of both new construction and maintenance of property, and increases the price of housing. A property tax on land value alone, which does not vary with the individuals' decision to build, presents no such disincentive to construction. Moreover, if land is taxed according to its capacity to produce revenue (regardless of whether the owner has developed the land to its full revenue producing capacity), there is a stimulus to develop the land to its full capacity in order to pay the taxes. Since the development capacity of land serviced with urban infrastructure is higher than that for raw land, site value taxation would put greater pressure on the development of already serviced land, relieving some of the political pressure to extend new services to raw land. This should result in some infilling of the vacant or presently underutilized areas of the city.

According to Walters, the market price of land depends on the appropriation ratio,² which is the proportion of the true rental value of the land which

2. Walters, Alan A., The Value of Urban Land, World Bank Staff Working Paper No. 203, Vol 1, May 1978, pp 65-97.

is received by the land owners :-

$$\text{appropriation ratio} = \frac{\text{net rent received by land owner}}{\text{total economic rent of land.}}$$

When a land value tax diverts to the government some portion of the rental value, the appropriation ratio declines, and the market price of the land should also decline. The economic cost of land to a new buyer does not decline, however, because the cost to the buyer is the sum of the market price of the land and the stream of future tax payments. Thus the reduction in market price which results from the tax is not a benefit to the new buyer ; the buyer is simply purchasing a lesser interest in the land. In effect, the owner as is paying rent to the government for the use of his own land, as the government has appropriated a part of the ownership rights by the tax.

6.4 General Comment on Vacant Land Tax

Vacant land tax is a tax which is specifically designed to effect resource allocation and productive utilization of land. To reduce speculation and encourage use of land that is already provided with infrastructure, an annual tax can be placed on either vacant or underutilized land, and at either a uniform rate or one that escalates with the length of the period over which land is held idle. Vacant land tax can stimulate compact and contiguous with city growth.

The primary purpose of taxation on vacant land is to prevent land speculation and monopoly. The effectiveness of such a prevention is dependent upon whether the rate of vacant land tax is higher or lower than the land price hike.

CHAPTER 7

SUMMARY FINDINGS, RECOMMENDATIONS AND CONCLUSION

7.1 Summary Findings and Recommendations

It has been observed from the study that the rate of urbanization for Bangladesh is one of the highest among neighbouring Asian Countries. During the period 1961-74, the urban population of Bangladesh grew at an exponential rate of 6.7 percent per-annum. Annual growth rate for Dacca city during the same period was 9.4 percent. During the stated period the total increase in urban population was 137.57 percent, but the increase in housing stock in the urban sector was 129.28 percent. As a result the backlog of housing gradually increased with a consequent increase in rent of residential housing units. The overall quality of houses also deteriorated due to lack of maintenance etc.

Escalation of urban land value in Dacca city as well as in other cities of Bangladesh is very rapid. Starting from 1947 the land value of Dacca city has - increased at a rate much greater than the rate of increase for any other commodity. During the period between 1969-79 the cost of living has become approximately 4.5 times higher, whereas during the same period the price of high class residential land has become 25-33 folds approximately. During the period 1974-78 the rate of increase of the value of high class residential land was 89 percent per-annum. The price of land in the urban fringe area like Savar has also increased very steeply.

The land man ratio in Bangladesh is lowest in the world except a few city states. This ratio is shrinking at an alarming rate, thereby making land the scarcest resource in Bangladesh. Hence urban land has to be used much more intensively to meet the increasing demand of housing with minimal loss of agricultural land due to city growth. But it is strange to note from the study that, the

urban land of Dacca city is underutilized. The intensity of land utilization is less than satisfactory. The density of Dacca city was 72 persons per acre in 1975 while the density of Calcutta was 159 persons per acre in 1963. From the study it is revealed that the average floor area ratio (F.A.R.) in many areas of Dacca city is very low. For example the F.A.R. for Dhamandi Residential Area is only 0.31 and that for Aga Saday Road is 0.75.

In a buyer's market land is very scarce in Dacca City. At present it is very difficult to get a parcel of residential land within the city proper. But this does not mean that Dacca is entirely built-up or all city land have been properly utilized. Rather, quite a sizeable amount of land in Dacca city is lying either vacant or under-utilized. It is very interesting to note, as already mentioned, that even a large number of developed and serviced plots are lying vacant in Mirpur, Uttara, Basani and Gulshan.

The average inflationary rate in the economy of Bangladesh was around 20% during the 1981 calendar year. The inflation rate in the preceding years was also similar. To safeguard savings against this high inflation rate the wealthy people are investing on urban land because the rate of appreciation is highest in this sector. This has led to land speculation and price escalation. Due to high land speculation, land remains vacant, underutilized and unproductive. This again leads to artificial land scarcity. Ultimately the supply of houses in the urban sector is retarded.

Since, land value appreciates, it acts as a hedge against inflation. This is the safest investment for surplus household savings; there is little risk in it. The prospect of profit making is highly encouraging. The land

speculators take advantage of this situation by artificially increasing the land value.

Being encouraged by the prospect of making large profits, a good number of housing societies and housing co-operatives have been established in Dacca city in the recent past. These societies and co-operatives are mainly engaged in the process of buying and selling the urban land, and are acting as brokers or middlemen. The activities of these societies and co-operatives are only helping the speculators, and in real terms have very little contribution in solving the housing problem in the city, because the plot owners are keeping their land vacant in order to make a profit in the future.

In the last few decades lot of studies have been conducted on urban land policy issues in different countries - both developed and developing. Different countries have taken different measures to fight with urban land problems. The problems are unique in different countries due to variations in the level of urbanization, population, culture and resource availability. Therefore the remedy is also unique. However, the most widely used policy measures to deal with urban land problems include Land Ceiling, Land Banking and Taxation of house property. The characteristic role of these policy measures are briefly discussed in the following paragraph. ~~The main objectives~~

The main objectives of land ceiling are to prevent the concentration of urban land in the hands of a few persons, to bring about an equitable distribution of land in urban agglomerations to serve the common goal, to stop speculation and profiteering therein. But the main weaknesses of this policy instrument are that

it does not ensure construction of new houses, does not provide incentive for new construction and does not ensure efficient utilization of urban land. In a situation like Dacca city where there is a very acute shortage of housing, the policy of land ceiling alone will not be a very effective method to substantially improve the situation of housing shortage.

As has been discussed in the previous chapter, Land Banking can be a useful policy instrument to reduce the price of urban land or to hold down the rate of increase of land price and to determine the character, density, location and timing of land uses as a city expands. But this method can not be effective if government fails to acquire substantial areas of urban land well in advance of need. For Dacca City, where the price of urban land is already very high, it may not be possible to make this method a success because the Government can ill-afford to purchase land reserves well in advance of need since the budgetary allocation for this sector is always short.

