

Recommendations of the Valuation Committee for the year 2016-17
30th March 2016

Under Bye Law -5 of the New Delhi Municipal Council (determination of Annual Rent) Bye-Law 2009, the Chairperson, NDMC has set up a Valuation Committee to give its recommendations for the Financial Year 2016-17. The Committee consists of the following:-

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| 1. | Sh. Dharmendra
Jt. Secretary(UD) & Member NDMC
Ministry of Urban Development
Urban Development Department,
New Delhi. | In Chair |
| 2. | Sh. Raj Mohan Singh
Addl. Commissioner & Assessor & Collector,
South DMC, | Member |
| 3. | Dy. Commissioner(represented by Sh.
Rajiv Shukla, Addl. Distt. Magistrate) | Member &
representative
Of the Govt. of NCT
of Delhi |
| 4. | Dr. Sandeep Thakur
Sr. Research Officer at NIUA | Member |
| 5. | Sh. M.L. Sharma
Director(Tax), NDMC | Convener |

2. The committee had its meetings on 21/03/2016 & 29/03/2016. The Committee examined the provisions of Bye Laws 2009 in detail and called for various informations and inputs from the Property tax Department of the NDMC. Based on the detailed deliberations, discussions and examination of the information made available to the Committee, the recommendations of the Valuation Committee, for consideration of the Chairperson, NDMC for the year 2016-17 are given hereunder:

3. The valuation Committee has to give its recommendations under clause (i) to (v) of the Bye Laws 5(1) of the New Delhi Municipal Council(determination of Annual Rent) Bye Law-2009 and the same are as under:-

i) **Lands and buildings to be categorized as special category of lands and buildings for the purposes of Bye-law 3:-**

The earlier Committees has already included Gas Godown, Coal Depot, Petrol Pumps, LPG stations, buildings of the Union of India, State Governments, Embassies, Prasar Bharti, Schools, Hotels, Hospitals, Libraries, Colleges, Religious Places, Clubs, Stadium, Guest Houses, Cinemas and Hotels as coming within the special category of properties. No other category of land or building is proposed to be included in the special category for Bye Law-3. This Committee recommends no change in the categorization of the properties for Bye Law 3 and **recommends no change for the year 2016-17.**



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ii) **Base unit area value of owner occupied building which is put exclusively to residential use:**

The Committee was informed that base unit area rate of Rs.1000/- per sq.mtr. was made applicable w.e.f. 01/04/2009 which was subsequently revised to Rs.1200/- per sq.mtr. w.e.f. 01/04/2013, as per the approved recommendations of the Valuation Committee set up for the year 2013-14. The Committee observed that aforesaid 20% increase in the base unit area value was considered after a gap of four years, as such, next increase in the base unit area value, if required, should be considered for the year 2017-18. Therefore the Committee recommends that the existing unit rate of Rs.1200/- per sq.mtr. may be continued for the year 2016-17.

iii) **Percentage of the circle rate for valuation of land and cost of construction:-**

The committee was apprised that the Valuation Committee for the year 2015-16 had recommended to increase the then existing percentage of 6% to 6.5% for the purpose of determination of ARV in respect of properties falling under the Bye Laws 3. As such after approval of the Chairman aforesaid percentage of 6.5% was made applicable w.e.f. 01/04/2015. In this regard, the Committee recommends no change and the percentage of 6.5% should be continued for the purpose of determination of ARV of the properties falling under the ambit of Bye Law 3.

iv) **Relevant factors for increase in respect of each of parameters of the type of user, age, type of structure, occupancy, any rented available in the building, lack of covered space and any other relevant factor.**

The Committee was apprised that there has been no increase in the occupancy factor ever since coming into force of annual rent Bye Laws 2009 effective from 01/04/2009. It was also apprised to the Committee by way of giving examples in respect of some residential as well as commercial properties that the rateable value of self occupied residential properties is 1/3rd as compared to the rateable value of rented residential properties and the rateable value of rented commercial properties is 3 to 10 times more than the similar self occupied commercial properties. The committee was also apprised regarding the recent judgement dated 03/02/2016 of the Hon'ble Supreme Court of India in the case of S.T.C. Vs. NDMC vide which it was held that the assessment of the rateable value in respect of self occupied properties should also be on the basis of reasonable annual rent at which such properties might be expected to let, as per the provisions of Section 63 of NDMC Act. This judgement, though relating to the facts prior to implementation of unit area method, implies that there should not be very wide gap in the rateable values of self occupied vis-à-vis the rented properties. Accordingly, Committee feels that efforts should be made to minimize this wide gaps of RV in respect of self occupied properties vis-à-vis the rented properties under Unit Area Method.