From the review of land policies in chapter-6 it is revealed that the taxation of house property is a very potent and versatile instrument for desirable development of urban real estate. It can be a very effective method of controlling the use of land. It is a useful device for preventing the holding of land for speculative profits; it simply reduces any incentive to hold land for other than productive reasons. Land taxation as an instrument of policy helps to curb monopoly ownership and eliminate unfairness in the distribution and enjoyment of benefits from land value increments. It encourages proper utilization of land and it has an influence on the use of land. For example, tax exemption on building structures may stimulate new constructions, and a burdensome tax on vacant land may hasten its improvement. Furthermore, the taxation of under developed land helps governments to finance roads and utilities and to recover some of the rise in land values that accompanies such improvements.

Taxation of urban land can be a very potent source of revenue earning for the government. It can provide a permanent income base with which municipality and the local government can meet community needs. It produces about 8% to 10% of total revenue collections in Taiwan.

Taxes were originally devised in order to provide the revenue necessary to pay for functions performed by the state. But it is, now-a-days, only one among several aims. Other purposes concern with the questions of the effect of taxation on incentives, on demand management, on the distribution of income or wealth, on economic growth and on the administrative efficiency of the system.

In Bangladesh, the use of the taxing power still remains a crude instrument that serves only to retard the city rather than advance it. The present taxation policy on urban house property has a depressing effect on incentive and productivity. Concern has been rising as to whether the property tax acts as a possible deterrent to continued progress in economic development in general and to urban development in particular.

At present land taxes in Bangladesh constitute only a minor part of the fiscal system but it can be improved substantially through reforms in assessment and collection procedures. The development of a proper tax system for our urbanized society is obviously a major problem that calls for immediate and massive studies.

From the study it is revealed that there are numerous taxes leviable on urban house property in the country at present. But most of them have practically little or no effect in the taxation structure. Capital Gains Tax, Betterment Fees, Unutilized Land Taxes and Estate Duty have been little used. These taxes do not have any significant role on the problems of land speculation, land hoarding, underutilization of land and housing shortage. The contribution of

these taxes towards revenue earning of the Government is also insignificant.

At present urban house properties are liable to three types of regular taxes viz. Municipal Tax, Urban Immovable Property Tax and Land Development Tax. Two of these taxes - municipal tax and urban immovable property tax are the major taxes. The base of the two taxes are similar and the basis is annual rental value of the house. The two taxes combined together constitute about 16% of total annual rental value of the house. These two taxes are not leviable on the property owner so long his land remains vacant or unproductive. These two taxes become leviable as soon as a house is built on the land property and it possesses a rental value. Moreover, on analysis it is found (Chapter-4) that the financial return on investment in housing is about 5 percent which is extremely low compared to the rate of return in alternative sectors of investment. As a result, these two taxes are acting as a disincentive to house construction. It discourages the people to construct houses on their property for rental purposes.

Vacant urban lands are subject to land development tax only. This tax is applicable on both urban and non-urban land. But its rate is quite low compared to municipal tax and urban immovable property tax. Hence, the tax burden for urban vacant land is almost negligible. Buildings depreciate and involve maintenance cost. But land value appreciates and land property needs no maintenance cost. Due to the cumulative effect of all these factors it is highly profitable to keep the land vacant instead of constructing a house over it.

In order to provide incentive for further house construction, the total tax burden for residential houses must be reduced. At the same time, to provide more incentive for the productive utilization of urban land, vacant land must be made unprofitable and this is possible by imposing appropriate tax on land. Moreover, there is an obvious relationship between the tax on land and the market value of land. The more is the tax burden on land, the lower is the land value. So, by appropriately calibrating the tax on land, the land value can be lowered to any desired level.

It is suggested that (all land within the jurisdiction of the municipality should be appropriately taxed.) Exceptions may be made for low-lying agricultural land, water bodies and public lands which are utilized for the common interest of the people e.g. land for recreation, education, health, transportation and other public purposes.

In order to make the taxation system effective and to make the revenue earning adequate for financing socially justified projects, (the basis of taxation on house property should be changed.) It is understood from the study that the system of taxes based on urban property value can alleviate most of our land problems from which we are suffering so acutely. (Existing municipal tax and urban immovable property tax should be merged into one single tax to be termed as Rental Value Tax.) Existing all other taxes should be abolished and a new tax based on urban property value should be introduced. This new tax will be divided into two parts viz. Land value Tax and Building Value Tax. In all there will be three types of taxes. It is very difficult at this stage to prescribe

the appropriate rates for these taxes. However, once imposed, the rates can be adjusted after every one or two year by trial and observation until the land values are stabilized and the desirable results are achieved.

In appendix-G (Table-G.1) a calculation has been shown to find out a new tax rate so that the total tax burden on the house owner is reduced and the revenue earning of the Government is increases. The proposed rates of the new taxes are as follows :-

- (a) Land Value Tax @ 0.4% of land value
- (b) Building Value Tax @ 0.2% of building value
- (c) Rental Value Tax @ 6% of annual rental value.

On the basis of the existing taxes it is theoretically calculated that the total tax per higha in Dhermandi Residential Area amounts to about Tk.14,000/-. With the imposition of proposed new tax rates the realisation would be about Tk.11,040/- per higha. This means that the tax burden on the house owners would be reduced by about 22 percent. But the total revenue earning for the Government is expected to increase since all buildable private lands (including the vacant land) within the municipality would be taxes. Let us now examine the position of total revenue earning.

Table-G.2. in Appendix-G shows that the present revenue earning (municipal tax) of Gulshan Municipality is nearly Tk.68,00,000/-. With the introduction of proposed taxes, the total realisation would be about Tk.2,15,89,000/-. Hence, the municipal earning would increase by about 217. percent over the present earning.

In addition to the already mentioned taxes, (Vacant Land Tax or Penalty Tax may be necessary to be levied to hasten the development in planned areas where all service facilities have been provided for the property owners. The rate of vacant land tax or penalty tax should be higher than that of land value tax but smaller size plots may be exempted from this tax.) For example, a vacant land tax or penalty tax for plot sizes above 5 Katha may be levied at the rate of 1% of land value. Since, the development capacity of land serviced with urban infrastructure is higher than that for raw land, vacant land tax would put a greater pressure on the development of already serviced land relieving some of the political pressure to extend new services to raw land. This would result in some infilling of the vacant or presently underutilized areas of the city.

Comparing the revenue earning of the two areas namely Dhanmendi and Aga Sadeq Road, it is observed that per acre revenue earning from Dhanmendi is lower but the level of services provided in the area is of higher order. This observation leads to the conclusion that social justice is not maintained with regard to the expenditure on service facilities provided in different areas of Dhacca City. Certain affluent areas are being provided with additional and more than proportionate facilities at the cost of all the tax payers in general. The proposed tax based on property value and rental value will help to alleviate this problem and bring about social justice because the tax rates would take care of the difference in the land value, building value and rental value in different areas. From the study it is revealed that altogether three ministries are responsible for administering the taxes on urban house property. These are Ministry of

Finance, the Ministry of Local Government & Rural Development and the Ministry of Land Administration & Land Reforms. Municipal tax is administered through municipality. Land Development tax is administered through tahsil office. The National Board of Revenue administers all other taxes including wealth tax and urban immovable property tax. The Taxation Enquiry Commission has pointed out that under evaluation in the municipal value of urban houses is a common practice in all municipalities. As a result, considerable loss is caused to municipal revenue as also to urban tax. One of the main reasons of the precarious financial condition of the municipalities is that they do not explore effectively the resources placed at their disposal. The basis of the two taxes, municipal tax and urban immovable property tax are the same but the two taxes are payable to two entirely different organisations. This is not rational and cannot be explained easily. It is also very inconvenient on the part of the tax payers to pay so many taxes (on the same thing) to different organisations. Taxation Enquiry Commission has also pointed out that the collection of taxes by the Government through the National Board of Revenue is more efficient. Hence, it is suggested that all (urban property taxes should be collected through the National Board of Revenue and the revenue derived from the urban property tax can be shared by the Central Government, Municipality and the other related development agencies. N.B.R. should assist in formulating necessary legislative actions and establish appropriate administrative structures for the collection and supervision of tax payments.)

Any proposal regarding introduction of new tax or alteration of an existing tax may originate from the National Board of Revenue. The role of N.B.R. on

urban land taxation policy is vital. (To perform this responsible task efficiently the N.B.R.) needs a panel of experts and specialists in the field of urban land planning, land development, land management and control. But at present N.B.R. does not have experts in the relevant fields. Hence, it is suggested that a permanent committee should be formed comprising experts from the relevant fields. The committee will assist in establishing appropriate real estate tax policies and programmes, and will review the effect of taxation on land value, land use, land control, land development, land speculation, housing and urban development. Such committee may be constituted with the following :

- (i) Member, property taxation, National Board of Revenue,
- (ii) Section Chief, Physical Planning and Housing, Planning Commission,
- (iii) Director, Urban Development Directorate,
- (iv) Chief Town Planner, Dacca Improvement Trust,
- (v) Chief Engineer, Housing and Settlement Directorate,
- (vi) A representative of municipalities,
- (vii) Head, Dept. of Finance, Dacca University,
- (viii) Head, Dept. of Urban and Regional Planning, Bangladesh University of Engg. and Tech. Dacca,
- (ix) A representative from the Ministry of Land Administration and Land Reforms.

(To make the proposed taxation system effective, it will be necessary to constitute a Land Value Evaluation Cell for each municipality.) The task of this cell would be (to assess and announce the property value of each parcel of land within the respective municipalities) every three or four years and also after every improvement on land. The entire area within the municipal boundary can be classified and categorized according to land value or municipalities

according to the facilities available. Another way of determining the land value is that the property owner declares it himself. The declared value is accepted as a basis either (a) for taxation or (b) for compensation in the case of compulsory purchase.

Detail records of each parcel of land will be required for land value evaluation. The Directorate of Land Records under the Ministry of Land Administration and Land Reforms may provide necessary assistance for carrying out cadastral surveys and land holding surveys, and for preparing classified maps according to the type of development, land value and house rent. Urban Development Directorate may provide necessary training facilities for the specialized survey and the preparation of maps.

7.2 Conclusion

The introduction of the proposed tax based on property value and rental value would produce a number of good effects. The tax based on land value would lead to more judicious use of urban land. This might result in a more compact inner city. It would bring down the price of urban land. Lower tax rates on the basis of rental value would provide incentive for further house construction. The introduction of land value tax and vacant land tax would reduce land speculation and land hoarding, and would bring about a more equitable distribution of urban land. This would also make more urban land available for house construction thereby relieving pressure on raw unserviced land in the peripheral areas. The proposed tax is expected to bring about social justice because the tax rates would take care of the difference in land value, building value and rental value in different areas.

However, some minor implications may arise due to the introduction of land value tax. The tax may be burdensome for a low income property owner who has inherited a valuable piece of urban land with a small house on it. Moreover, the slum owners may be compelled to construct high quality housing to obtain high rent on the land presently occupied by low rent slum dwellings. But, it is expected that this will not give rise to any serious effect since the kutchra houses and the slum dwellings have very low building value and rental value, the tax burden in the such areas will remain at a low level. If this situation is not adequately taken care of by the proposed proposed tax, then the affected areas may be identified and a differential land value tax at a lower rate may be introduced.

Since land value tax put a pressure for the maximum utilization of land over congestion may result in and adverse situation may arise in some parts of the city. For that reason, either a strict building code and building regulation or a penalty tax (higher rate of rental value tax) for higher rise construction may be introduced for the areas which have reached to its optimum level of development.

The study that has been made here is not a complete and conclusive one. Attempts have not been made to establish some standard rates for the property taxation which might be applicable to all situations. Rather, in this study study attempts were made to understand the problems of taxation policy on urban house property and general guide lines have been suggested to tackle those problems. Finally it is emphasized that more research is needed in this field in order to identify the specific problems of the taxation policy on house property and formulate appropriate measures of solution.

APPENDICES

APPENDIX A
NOTES ON DACCA CITY

Historical Background

Dacca was created as a district by the British. But the history of the city of Dacca goes back to the early Mughal period. Subadar Islam Khan Chisti established the capital of Subah Bengal at Dacca during his period (1608 - 1613 A.D.) and changed its name to Jahangirnagar, after the name of the reigning Mughal Emperor Jahangir.¹ There onwards Dacca was the centre of political, cultural and social life, promoted by the Mughals, and for the next hundred years, it dictated the trends of events throughout Bengal.²

Then came the 4th. In early eighteenth century the seat of the government was transferred to Murshidabad and the importance of Dacca declined. A change came with the British rule in 1765 and during a period of transition the old Mughal life was gradually changed and superseded by European fashions and way of life and living.