It has been apprised to the Committee that the expected tax collection target for the year 2016-17 is Rs.500/- crores as against the 440 crores target fixed for the year 2015-16. In order to achieve the higher tax collection targets it is proposed that the occupancy factor in respect of self occupied properties may be increased. The Committee was apprised that as a measure to provide rebate in respect of small residential properties, the occupancy factor in

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respect of self occupied properties having an area upto 200 sq.mtr. was reduced from 1 to 0.8 during the year 2013-14 which was subsequently restored increased to 1 from 01/04/2015. Therefore, the Committee recommends that the occupancy factor in respect of self occupied residential properties built upon plot area upto 200 sq.mtr. may be continued as 1 whereas in respect of those residential self occupied properties built upon plot having area above 200 sq.mtr. but below 500 sq.mtr., it should be 1.2 and in respect of residential buildings built upon plot area of 500 sq.mtr. and above, the occupancy factor in respect of self occupied portion may be 1.5. Similarly, the occupancy factor of self occupied non-residential use/commercial properties may be increased from 1 to 1.5, irrespective of area/size of the property.

- v) **Method of determination of rateable value of petrol pumps, towers hoardings, and to specify the area of the land to be included in the case of schools, colleges, clubs etc. for Bye Laws 3.**

No change for the year 2016-17 appears necessary and as such the Committee recommends no change under Clause V for the year 2016-17.

4. Apart from above, following issues were also discussed & considered by the Committee:-

The Committee was apprised that the "covered Space" has been defined in the sub Bye Law 9 of bye law 4 as under:-

"(9) Covered space in relation to any building shall mean the total floor area in all the floors thereof, including the thickness of the walls, and shall include the spaces of the covered verandah and court yard, gang way, garage, common service area, staircase and balcony and such other spaces as may be specified by the Valuation Committee."

The Committee was informed that the bye-law 4(9) stipulates that covered space in relation to any building shall mean the total floor area in all the floors, but objections are being received that basements do not fall in FAR and as such are outside the purview of covered space. Moreover, the covered space has been defined under bye-law '4' & not under bye-law 3.

Since, Valuation Committee is competent, as per sub bye-law 9 of bye-law 4, to include such other spaces, as such, it would be in fitness of things if clarification in clear terms is given as under:-

"In addition to the covered spaces specified in sub bye-law 9 of bye-law 4, the covered space in relation to a building shall mean and also include basements, mezzanine floors and still floor meant for parking. The definition of 'covered space' should be applicable for the purpose of measurement of covered space under bye-law 3, as well".

Further, in some areas "Terrace Floors" are being used for commercial activities but tax is not being paid in lieu thereof on the pretext that the same is not covered space of building.

The Committee recommends that a clarification may be issued in this regard to the effect that in case any type of activity, whether commercial in nature or otherwise, is being carried on terrace floor that would be treated as covered space






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for the purpose of property tax & entire area of terrace would be taken into account in such cases, while calculating the R.V.


The Committee was informed that in some cases where a premises is owned by a person individually or jointly but the said premises is occupied by a company registered under the Company act in which the said person(s) is/are the Directors, they claim the premises to be self occupied. The attention of the Committee was drawn towards the explanation '(i)' given under sub bye laws 6 of bye law-4 vide which it has already been clarified that the premises owned by Company, Firm, Trust etc. and used by Directors, employees or partners for residence or Guest Houses shall not be treated as self occupied by the owners. The reverse situation would be that if a premises is owned by individual, occupied by companies, firm, trusts the same cannot be treated as self occupied by the owners. The Committee, therefore, recommends that a clarification may be issued that the premises owned by individual but occupied by the Companies, Firms, Trust, etc. would not be treated as self occupied by the owners and the multiplicative occupancy factor of 3 would be applicable in such cases.


(Raj Mohan Singh)
Addl. Commissioner & Assessor &
Collector,
South DMC,
(Member)


Dy. Commissioner, New Delhi
(represented by Sh.Rajiv Shukla
Addl. Distt. , Magistrate)
(Member & representative of the
Govt. of NCT of Delhi)


(Dr. Sandeep Thakur)
Sr. Research Officer at NIUA
(Member)


(M.L. Sharma)
Director(Tax), NDMC
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(Dharmendra)
Jt. Secretary(UD) & Member NDMC
Ministry of Urban Development
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(In Chair)