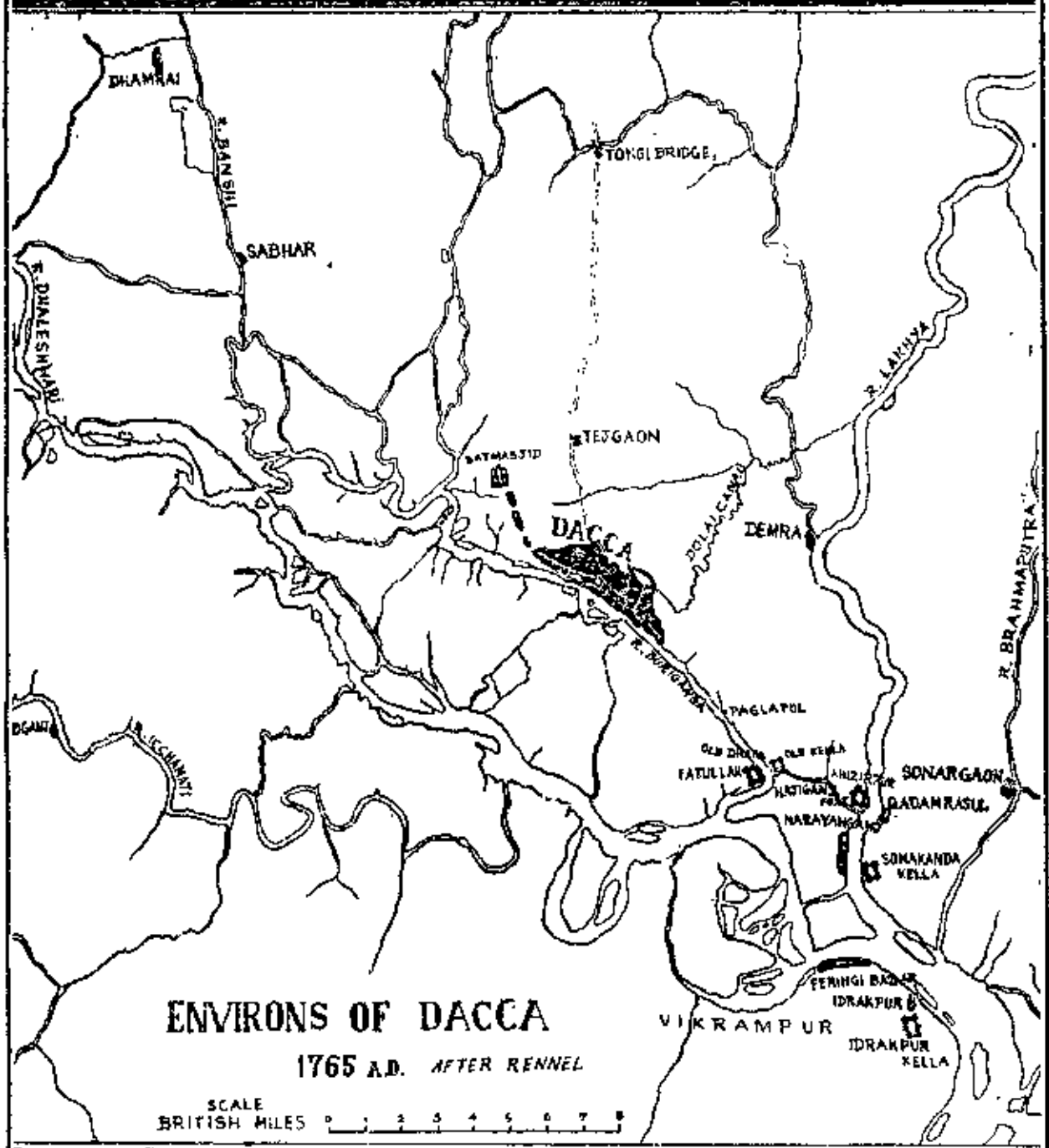
In the early 19th century, Dacca's weaving industry collapsed, local trade and commerce declined and the city shrank. The city population fell from 200,000 to 67,000 in the first 30 years of 19th century.³ Dacca began its modern life from about 1835 and developed as a mofussil town in the Presidency of Bengal. In 1905, after the first partition of Bengal, Dacca was again made the capital of newly created province of Eastern Bengal and Assam. Dacca gained a new life and the grand buildings of Ramna area slowly came into existence. But the partition was

1. Karim, Abdul, Dacca - The Mughal Capital, Asiatic Society, Dacca, 1964, P.2

2. Omi, Ahmad Nazam, Dacca. A Record of its changing Fortunes, Dacca, 1962, P.11

3. Commonwealth Institute, Commonwealth Fact Sheet, Bangladesh, London, 1975, P.4

FIG. NO. 14



SOURCE : DANI AHMED HASAN DACCA 1962

annulled and Dacca reverted to its old position in 1912. Lord Hardinge in 1912 announced the scheme for Dacca University which was formally established in 1921. Then onwards Dacca developed as an educational city.⁴

Again in 1947 with the creation of Pakistan Dacca became the provincial capital of the Eastern wing of the new country. In fact this is the starting point of the modern and new Dacca which we witness today. Dacca developed and expanded rapidly to keep pace with the increase in population and diversity of activities for about two decades when again in 1971, Dacca got a newer status of becoming the central capital of the People's Republic of Bangladesh.

Derivation of the Name

There are different popular stories about the origin of the name of Dacca. Some of them seem to be mere stories but the following two are notable. According to the first one Dacca has been named after a 'Dhak tree' (*Butea Frondosa*) which were found in abundant here. According to another traditional belief, Subedar Islam Khan, while establishing the capital caused the drums (Dhak' in Bengali Language means drum) to be beaten from a central place and fixed the boundary of the capital at the last limit from where the sound of the drum could be heard.⁵

Dacca Municipality

In 1830, the energetic collector of Dhaka (Dacca) Mr. Watters founded a committee which was known as "Dacca Committee" under his chairmanship. In 1864, Dacca Municipality was established with the collector Mr. Skinner as its chairman.⁶

4. Dani, Ahmed, Op. Cit., P. 12.

5. Hasan, Sayid Aulad, Notes on the Antiquities of Dacca, 1912, pp. 1-2.

6. Talfoor, Syed Muhammed, Glimpses of Old Dhaka, Farver, Dacca, 1956, pp. 19-21.

Present Status of Dacca

Since 16th December 1971, Dacca is the central capital of the People's Republic of Bangladesh. It is also the chief administrative, educational, industrial and commercial centre of the country. At present Dacca is considered as a metropolitan city with a population of about 3.4 million over a gross area of 100 square miles. But the actual built up area is about 51 square miles. The master plan area for Greater Dacca is 300 square miles.⁷

According to Population Census, 1981, the population of Dacca Statistical Metropolitan Area (Dacca SMA) is 3,458,602 including 73,708 floating and transient persons.⁸ The Dacca SMA includes Dacca, Karsyanganj, Mirpur, Gulshan and Tongi Pourashavas; Siddirganj, Dacca and Gulshan thanas; parts of Keraniganj, Patulia, Bandar and Savar thanas and entire cantonment area. The Dacca SMA is shown in Figure No. 15.

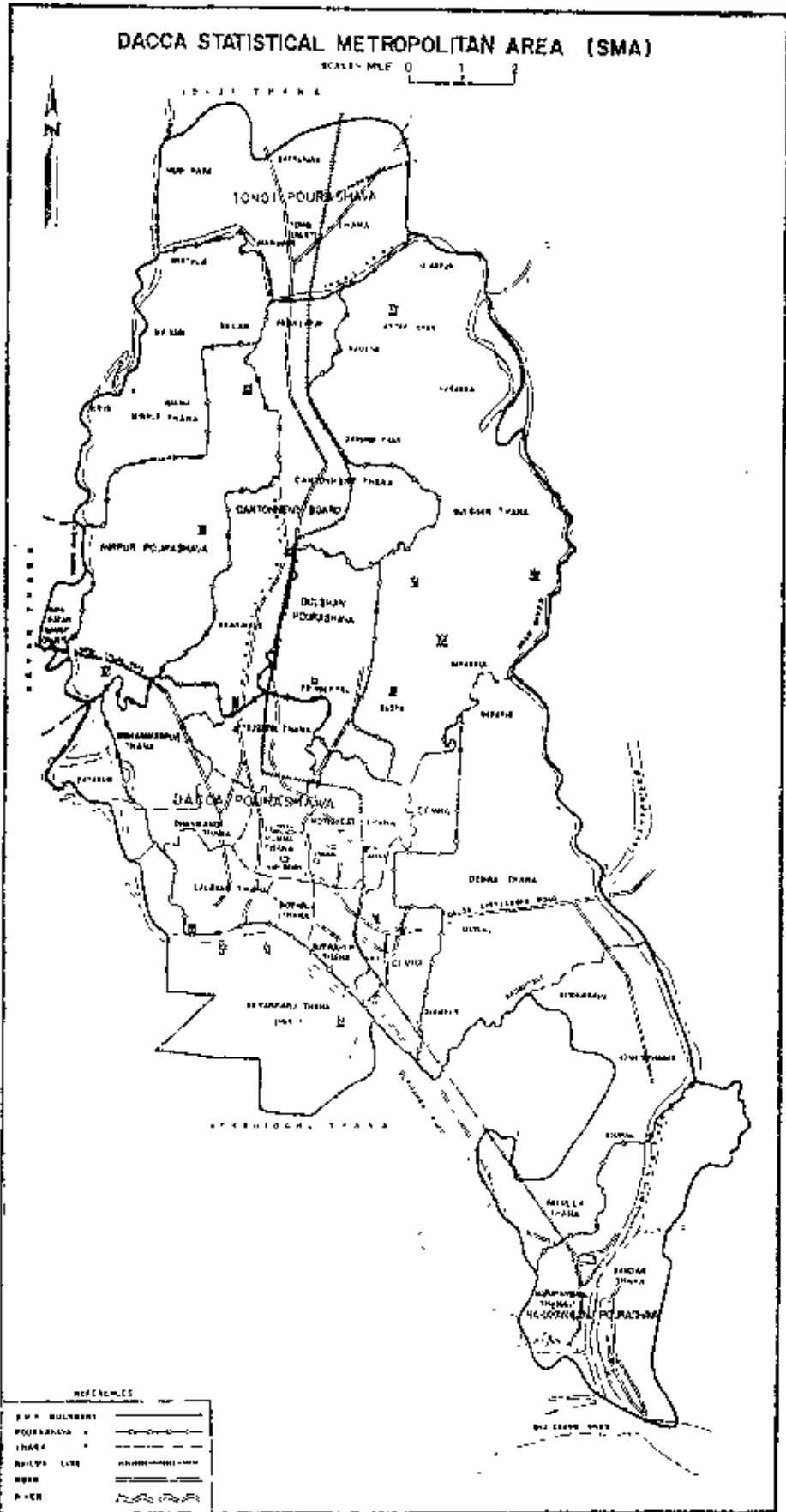
At present Dacca city comprises 3 separate Municipalities, namely Dacca Municipal Corporation, Gulshan Municipality (1972) and Mirpur Municipality (1977) with a total area of 50.5 square miles including cantonment area. Dacca Municipal Corporation is divided into 2 separate zones (old and new). Dacca Municipal Corporation is again divided into 50 election wards and 58 housing assessment circles, while each of Mirpur and Gulshan Municipalities is divided into 3 housing assessment wards.⁹

7. Department of Films and Publication, Facts about Bangladesh, Dacca, May 1960, P. 48

8. Bangladesh Bureau of Statistics, A Preliminary Report on Population Census 1981, Dacca, June 1981, P.6

9. Centre for Urban Studies, Urban Housing and Shelter Process in Bangladesh, August, 1980, P.25.

FIG. NO. 15



SOURCE: BANGLADESH BUREAU OF STATISTICS.

Physical Growth and Demographic Change

Dacca is an old and traditional city which has grown and matured through centuries and has passed through historical phases of both intense development and decline.

Dacca city has experienced rapid physical and demographic expansion since 1947. During the period 1947-1981, in nearly thirty five years Dacca has expanded from 12 square miles to 51 square miles. Similarly the population also increased from about 0.25 million to 3.4 million. It reveals that the population expansion of Dacca city was much faster than the physical expansion. As a result the overall density of population has increased from about 20,000 per square mile to about 65,000 per square mile (3.25 times) over a period of thirty five years. Table A.1 shows the physical and demographic growth of Dacca city since 1901.

TABLE A.1

Growth of Dacca City

<u>Year</u>	<u>Area in square mile</u>	<u>Total Population</u>
1901	10	104,305
1911	10	125,733
1921	12	137,908
1931	12	161,922
1941	12	239,928
1947	12	250,000
1951	15	338,762
1961	26	553,712
1974	40	1679,572
1981	51	3458,602 (a)

(a) Bangladesh Bureau of Statistics, 1981.

(Source : C.U.S., Urban Housing and Shelter Process in Bangladesh, August, 1980, p. 27)

Dacca city has mainly expanded towards the north of what was Dacca in 1947. But expansion to the east and across the river to the south has also been substantial. The growth towards north has actually progressed along two highways - one towards Savar while the other towards Joydebpur. But this northward growth along two highway has occurred rather sparsely instead of being continuous due to stretches of so far undeveloped low lands.

APPENDIX B
REVIEW OF URBAN HOUSING SITUATION

TABLE B.1

Population Growth and Housing Development (1960-73)

Sector	1960	1973	Percentage Increase 1960-1973
Bangladesh Total			
Population	50940235	71479071	40.59
Residential Houses	9579458 (100%)	12579444	31.31
Rural Sector			
Population	48199509	65205468	35.28
Residential Houses	9127567 (95.28%)	11543287 (91.76%)	26.46
Urban Sector			
Population	2640726	6273603	137.57
Residential Houses	451901 (4.71%)	1036157 (8.23%)	129.28

(Source : Chandury, R. H., Housing Situation of Bangladesh,
Country Paper, Dacca, 1981).

TABLE B.2

Household Occupancy in Bangladesh 1960-73

	Occupancy Rate		Percent Increase
	1960	1973	
Bangladesh	5.30	5.68	7.17
Rural	5.28	5.64	6.81
Urban	5.84	6.05	3.59

(Source : Same as Table B.1)

TABLE B. 3

Persons per House

Name of the City	Average No. of Persons	
	1960	1973
Dacca	5.50	7.65
Chittagong	4.99	6.42
Khulna	5.51	6.64
Mazayanganj	4.89	6.10

(Source : Ali & Hasnath, Marc Publication No 2, 1978, P.4)

TABLE B.4

Households by No. of Rooms (1973)

No. of Rooms	Per Cent	
	Bangladesh	Urban Sector
1	44.97	54.91
2	30.16	22.77
3	14.18	11.75
4	6.47	9.82
5 +	6.14	5.00

(Source : Choudhury, R. M., Families, Households and Housing Needs in Bangladesh, Miscographed Report, B.I.D.S., Dacca, 1980.)

TABLE B.5

Per Capita Floor Space for Urban Dwellers

Income Group	Floor Area Per Person (Sq. Ft.)	
	Available	Expected
Low	37.55	68.30
Lower Middle	48.93	79.60
Middle	65.11	97.00
Upper Middle	90.54	127.90
Upper	94.41	131.00
All Groups	48.98	-

(Source : Institute of Statistical Research and Training, University of Dacca, Urban Housing Demand Survey in Bangladesh - 1970, Dacca, 1974, p.37)

TABLE B.6

Number of Houses by structural Types

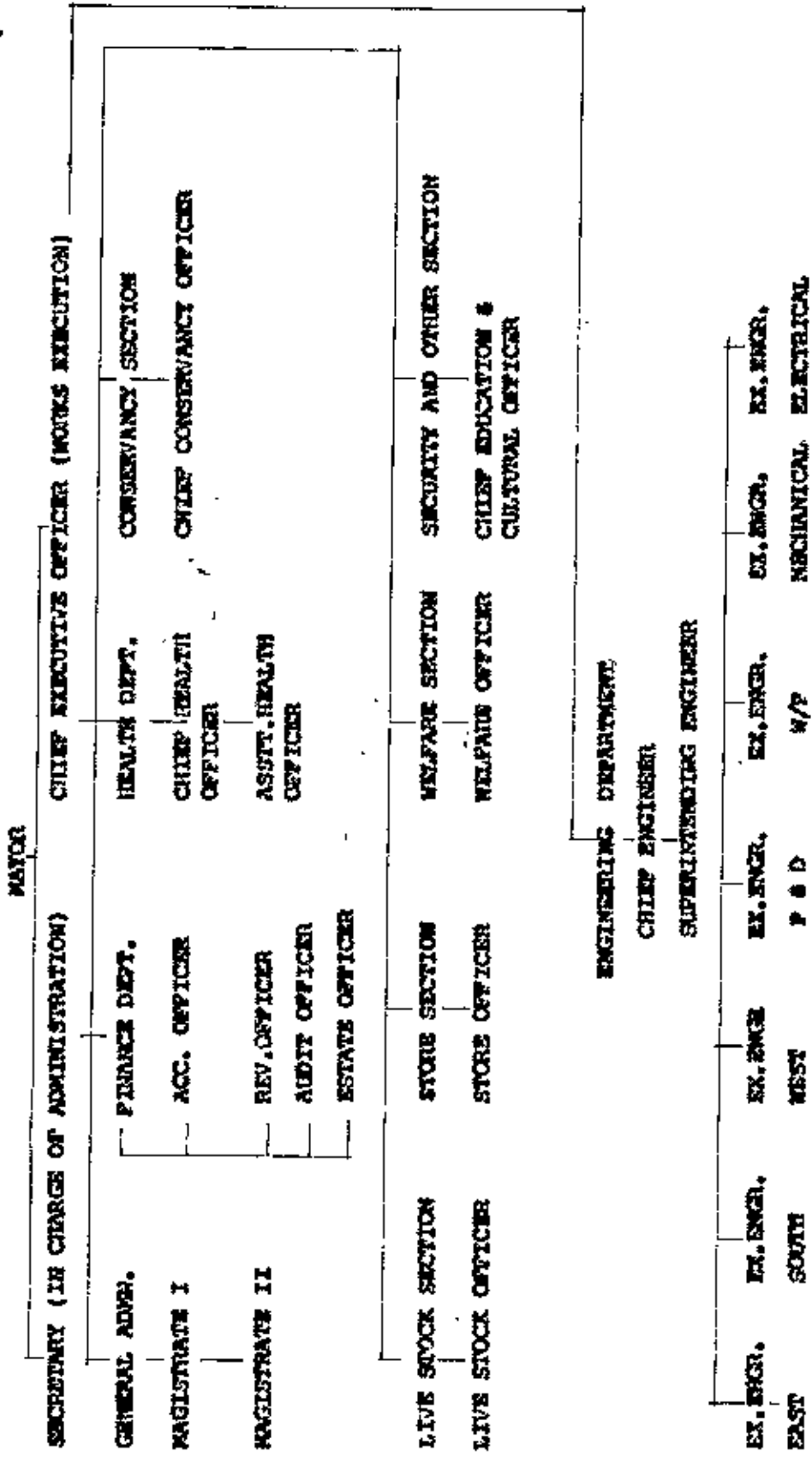
	Permanent	Semi-permanent	Temporary	Total
Bangladesh Total	3,41,561 (2.71%)	19,72,782 (15.68%)	1,02,65,101 (81.60%)	1,25,79,444 (100%)
Bangladesh Urban	2,22,296 (27.45%)	25,29,000 (24.32%)	5,61,671 (54.22%)	10,36,157 (100%)

(Source : Same as Table B.4)

APPENDIX CLIST OF WARDS OF DACCA MUNICIPALITY

- | | |
|-----------------------------|------------------------------|
| 1. Shyamoli | 26. Rokon Road |
| 2. Mohamadpur I | 27. Kewabpur |
| 3. Mohamadpur II | 28. Narinda |
| 4. Jafarabad Modhu Bazar | 29. Nari |
| 5. Rayer Bazar | 30. Sharfat Ganj |
| 6. Hazari Bagh | 31. Faridabad |
| 7. Kalabagan Dharmendi | 32. South Jatrabari |
| 8. Kathal Bagan | 33. Mir Hazari Bagh |
| 9. Elephant Road, Dharmendi | 34. North Jatrabari |
| 10. Hazari Bagh | 35. Gopi Bagh |
| 11. Kewabganj | 36. Moyda para |
| 12. Anligola Lalbagh | 37. Kotijheel colony |
| 13. Lalbagh | 38. Dasabo |
| 14. Nazimuddin Road | 39. Goran |
| 15. Khajadewan Road | 40. Khilgaon Raspora |
| 16. Rahmat Ganj | 41. Shajahampur |
| 17. Chhota Kotra | 42. Kali Bagh |
| 18. Armanitola | 43. Fakirapul, New Paltan |
| 19. Zindabazar | 44. Fulbaria |
| 20. Aga Sadeq Road | 45. Rawna |
| 21. Siddique Bazar | 46. Elephant Road Siddeswari |
| 22. Bangsal | 47. Mayatola |
| 23. Tati Bazar | 48. Nathalpara |
| 24. Patuatoli | 49. Sakaton |
| 25. Gandaria | 50. Tejgaon. |

ORGANIZATION CHART OF DACCA MUNICIPAL CORPORATION



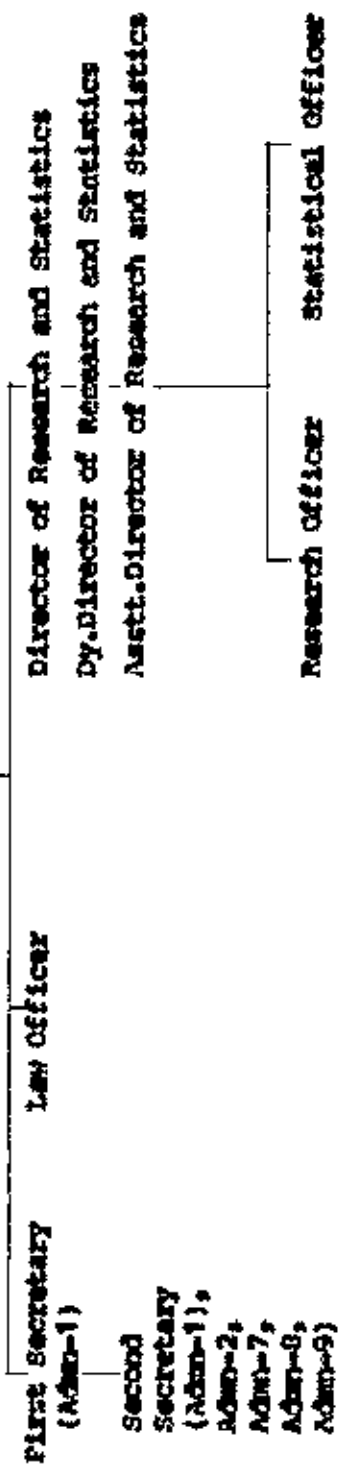
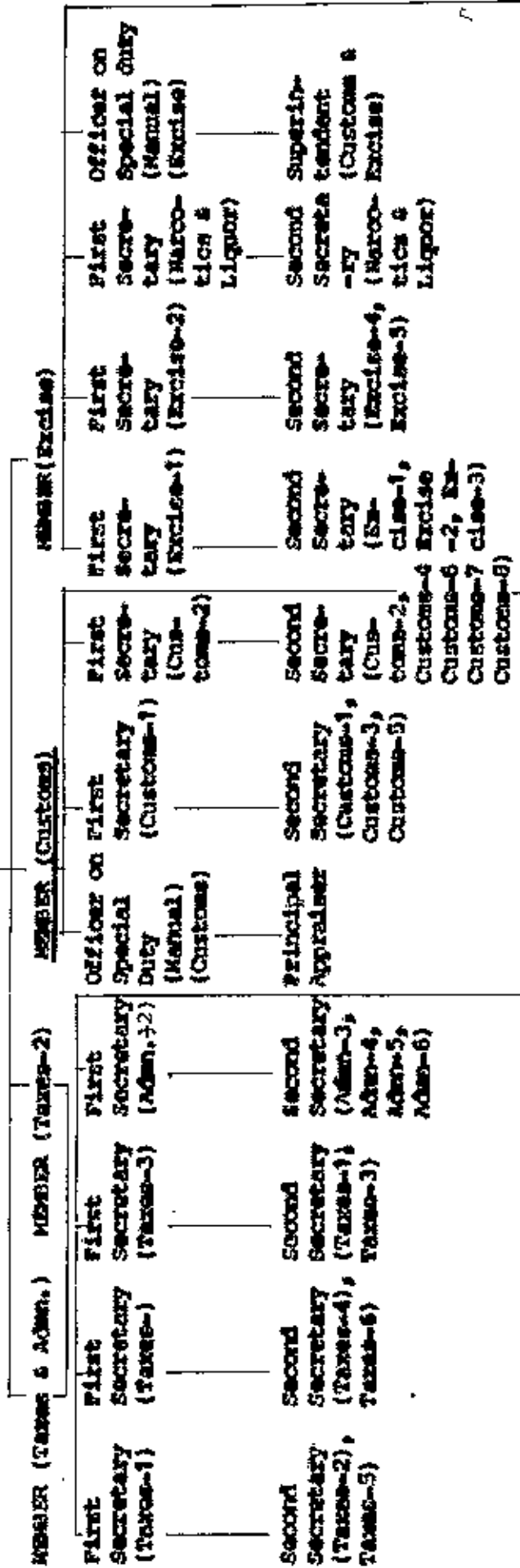
Source : Dacca Municipal Corporation

APPENDIX E**DIFFERENT ITEMS OF TAXES LEVIED BY A PAURASHAVA**

1. Taxes on the annual value of lands and buildings.
2. Lighting rate.
3. Conservancy.
4. Tax on professions, trades and callings.
5. Tax on advertisements.
6. Tax on vehicles other than motor vehicles and boats.
7. Tax on cinemas, dramatic and theatrical shows.
8. Non-Tax Revenue (Rent of Land, market and shops owned by the municipality).

ORGANISATION CHART OF THE NATIONAL BOARD OF REVENUE

CHAIRMAN



Sources NBR, Position as on 1st April, 1970.

APPENDIX G
COMPARISON OF EXISTING REVENUE EARNING AND
EXPECTED REVENUE EARNING FROM PROPOSED TAXES

TABLE G.1

Revenue Earning from Bhacmandi Residential Area.

Assumed assessed Land Value (1 bigha)	:	Tk. 10,00,000/00
Building value (F.A.R. = 0.31) 4400 sqft. @ Tk.200/00 per sqft.	:	Tk. 8,80,000/00
Rent @ Tk. 2/00 per sqft per month	:	Tk. 8,800/00
Average annual rental value (10 months rent)	:	Tk. 88,000/00
Present total tax (12% + 4% = 16%)	:	Tk. 14,080/00
Present Actual Realization (Per bigha)	:	Tk. 6,530/00

Proposed Taxes :

Land Value Tax @ 0.4% of land value	:	Tk. 4,000/00
Building Value Tax @ 0.2% of bldg. value	:	Tk. 1,760/00
Rental Value tax @ 6% of rental value	:	Tk. 5,280/00
Total Tax (Per bigha)	:	Tk. 11,040/00
Reduction of tax burden	:	22 percent

Vacant Land Tax :

@ 1.0% of Land value for plots of size above 5 katha.

TABLE G.2

Revenue Earning From Gulshan Municipality

Total Municipal Area	:	4000 acres (7.5 sq. miles)
Low-lying agricultural land and water bodies 20% (not taxable)	:	960 acres
Public land 50% (not taxable)	:	2400 acres
Buildable private land 30% (taxable)	:	1440 acres
Built-up private residential land	:	835 acres
Total building floor area (F.A.R. = 0.30)	:	1,08,90,000 sqft.
Assumed average land value (Per bigha)	:	Tk. 8,00,000/-
Assumed cost of construction (Per sqft.)	:	Tk. 200/-
(A) Present Revenue Earning (Municipal Tax)	:	68,00,000/-
(B) Expected Revenue Earning :-		
Land Value Tax @ 0.4% of land value	:	1,38,24,000/-
Building Value Tax @ 0.2% of building cost	:	43,65,000/-
Rental Value Tax @ 6% of rental value	:	34,00,000/-
Total Tax	:	<u>2,15,09,000</u>
(C) Increase in the revenue earning	:	217 percent.

APPENDIX H
QUESTIONNAIRE

SERIAL NO.

Department of Urban and Regional Planning,
Bangladesh University of Engineering and Technology, Dhacca.

Survey on Types of Residential Land and Building

for the thesis work of TOUFIQ M. SERAF

Thesis Title : Taxation Policy on Urban House Property
in Bangladesh: A Case Study of Dhacca City.

1. Date :
2. Name of Interviewer : _____
3. Address of the Plot/Building : _____

- 4.a) Name of the Interviewee _____
- b) Profession : _____
- c) Status : (1) Owner (2) Tenant (3) _____
5. Size of the plot : _____ Katha
_____ Sft.
- 6.a) Land value per katha in the area : Tk. _____
- b) Present valuation of the plot : Tk. _____
7. Land utilization pattern.
 - (1) Residential
 - (2) Commercial
 - (3) Industrial
 - (4) Mixed
- Built up area _____
- Open space _____

10. Different types of taxes paid by the tenant of the house :

Types of Taxes	Rate or amount per year per tenant					No. of Instalments per year	Authority/Deptt. to whom the tax is paid
	Tenant No.1	2	3	4	5		

11. Service facility and Environmental condition.

Comments

- a. Roads
- b. Street drainage
- c. Street light
- d. ~~Sanitation~~
- d. Sewerage
- e. Water supply
- f. Electricity
- g. Gas
- h. Telephone
- i. Night guard/security
- j. Others

12. Views of the interviewees regarding taxes.

REFERENCES

BOOKS

- Becker, A. P., Land and Building Taxes, The University of Wisconsin Press, 1969.
- Choudhury, Rafiqul Huda, Urbanization in Bangladesh, C.U.S., Dacca, 1980.
- Dani, Ahmed Hassan, Dacca: A Record of its Charming Forture, Dacca, 1962.
- Doran, H. B. & Hirsman, A.G., Urban Land Economics, Mc Grath Publishing Company, College Park, Maryland, 1928.
- Grimes, Orville P. Jr., Housing for Low-Income Urban Families - Economics and Policy in the Developing World, The John Hopkins University Press, 1979.
- Hazan, Sayid Anlad, Notes on the Antiquities of Dacca, Dacca, 1912
- Karim, Abdul, Dacca - The Mughal Capital, Asiatic Society, Dacca, 1964.
- Reboon, W.A., Taxation Policy (The Political Economy of Taxation), Pelican Original, Penguin Books, 1972.
- Raifoor, Syed Mahammed, Glimpses of Old Dhaka, Parwan, Dacca, 1956.

ARTICLES, PERIODICALS, JOURNALS

Ali, S.M. and Hasmath, S.A., An Approach to Investigation of the Urban Housing Problems of Major Urban Centres of Bangladesh, IZNC Publications No.2, S.U.E.F., Dacca, January, 1978.

Commonwealth Institute, Commonwealth Fact Sheet, Bangladesh, London, 1975.

Habitat International, Land Policy, Volume 4, Number 4/5/6, Pergamon Press, 1979.

Hasmath, S.A., Rangar O Anchai Parikalpana i Patatimi Bangladesh (In Bengali), The Weekly Bichitra, Dacca 9th July, 1976.

Special Correspondent, The New Nation, (English Language Daily), Supplement on Housing Society, Dacca, 4th May, 1980.

GOVERNMENT PUBLICATIONS AND PUBLIC DOCUMENTS

Bangladesh Bureau of Statistics, Govt. of Bangladesh, A Preliminary Report on Population Census 1981, Dacca, June, 1981.

Bangladesh Parliament, Finance Act 1980, Published in the Bangladesh Gazette Extraordinary, dated the 30th June, 1980.

6 _____, Finance Act 1981, Published in the Bangladesh Gazette Extraordinary, dated the 30th June, 1981.

Department of Film and Publications, Govt. of Bangladesh, Facts About Bangladesh, Dacca, May, 1980.

Law Department, Govt. of East Pakistan, The East Pakistan Urban Renewable Property Tax Act, 1957.

Ministry of Finance, Govt. of Bangladesh, Final Report of the Taxation Enquiry Commission, April, 1979.

Ministry of Law and Parliamentary Affairs, Govt. of Bangladesh, The Poushcheva Ordinance, 1977.

Planning Commission, Govt. of Bangladesh, The Second Five Year Plan (1980-85), Dacca, May, 1980.

FEASIBILITY STUDIES AND REPORTS

Centre for Urban Studies, Urban Housing and Shelter Process in Bangladesh, August, 1980.

_____, The Urban Poor in Bangladesh, (Final Report), Dacca, February, 1979.

Choudhury, Rafiqul Huda, Families, Households and Housing Needs in Bangladesh, Mimeographed Report, B.I.D.S., Dacca, 1981.

Dacca Improvement Trust, D.I.T. - er Pachish Bachar, (Bengali Language Report), Dacca, 1981.

Institute of Statistical Research and Training, Urban Housing Demand Survey in Bangladesh - 1970, Dacca, 1974.

Shekhand Cox Partnership, DMAHUDP Working Paper, Land Issues, March, 1980.

_____, DMAHUDP Final Report, Volume 2 (Urban Strategy), March, 1981.

U.N.C.H.S., Urban Housing Policies and Programmes, Urban Development Directorate (U.D.D.) Dacca, Govt. of Bangladesh, Policies for Urban Land, April, 1979.

_____, Taxation on Urban Land in Bangladesh, June, 1979.

_____, A Survey of Land Policies, February 1980.

Willcox, David. L., Land Policies and the Second Five Year Plan (Seminar Paper), Dacca, July, 1980.

World Bank, Urban Land Policy : Issues and Opportunities, World Bank Staff Working Paper No 253, Volume 1, Volume 2, May, 1978.

World Bank, Resident Mission in Bangladesh, Bangladesh : Urban Sector Memorandum, (Draft Report), Dacca, May, 1981.

UNPUBLISHED MATERIALS

- Almazzaman, M., The Rising Cost of Urban Land : A Report on the Land Market in Savar, Bangladesh, M.U.R.P. Thesis, B.U.E.T - University of Sheffield, U.K., 1979.
- Chaudhury, Rafiqul Huda, Housing Situation of Bangladesh, (Country Paper), Presented by Housing & Building Research Institute, Dacca at the Regional Workshop on Transfer of Rural Housing Technology, 16-20 March, 1981, Dacca.
- Mur-Nabi, Mohammed, Study on Urban Residential House Rent & Government Rent Policy : A Test Case of Dacca City, M.U.R.P. Thesis, B.U.E.T., Dacca, 1981.
- Quinn, A.S.H.A., Financing of Urban Housing in Bangladesh, M.U.R.P. Thesis, B.U.E.T., Dacca, 1978.
- Seraf, Salek M., Report : On My Locality (Banani), Competition Report, Six Faculty of Engineering, B.U.E.T., Dacca, 1980.

